

Consultation Paper – Proposed Changes to Council Tax Charges for Empty Dwellings and Second Homes

Introduction

This Consultation Paper outlines proposed changes to Council Tax liability on empty dwellings starting in April 2013.

The Coalition Government produced a consultation paper on technical reforms to Council Tax in order to further its localism agenda on 31st October 2011. The consultation was closed on 29th December 2011. The main thrust of the consultation was to seek the views of all Councils in allowing Councils greater flexibility on the Council Tax charges that are made for empty dwellings.

The Government's Consultation document can be accessed by following the attached link:-

<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltax>

The Government's summary report on the consultation responses can be accessed by following the attached link:-

<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltaxsors>

Overlapping with this consultation process is the proposed introduction of the Local Government Finance Bill which intends to put into legislation some of the proposals contained within the Coalition Government's consultation proposals. The legislation is not yet in place, however, there is a clear intention that it will be in place and effective for the 1st April 2013.

The Council has reviewed the Government's proposals and in this paper, the Council sets out the exemptions and charges for empty homes and second homes that it proposes to introduce once the legislation is brought into force.

Legislation

The Local Government finance Bill 2012 is expected to receive Royal Assent before April 2013. It is expected to give the Council the power to change or withdraw certain Council Tax discounts and exemptions relating to empty dwellings. In addition, the Council will probably be given power to levy a charge on long term empty dwellings.

Consultation

In this consultation, we describe what the Council's proposals are and seek views on the proposed changes. To give us your view, please fill in the on-line questionnaire or request a questionnaire by telephone 01254 388111.

What Could the Changes Mean?

The proposals could mean some Council Tax payers may have to pay more Council Tax for example:-

- Owners of second homes;
- Owners of empty dwellings;
- Owners of dwellings that will have been empty for 2 years or more at 1st April 2013;
- Anyone who owns a property that is in need of, or awaiting major works or structural repair and remains empty at 1st April 2013.

Changes to Council Tax Discounts and Exemptions in Detail

The Government is proposing changes to Council Tax discounts and exemptions in respect of second homes and certain empty dwellings. There will also be a new power to charge an additional amount of Council Tax on dwellings that have been continuously empty for more than two years.

The Government intends to make the change in legislation to start from 1st April 2013.

The Government's proposals are to:-

- Allow the full Council Tax to be charged on second homes;
- Abolish the current exemption Class C (empty homes) and allow Councils to set their own levels of discount, and the time periods which may apply;
- Abolish the current exemption Class A (uninhabitable homes) and allow Councils to set their own levels of discount;
- Allow Councils to levy an 'empty homes premium' on dwellings that have been empty over 2 years.

Note – The Coalition Government has not yet passed the legislation for us to bring these proposals into effect, but has committed to the changes being made in time for 1st April 2013. Therefore, the Council's proposals are based on what we think the final legislation will look like.

What the Council is Proposing

Empty Homes

In principle, the Council supports the Coalition Government's proposal to provide local authorities with greater freedom and flexibility for setting Council Tax charges on empty homes, reflecting local circumstances. There are approximately 2,500 empty dwellings in Hyndburn at any one time, of which over 600 will have been empty over 2 years. The Council recognises this as an opportunity to support its regeneration plans by using charges to encourage the owners of empty homes to bring them back into use.

Second Homes

There are very few second homes in the Borough, just 23 at the time of writing. The Council wants to encourage the occupation of second homes, but wants to support where circumstances dictate, our service men and women in the armed forces who require a second home.

The Council's proposals for empty homes and second homes are summarised on Schedule 1.

The potential charges arising from the Council's proposals are summarised on Schedule 2.

What we cannot change

The Government's proposals relate mainly to empty homes and second homes. Most Council Tax rules will not be changing and we do not have the power to change them.

Here are a few examples of things that we have no power to change:-

- Decisions about whether a dwelling is liable or not for Council Tax and the band that it is in (it is the Government's Valuation Office Agency that decides this);
- The rules around who is liable to pay Council Tax;
- The amount of the Sole Occupier Discount (25%) or criteria for claiming it;
- The rules around other dwellings being exempt from Council Tax e.g. where the owner has died or in a nursing home (Class E and F);

- The rules around other dwellings being allowed a discount from Council Tax e.g. where certain occupants are students, carers or severely mentally impaired.

How to Get Involved

In this Paper, we describe what our proposals are and seek your views on the proposed changes. To give us your views, fill in the on-line questionnaire by following the link:-

<http://www.feedbacksurveys.org.uk/counciltaxcharges2012/>

What We Will Do With Your Feedback

The information you provide will be treated confidentially and used solely by Hyndburn Council. Your views and the information provided will be analysed and will form part of a report to the Council to make a decision on the final proposals.

Hyndburn Borough Council's Proposals

	Current Regulation	Government Proposals	Proposed Measures	Council Proposal	Justification
1.	Class A exemption – up to 12 months exemption while the qualifying conditions exist; 50% discount after 12 months	Abolish the exemption and allow Council's to grant a discount between 0% and 100% for 12 months	Removing the Council Tax exemption on empty properties in need of or awaiting major repair or structural alteration	Discount of: - 50% for first 12 months 0% after 12 months	Owners should make a reduced contribution to local services, at the same time be encouraged to bring an empty home back into use
2.	Class C exemption – exempt for the first 6 months when continuously empty	Abolish the exemption and allow Council's to give a discount between 0% and 100%	Removing the Council Tax exemption for properties continually empty for 6 months	Discount of: - 50% for first 6 months 0% after 6 months	As '1' above
3.	Class L Exemption – exempt where repossessed by a mortgage lender and the property remains empty	Abolish the exemption and allows Council's to treat them as other empty dwellings i.e. 2, 3 and 4 above	Remove the Council Tax exemption for properties repossessed by a mortgage lender	Discount of 0% from date property repossessed.	Mortgage lenders in possession of property should contribute to local services, at the same time be encouraged to bring empty homes back into use
4.	Long-term empty properties 50% discount after 6 months and continuing while the property remains empty	Allow Councils to levy an 'empty homes premium' on properties left empty for longer than 2 years	Introduction of an 'empty homes premium' on properties left empty for more than 2 years	Additional charge to add a premium of 50% making the total liability 150% after 2 years	Greater emphasis put on bringing long term empty homes back into use
5.	Second Homes 50% discount while furnished properties are not occupied as a main home	Allow Councils to reduce the discount to 0%	Removing the Council Tax discount for furnished properties not occupied as a main home	Armed forces discount – 50%. Everyone else reduce discount to 0%	Second home owners should contribute to the cost of local services

Council Tax Charge Proposals

Schedule 2

What You May Have to Pay (Based on 2012 / 13 Rates)

Band	Class A Empty property, substantially unfurnished, and either uninhabitable or undergoing major structural repairs		Class C Properties continually empty and substantially unfurnished for 6 months		Class L Properties repossessed by a mortgage lender		Long term empty properties	Long term empty properties	Long term empty properties	Second Homes	Second Homes	Second Homes (Armed Forces)
	Current	Proposed	Current	Proposed	Current	Proposed						
Charge period	Annual Charge – (Exempt for 12 months)	Annual Charge – 50% discount for 12 months.	Annual Charge – 50% discount after 12 months	Annual Charge – 0% after 12 months	Annual Charge – 6 months Exemption Period; After 6 months 50% Discount	Annual Charge- Exempt	Annual charge- 0% Discount	Annual Charge – Empty Over 6 months 50% Discount	Annual Charge – 0% discount	Annual Charge – 0% discount	Annual Charge – 0% discount	Annual Charge – 50% Discount
A	0.00	517.47	1034.93	258.73	776.20	0.00	1034.93	517.47	1034.93	1552.40	517.47	1034.93
B	0.00	603.71	1207.42	301.86	905.57	0.00	1207.42	603.71	1207.42	1811.13	603.71	1207.42
C	0.00	689.96	1379.92	344.98	1034.94	0.00	1379.92	689.96	1379.92	2069.88	689.96	1379.92
D	0.00	776.20	1552.40	388.10	1164.30	0.00	1552.40	776.20	1552.40	2328.60	776.20	1552.40
E	0.00	948.69	1897.38	474.35	1423.04	0.00	1897.38	948.69	1897.38	2846.07	948.69	1897.38
F	0.00	1121.18	2242.36	560.59	1681.77	0.00	2242.36	1121.18	2242.36	3363.54	1121.18	2242.36
G	0.00	1293.67	2587.33	646.83	1940.50	0.00	2587.33	1293.67	2587.33	3881.00	1293.67	2587.33
H	0.00	1552.40	3104.80	776.20	2328.60	0.00	3104.80	1552.40	3104.80	4657.20	1552.40	3104.80

The above figures are based on the Council Tax rates for 2012 – 13 and relate to a 12 month period. The figures do not include areas of Hyndburn where parish precepts are in place.