

# Proposals to exempt categories of dwellings from the council tax premiums in England

## District Councils' Network consultation response

August 2023

### About the District Councils' Network

The District Councils' Network (DCN) is a cross-party network of 168 district and unitary councils. We are a special interest group of the Local Government Association, providing a single voice for all district services.

DCN member councils deliver a wide range of local government services to over 21 million people – 38% of England's population. They cover 60% of the country by area. DCN councils are home to 38% of England's businesses and 33% of national Gross Domestic Product.

They deliver visible frontline services that matter to every single resident and business in their local areas. These include waste collection, council tax billing and collection, planning and housing, homelessness prevention, welfare support, environmental health, parks and green spaces, leisure centres, and economic development.

### Executive Summary

DCN welcomes the introduction and strengthening of council tax premiums for second homes and long-term empty homes. In general, exemptions should be kept to a minimum and only apply where there is a strong principled or practical justification.

In principle the DCN does not support centralised regulations exempting homeowners from the council tax premiums in scope of the consultation. Levying of these premiums has been devolved to local government and exemptions should be treated in the same way.

It would be preferable for the Government to expand existing guidance to inform local decision-making about whether an exemption is suitable. For example, if a property cannot reasonably be occupied within 12 months of coming into the taxpayers' control, then councils should be able to exempt them from the empty home premium.

We are also concerned that the categories of proposed national exemptions would open the system to abuse.

Local councils' revenues teams understand the nuance of how homes and properties are used in their areas from speaking to residents every day. Differences between the 317 council areas in England could not be captured in any single national guidance. Therefore, allowing councils to consider national guidance before making a local assessment would be preferable.

Any new national exemptions will increase the administrative burden on councils and put more pressure on already-stretched staff. A national approach would also undermine the ability of councils to use premiums to encourage empty or under-used properties back into local

housing markets. During a housing supply crisis, councils need stronger levers to encourage properties to be brought back into use as dwellings, not weakened existing levers.

Our responses to the consultation questions below indicate key considerations should the Government decide to proceed with national regulations. Overall, our view is that several of the proposals are too generous and would leave the new system easily open to manipulation and avoidance.

## **Detailed Response**

### **Question 1 – Do you agree that properties that are unoccupied or have no resident following the death of the owner should be an exception to either or both of the council tax premiums following the grant of probate or letters of administration?**

Our overarching view is that the nature and length of this exemption should be subject to the decision of local councils.

If the Government persists in setting national rules or guidance, we agree with an exemption where the sole liable owner of a property has died. Such an exemption should only apply where a sole owner occupier has passed away – in other cases it would not be fair to exempt an entire property simply because a tenant or one occupant has died.

Our view is that exempting properties for up to 18 months (if you include the Class F exemption) would encourage too many homes to sit empty. Therefore, we would support a shorter exemption period, as set out in our answer below.

### **Question 2 – Do you agree that a period of 12 months after probate, or letters of administration have been granted, is an appropriate period?**

We believe an additional 6-month exemption in addition to the existing Class F exemption will suffice. This would provide 12 months for those responsible to prepare homes for sale or reoccupation. Those responsible would also only become liable for a base level of council tax after this initial 6 months has passed.

Councils are currently bearing the financial cost of longer-than-normal times taken to grant probate and we note that the proposed exemptions would continue to leave these costs on councils. Pressures on services will remain whilst income would be further depressed, particularly for councils serving communities with higher-than-normal numbers of second or empty homes. We believe the proposed exemption of a further 12 months is too generous.

### **Question 3 – Do you agree that properties actively being marketed for sale or let should be an exception to either or both of the council tax premiums?**

We strongly oppose the proposed exemptions for both council tax premiums where a property is being marketed for sale or to let. These exemptions would substantially undermine the ability of the premiums to return homes into ordinary use by creating a straightforward exemption.

For empty properties, the regime – as amended by the current Bill – requires a property to have been empty for at least 12 months before the premium can even apply. This period provides sufficient time for the owner to sell or let the property to avoid paying the premium.

In the case of second homes, this proposal is particularly unreasonable. If a property is being marketed for sale or let, this will not prevent it from also being used as a second home. This proposal could create a loophole wherein a property could be marketed and still actively used as a second home, whilst the owner continues to use it.

These proposals could also create a significant additional administrative burden that for councils. Assessing evidence and applying additional exemptions would divert resources from running revenues services efficiently, whilst resulting in a net loss of income to fund council services.

**Question 4 – Do you think an exception to the premiums for up to 6 months for properties being marketed for sale or let is a reasonable period?**

As outlined in our response to the previous question, we do not support an exemption of any time period to these premiums. We are also concerned that no limit, based on a fixed period or a set maximum number of exemptions, is proposed.

Such a limit applies to the Empty Property Relief in the business rates regime, which the Government is currently consulting to strengthen further against abuse. We would therefore encourage consideration of a limit that an exemption could only be claimed once by the same owner(s). For example, preventing the same household from claiming the exemption more than once every five years for multiple properties, or only once for the same property.

**Question 5 – Do you agree that the evidence requested above would be appropriate to demonstrate that the property is actively being marketed for sale or let?**

Whilst the proposed pieces of evidence are accepted as a basic indication of sale, all except evidence of a legitimate sale or letting could open the system up to abuse. A property may be listed for sale or letting online for a relatively small fee. This would not require any active interest in selling or letting the property. Yet this would be sufficient evidence to exempt a homeowner for 6 months.

We are also concerned that there is no proposed time period for any such tenancy to qualify for this exemption. If this proposal is taken forward despite our concerns, the government must robustly define 'letting' so as to require the property to be let for at least 6 months.

Without a robust definition it could be possible for a second home to be treated as a short-term let and qualify for this exemption. This would undermine the rationale for the second home premium altogether.

**Question 6 – Do you agree that properties undergoing major repair work is appropriate should be an exception to the empty homes premium?**

Our view is that this exemption is unnecessary, as homes which are derelict or in severe disrepair or not capable of occupation can be exempted from paying council tax according to

VOA guidance. It is not appropriate for local taxpayers to subsidise homeowners who have let a property fall into such disrepair.

If a new owner has purchased the property, they will be exempt from the empty homes premium for up to 12 months in any event. This existing period before an owner is liable for the premium should provide adequate time for 'major' repairs to be undertaken.

Where an owner chooses not to move into a property within 12 months because it is not 'ready' to be occupied, local taxpayers should not subsidise such choices. These properties could still be occupied and should be treated as empty under the council tax regime until it is regularly occupied.

**Question 7 – If so, do you agree that 6 months is a reasonable length of time for an exception to apply whilst major repairs or structural alterations are being undertaken?**

As set out above we do not agree with this exemption, so we would not support an exemption for any amount of time.

**Question 8 – do you agree that this exception should only be applied to the empty homes premium?**

It would not be appropriate to apply this exemption to either premium.

**Question 9 – Do you agree that furnished annexes which are being used as part of the sole or main residence should be an exception to the council tax premium on second homes?**

The proposal to introduce an exemption seems unnecessary because the annexes are part of the sole residence and therefore would not be treated as second homes. If the Government is concerned that these annexes may be treated as second homes, it would be preferable to amend the Council Tax (Exempt Dwellings) Order 1992 to cover all eventualities relating to an annexe that is treated as part of a property.

**Question 10 – Do you agree that the second homes premium should not apply to properties that are subject to the job-related dwelling discount?**

We support this proposal and would refer you to submission from our member councils relating to the detail of how this should operate.

**Question 11 – Do you agree that pitches occupied by caravans and moorings occupied by boats should be an exception to the second homes premium?**

We support this proposal and would refer you to submission from our member councils relating to the detail of how this should operate.

**Question 12 – Do you agree that seasonal homes, where year-round occupation is prohibited, should be an exception to the second homes premium?**

We are concerned that the detail of these proposals would provide an undue exemption to residents who occupy these properties for most of the year. However we agree that if a dwelling is subject to a condition that it cannot be a sole or main residence, it would be appropriate to be exempt from the premium.

Where a contract prevents a resident from occupying a property year-round, this does not mean they could not reside there as their sole residence. For example, where a resident could occupy such dwellings for up to 11 months of the year this should be treated as a second home. Where such a property is used as a second home it removes this home from the housing available to local residents.

**Question 13 – Are there any other circumstances in which property should be an exception to either of the council tax premiums and if so, why?**

No. There should be no further exemptions.