

Report to Council

Subject: Levelling Up and Regeneration Act 2023 | Council Tax Charges

Date: 24th January 2024

Author: Revenues Manager

Wards Affected

All

Purpose

The purpose of this report is:

- 1) To seek approval to implement the 100% premium council tax charge after a dwelling has been vacant for a period of one year only with effect from 1st April 2024.
- 2) To seek approval to remove the existing 10% discount and levy a 100% premium charge for dwellings classed as second homes, commencing on the day the dwelling is classified as a second home with effect from 1st April 2025.

Recommendation(s)

THAT:

- 1) **the 100% premium council tax charge is commenced after a dwelling has been vacant for a period of one year only with effect from 1st April 2024;**
- 2) **the existing 10% discount is removed and that a 100% premium council tax charge is levied on dwellings classed as second homes, commencing on the day the dwelling is classified as a second home with effect from 1st April 2025.**

1 Background

- 1.1 The Council currently charges a premium of 100% on top of the full council tax charge, on a dwelling that has been vacant for over two years.
- 1.2 The Council also allows a discount of 10% on a dwelling that is used as a second home.
- 1.3 The Levelling-Up and Regeneration Act allow alterations to the commencement date of the existing 100% premium for vacant dwellings and an alteration to the amount of council tax charged on a dwelling classified as a second home.

Long Term Empty Dwellings

- 1.4 A dwelling is considered to be vacant if it is not the sole or main residence of a person or persons and it is substantially unfurnished.
- 1.5 Where a dwelling is vacant for a period of two years or more, the Council charges a premium of 100% on top of the full council tax charge. This premium is followed by further, increasing premiums, as the dwelling remains vacant for longer periods. This premium cannot be charged until the dwelling has been vacant for a period of at least two years.
- 1.6 Section 79 of the Levelling-Up and Regeneration Act allows this premium to begin after a dwelling has been vacant for a period of one year only, meaning the premium of 100% can commence a year earlier than it currently does. This power comes into force from 1st April 2024.

Dwellings Occupied Periodically (Second Homes)

- 1.7 A dwelling is considered to be occupied periodically (a second home) if it is not the main residence of a person or persons and it is substantially furnished.
- 1.8 Currently, the Council allows a discount of 10% on a dwelling that is used as a second home.
- 1.9 Section 80 of the Levelling-Up and Regeneration Act allows the Council to charge a premium on a second home of up to 100%. This power requires one full year's notice before it can be implemented, so if approved before 31st March 2024, would come into force on 1st April 2025.

- 1.10 It is considered that the current discount afforded to second homes may facilitate or encourage the avoidance of the long term empty levy. For example, a tax payer liable for an empty dwelling premium charge may only need to place some furniture in the property and declare it to be used as a second home to enjoy a significantly reduced council tax charge.

2 Proposal

- 2.1 It is proposed that the 100% premium council tax charge is commenced after a dwelling has been vacant for a period of one year only with effect from 1st April 2024.
- 2.2 It is proposed that the existing 10% discount is removed and that a 100% premium council tax charge is levied on dwellings classed as second homes, commencing on the day the dwelling is classified as a second home with effect from 1st April 2025.

3 Alternative Options

- 3.1 An alternative to the proposal to levy the 100% premium council tax charge after a dwelling has been vacant for a period of one year, would be to retain the current commencement timeframe for the levy, meaning the levy would be charged after a dwelling has been vacant for a period of two years.
- 3.2 Modelling suggests that this might mean a loss in potential revenue of around £367,000 per year.
- 3.4 An alternative to the proposal to remove the existing 10% discount and levy a 100% premium council tax charge on dwellings classed as second homes would be to retain the existing 10% discount enjoyed by owners of second homes.
- 3.5 Modelling suggests that this might mean a loss in potential revenue of around £339,000 per year.

4 Financial Implications

Long Term Empty Dwellings

- 4.1 Currently, the Council charges a premium of 100% on top of the full council tax charge, on a dwelling that has been vacant for over two years.
- 4.2 The table below describes the current value of council tax being charged on dwellings which have been vacant for more than one year, but less

than two years, compared to the potential charge for the same dwellings if the premium were to be charged after one year rather than two, as allowed by the Act.

| | Value |
|------------------------------|-----------------|
| Number of vacant dwellings | 354 |
| Current council tax charge | £367,000 |
| Potential council tax charge | £734,000 |
| Difference | £367,000 |

Dwellings Occupied Periodically (Second Homes)

4.3 Currently, the Council allows a discount of 10% on a dwelling that is used as a second home.

4.4 The table below describes the current value of council tax being charged on dwellings which are classified as second homes, compared to the potential charge for the same dwellings if the existing 10% discount were to be removed and a premium were to be charged at 100% as allowed by the Act.

| | Value |
|---------------------------------|-----------------|
| Number of second home dwellings | 205 |
| Current council tax charge | £277,000 |
| Potential council tax charge | £616,000 |
| Difference | £339,000 |

4.5 The approval of the recommendations in this report could potentially increase the Council's receipt from council tax by around £706,000 per year. Based on 2023/24 figures, the Council retains 8.98% of the council tax receipt meaning an estimated local increase in revenue of around £63,000 per year after 1st April 2025.

5 Legal Implications

5.1 The commencement of the levying of the two discretionary premiums proposed in this report will be permissible on different dates as described further below.

- 5.2 Both proposals made in this report are decisions which are reserved by s67(2) of the Local Government Finance Act 1992 as decisions which must be taken only by the Authority, i.e. full Council.

Long Term Empty Dwellings

- 5.3 The legislation enabling the alteration to the start date of the 100% premium council tax charge for long term empty dwellings is introduced by s79 of the Levelling-Up and Regeneration Act which inserts a new s11B(1D) into the Local government Finance Act 1992.
- 5.4 The Council is required to take any decision to levy the 100% premium council tax charge after one year, in the financial year before administering the premium. This means that for the proposed change to come into effect on 1st April 2024, the Council must take the decision before 31st March 2024.

Dwellings Occupied Periodically (Second Homes)

- 5.5 The legislation enabling the levying of a premium for second homes is introduced by s80 of the Levelling-Up and Regeneration Act which inserts a new s11C into the Local Government Finance Act 1992.
- 5.6 The Council is required to take any decision to levy the discretionary premium for second homes one year in advance of administering the premium. This means that for the second homes premium to come into effect on 1st April 2025, the Council must take the decision to levy the premium before 31st March 2024.
- 5.7 The Council is also obliged to publish any decision to levy the discretionary premium for second homes, in a newspaper, circulating in its area, within 21 days of making the decision.
- 5.8 The Council must also have regard to any guidance issued by the Secretary of State prior to making a determination under s11B or s11C of the Local Government Finance Act 1992. No such guidance has been issued at the time of writing this report.

6 Equalities Implications

- 6.1 People subject to the levy charges proposed in this report would be persons liable to council tax charge of either a vacant dwelling or a second home.
- 6.2 As with all council tax dwelling types, liability to pay tax is decided by reference to statute based on a person's legal interest in a dwelling. No

other consideration is given to a person's status including any protected characteristics described in the Equality Act 2010.

- 6.3 Appropriate adjustments will be made as required, to ensure the accessibility of documents, guidance and general access to the Council's Revenues Service for all customers, accounting for any additional needs in relation to language, disability or any other relevant protected characteristic.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 There are no carbon reduction/sustainability implications arising from this report.

8 Appendices

- 8.1 None

9 Background Papers

- 9.1 The Levelling-Up and Regeneration Act 2023.
- 9.2 Local Government Finance Act 1992
- 9.3 Equality Act 2010

10 Reasons for Recommendations

- 10.1 In relation to the recommendation to levy the 100% premium council tax charge after a dwelling has been vacant for a period of one year, it is considered that charging a levy acts as an incentive for owners of dwellings to either dispose of, or occupy vacant dwellings. To delay the charging of the 100% premium might be considered to reduce the effect of that incentive.
- 10.2 The Council currently employs an Empty Homes Officer with the specific remit of bringing empty property back into use. It is considered that the Council should take advantage of all available measures at its disposal to bring empty property back into use and levying the recommended premium is considered an additional tool to assist in this endeavour.
- 10.3 In relation to the recommendation to levy a 100% premium council tax charge on dwellings classed as second homes, it is considered that

charging a levy might afford an opportunity for the part time occupiers of those dwellings to make an additional contribution to the local economy through the taxation system.

- 10.4 Further, it is considered that the potential tax avoidance opportunity afforded by the current 10% discount for second homes might become less attractive to potential tax avoiders if a premium is charged on dwellings occupied as second homes.

Statutory Officer approval

Approved by:
Date:

Chief Financial Officer

Approved by:
Date:

Monitoring Officer