

Detailed Report:

COUNCIL TAX PREMIUMS – LONG TERM VOIDS AND SECOND HOMES

1. Introduction

- 1.1. The Housing Act 2014 includes provisions that, with effect from 1st April 2017, allow local authorities to apply a Council Tax Premium (or “surcharge”) in respect of long term vacant dwellings and dwellings classed as “second homes”.
- 1.2. Importantly, under the new powers authorities are able to levy a Premium without the negative financial implications inherent in the current powers. Specifically; the majority of the additional income arising from premiums being charged will be retained by the local authority with no negative effect on RSG.
- 1.3. There is also no requirement for the additional income generated to be ring-fenced for any particular purpose. However, the guidance issued by Welsh Government, states that authorities are ***“encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums”***
- 1.4. Although under the new provisions, Council Tax premiums cannot be applied until 1st April 2017, authorities are required to make certain determinations and take certain actions beforehand, including impact assessments and to give consideration to consultation.

2. Background / Current Position:

2.1. “Normal” Vacant Dwellings

- a. When a dwelling becomes unoccupied and stands substantially unfurnished, there is an initial 6 months exemption period during which time there is no charge. Once this exemption period expires (and provided there is no other exemption) the vacant property is subject to a 50% charge, or put another way, it attracts the standard 50% discount which will carry on indefinitely.
- b. Although a change in legislation some years ago allows authorities to reduce the standard 50% discount, those regulations were very inflexible and gave little or no financial incentive to reduce the discount nor did they allow authorities the option to target specific property categories.
- c. At any given time there are in the region of 2,700 dwellings in Carmarthenshire that are vacant and subject to the 50% charge. (See Table 1 for overview of volumes within broad time-bands)

TABLE 1 – Vacant Dwellings Currently Receiving 50% Discount

Vacancy Ranges	Approximate Volumes
Dwellings vacant over 6 months but less than 1 year	800
Dwellings vacant over 1 but less than 2 years	650
Dwellings vacant over 2 but less than 5 years	650
Dwellings vacant over 5 years	670

NB - All of the above categories are currently subject to the 50% vacant property charge which applies after the initial exemption ceases.

2.2. Second Homes

- a. Under Council Tax law there is no such thing as a **second home**, but the term is commonly used to describe dwellings that are substantially furnished but “*not anyone’s sole or main residence*”. Actual second / holiday homes as well as other dwellings that have for whatever reason, been left unoccupied but furnished, therefore come under this heading.
- b. At any given time there are around 1,100 such dwellings in Carmarthenshire, which include purpose built holiday chalets.
- c. For this category of dwelling local authorities already have the discretionary power to adopt a policy where the standard 50% discount is reduced/ removed and in common with most authorities in Wales, Carmarthenshire has a policy of **Nil Discount**. The owner will therefore be liable to pay the 100% charge i.e. as though the dwelling were occupied by 2 or more adult residents.

3. New Provisions (Housing Act 2014)

The new provisions can be summarised briefly, as follows:

3.1. Long Term Voids

- a. A long-term empty dwelling is defined as a dwelling which is both unoccupied and substantially unfurnished for a continuous period of at least one year.
- b. In determining whether a dwelling has been empty for one year, no account is to be taken of any period before 1 April 2016. Therefore the premium cannot be applied until 1st April 2017 even if a dwelling has been vacant for many years.

- c. The council tax payable can be increased by up to 100%. The liable person could therefore be liable to pay as much as double the full occupied charge.
- d. An authority may however specify different percentages for different dwellings based on the length of time for which they have been empty. E.g. a 50% premium (i.e. a 150% charge) for dwelling vacant between 2 and 5 years and a 100% premium (a 200% charge) for dwellings vacant over 5 years.
- e. For premiums to come into effect from April 2017, a policy decision will need to be taken during 2016/17 after undertaking appropriate impact assessments and consultation if deemed necessary.
- f. Existing exemptions will continue to apply and any premium would only apply after the exemption expires.
- g. Amongst the significant number of existing exemptions are a number which relate to unoccupied dwellings, including:
 - where the (former) resident is in long-term residential care or hospital
 - where a dwelling requires structural repair (exempt for up to one year)
 - where the former resident has died (exempt for up to six months after grant of probate or letters of administration).
- h. Welsh Government has also introduced additional classes of exemption from premiums – Table 2.

TABLE 2 - additional exemption classes from premiums

Class of Dwelling	Definition	Application
Class 1	Dwellings being marketed for sale – time-limited for one year	Long-Term Voids & Second Homes
Class 2	Dwellings being marketed for let – time-limited for one year	As above
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	As above
Class 4	Dwellings which would be someone's sole or main residence were they not residing in armed forces accommodation	As above
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	Second Homes
Class 7	Job-related dwellings	Second Homes

3.2. Second Homes

- a. The new provisions allow authorities to also adopt a policy whereby for “second homes” the council tax payable is increased by up to 100% which would mean the liable person would be subject to double the full occupied charge.
- b. In order for a premium to apply to dwellings “occupied periodically” (the term used in the guidance), a billing authority must make its first determination under section 12B at least one year before the beginning of the financial year to which the premium relates.
- c. As with Long Term Voids, existing exemptions will continue to apply, as will the additional exemptions shown in Table 2.
- d. For premiums to come into effect from April 2017 a policy decision would have to be taken during 2015/16 but an equality impact assessment and consultation would have to be undertaken beforehand.

3.3. Tax Base

The Tax Base calculation will be adjusted so that additional income in respect of premiums on both long term voids and second homes will be retained by the billing authority (but there will be an initial negative implication for RSG - see **4(a)(i)** below).

4. Other Considerations / Factors

4.1. Long Term Voids

- a. If it is decided to adopt premiums the existing 50% standard discount would be deemed withdrawn. This would have the effect of increasing the Council’s Tax Base and therefore reducing RSG.
- b. Additional income would therefore only arise from the premium itself. i.e. if imposing a 50% premium (charging 150% of the normal occupied charge) Council would only gain 50% additional income, provided of course that the charge is actually collected. [In the current situation Council charges 50% and is compensated for the remaining 50% through RSG]
- c. Council can specify different premium percentages for dwellings based on the length of time for which they have been empty. However no account is taken of any period before 1 April 2016. This means that were Council to adopt a policy of premium for properties vacant say over 3 years, this would not come into effect until April 2019. Therefore, to take advantage of the new provisions from April 2017, Council would need to adopt a policy of premiums for dwelling vacant over 12 months.

- d. The final report of the Community Scrutiny Committee's task and finish review of empty properties across Carmarthenshire included a recommendation (R.6) that the Authority : ***"Consider opportunities to increase resources for bringing empty properties back in to use in light of the provisions under the Housing Act 2014 for imposing reduced Council Tax discounts / premiums and any associated additional income arising."***
- e. With regard to why owners leave their properties empty, a survey conducted by Housing Options revealed as follows [Appendix 1 – T&F Report]:
- 46% (68) of respondents said they were repairing/renovating it (30% / 44) or it needed repair/renovation (8% / 12) or they were planning to repair/renovate it (8% / 12) or couldn't afford to repair/renovate it (5% / 8).
 - 31% (45) said they were trying to sell it (26% / 38) or were waiting for the right time to sell (5% / 7)
 - 3% (5) were keeping their options open whilst 5% (6) didn't want the trouble of tenants there.
 - 2% (3) were trying to let it out whilst 3% (4) wanted to but didn't know how.
 - 3% (4) had no reason/ didn't know whilst 2% (3) said it was their second home.
- f. In a further Housing Options consultation exercise, 84% (653) of the people that responded thought bringing empty properties back into use was the best way to increase the level of affordable housing.
- g. There is little doubt that Council Tax premiums would encourage certain owners to take steps to bring their property back into occupation. This could be by putting the property up for sale or to let, or undertaking renovations. Support for owners of empty dwellings is available through various schemes administered by the Housing Options service, including:

Financial Assistance

- Active promotion and administration of Houses into Homes financial assistance
- Utilising S.180 funding to bring empty properties back into use with minor repair/improvement works, whilst offering affordable housing through an in-house Social Lettings Agency

Advice

- Providing extensive advice and guidance on empty properties, to include housing standards, private sales / lettings, tax advice etc.
- Working with partners, with discounted referral mechanisms for auction property sales
- Developing Empty Property Advice Pack

4.2. Second Homes

- a. If a policy were adopted to impose premiums in respect of “Second Homes” it would apply to many purpose built holiday chalets and genuine holiday homes. There is therefore the potential for a negative impact on the tourism sector which the Authority is eager to promote.
- b. The overall number of dwellings in Carmarthenshire that fall into the category of Second Homes (i.e. furnished dwellings that are not occupied as anyone’s main residence) is in the region of 1,100.
- c. Precise figures as to how many of these are genuine holiday homes and how many are other properties that have simply been left vacant but furnished, are not readily available. However:
 - Approximately 220 are known to be holiday homes which have a restriction on “year round” occupation (chalets on holiday parks).
 - The 2011 census data is limited in this respect, but indicates that there are over 700 people resident outside of Carmarthenshire that have holiday homes in the county.

5. Conclusion & Recommendation

- 5.1. The additional exemptions being introduced and the lack of specific data on the status of dwellings, makes it difficult at this time, to predict the number that could be subject to premiums.
- 5.2. The imposition of premiums on second/holiday homes needs careful consideration due to the potential for a negative impact on the tourism sector and the Council’s objectives in that respect.
- 5.3. However, the adoption of Council Tax Premiums on long-term empty dwellings could support the Council objectives in relation to getting empty homes back into use and the increase in affordable housing.
- 5.4. With the vacancy period only being counted from 1st April 2016 onwards it would be difficult to specifically target longer term void properties. Consequently, if after the appropriate consultation and impact assessment has been undertaken, a decision is made to introduce premiums it would be appropriate to do consider doing so on an incremental basis.
- 5.5. Although additional resources would be required to administer, and recover the additional Council Tax charges, premiums would generate additional income which could help fund increased empty homes monitoring and activity within the Housing Options & Advice Team.

5.6. **It is therefore recommended** that the Council undertakes a consultation exercise and impact assessment prior to determining its policy with regard to introducing Council Tax premiums in relation to:

- a. Long term empty dwellings
- b. Second/holiday homes