



**Report to:** Cabinet

**Subject:** Technical reforms of council tax

**Date:** 1<sup>st</sup> December 2011

**Author:** Head of Corporate Services

## **1. Purpose of the Report**

- 1.1 To inform Members of the Government's consultation paper on the proposals for Technical reforms of council tax. The consultation sets out and seeks views on the proposals to give billing authorities greater discretion over the reliefs from council tax available in respect of second homes and some empty properties; and other potential reforms of the council tax system to operate with effect from April 2013. The consultation closes on 29<sup>th</sup> December 2011.
- 1.2 Members views are sought on the basis of a response to Government and it is requested that authority to formulate the full response be delegated to the Head of Corporate Services in consultation with the Portfolio Holder for Finance and Performance.
- 1.3 The consultation paper has been placed in the Members' room and can also be found by visiting the following:-  
[Technical reforms of council tax: Consultation - Local government - Department for Communities and Local Government](#)

## **2. Background**

- 2.1 When council tax was introduced in 1993, a range of discounts and exemptions were available by which taxpayer's bills were reduced. In respect of properties empty over six months and second homes taxpayers received a 50% discount. An amendment in 2003, gave billing authorities the power to grant discounts of between 10 and 50 per cent for second homes and 0 and 50 for long term empty properties. Properties classed as uninhabitable and empty for less than six months were entitled to a 100% exemption.
- 2.2 In Gedling, we currently have 50,907 council tax properties. 118 properties are classed as second homes and 743 properties are classed as long term empty and these are granted a 50% discount. There are 59 properties classed as uninhabitable and 583 properties which have been empty for less than six months which receive a 100% exemption.

### 3. **Proposals for change**

3.1 Through the consultation, the Government has taken the opportunity to address some technical issues which have arisen in recent years, to explore modernising the system in certain minor respects, and to seek views on whether some other aspects of the system should be changed. The proposed changes are summarised as follows:

- Giving billing authorities power to levy up to full council tax on second homes.
- Replacing exemption Classes A (uninhabitable properties) and C (empty properties less than six months) with discounts, the amount of which would be for billing authorities to determine.
- Abolishing Class L exemption and making mortgagees in possession of empty dwellings liable to council tax in respect of them.
- Allowing billing authorities to levy an “empty homes premium” in respect of dwellings which have been left empty for two years or more.
- Setting a default assumption that payment of council tax by instalments will be over twelve months rather than (as is currently the case) ten.
- Allowing authorities to publish online the “Information to be supplied with demand notices”, but with a duty to supply it in hardcopy to any council tax payer requesting it – as an efficiency measure, and to encourage the take-up of electronic billing.
- Changes to eliminate potential tax complications from arrangements involving third party suppliers where solar panels are placed on the roofs of dwellings without coming into the paramount control of the resident.
- Where one part of a hereditament has been adapted for separate occupation but is not in fact separately occupied, the whole should be banded as one.

3.2 Where the consultation proposals would require primary legislation, the Government plans to bring it forward in a local government finance bill in this Parliamentary session.

### 4. **Conclusion**

4.1 The Government has stated that these proposals are designed to help local authorities keep the overall level of council tax down, supporting hard-working families and pensioners by adjusting the tax relief in respect of second homes and empty properties when authorities judge that they do not merit the special treatment they currently get. In order to formulate a response to the consultation paper Members views are sought on the following:

- Do Members agree Gedling BC should be supportive of the proposal for changes in respect of second homes and empty properties?
- Are Members supportive of the minor changes proposed to modernise the council tax system?

5. **Recommendations**

5.1 Members are recommended to:

Delegate the authority to formulate the full response to the consultation paper to the Head of Corporate Services in consultation with the Portfolio Holder for Finance and Performance.