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3 December 2012

CABINET

13 December 2012

**The Technical Reform of Council Tax
(Report by the Head of Customer Services)**

1 FINANCIAL IMPACT

- 1.1 If members approve this change, then we can expect to collect an additional £814k pa in Council Tax from 2013 onwards.

2. INTRODUCTION

- 2.1 Cabinet on 13 September 2012 approved in principle the introduction of Council Tax Technical Reforms, the legislation for which had not been given Royal Assent. The Local Government Finance Act 2012 has now been passed, so Cabinet may now approve the proposed scheme.

3. THE CURRENT POSITION AND POLICY

- 3.1 Since the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 came into force on 1st April 2004 this authority has granted the minimum levels of discount to both "long term empty properties" and "second homes" i.e. 0% and 10% respectively.
- 3.2 There are provisions however for "job related" second homes where people are required to live in property provided by their employers for the requirements of their employment including service personnel, ministers of religion, managers of licensed premises etc. The discount is prescribed as 50% in those cases and will continue to be so under the new regime.
- 3.3 The effect of any decision to reduce the level of discounts is to increase the Tax Base and the income derived by all preceptors proportionately to the amount of their precept. In simple terms, as the District Council only accounts for 8.5% of the aggregated council tax charge in 2012/13 that is how much more it would benefit in respect of any increased charge (due to reduced discounts).

4. POTENTIAL CHANGES

- 4.1 Unoccupied and substantially unfurnished domestic properties are currently totally exempt from charge under Class C of the Council Tax (Exempt Dwellings) Order 1992 for up to six months. This exemption class is to be revoked from 1 April 2013 and replaced by a locally defined discount with the billing authority having complete discretion to remove or amend the discount.

- 4.2 Likewise uninhabitable domestic property that requires or is undergoing major repair or structural alteration is exempt (Class A) for up to twelve months. The billing authority will have complete discretion over the level of the discount.
- 4.3 Furnished domestic property that is no-one's main residence, commonly referred to as "second homes" (and not job related) currently receive the minimum 10% discount. From 1 April 2013 the billing authority will have complete discretion to remove the discount.
- 4.4 The legislation allows a billing authority to levy an empty premium on properties left vacant for over two years. The premium is 50% meaning that 150% of the full council tax liability could be charged in such cases.
- 4.5 The legislation permits taxpayers to have the right to request twelve instalments at the start of the year, but if they do not then the default scheme remains as now at ten instalments.

5. FINANCIAL IMPLICATIONS OF DISCOUNT POLICY

- 5.1 It is never possible to accurately forecast the amount of income generated by a change of policy for future years as factors such as the housing market and number of long or short term empty properties will change. There will be an inevitable risk of "avoidance" and many small and irrecoverable debts caused by an aggressive policy, which would also cause administrative inefficiencies and appeals over liability for example, who was the "owner" on the date of the bill, and property developers challenging the validity of "completion notices".
- 5.2 We can say that the level of Exemptions/Discounts granted in the past year up to September 2012 has been approximately:

Type:	£
Class C (Unoccupied and substantially unfurnished)	1,303,000
Class A (Uninhabitable)	135,000
"Second Home"	39,000

- 5.3 The most straightforward and efficient change is to remove the second home discount as, whilst there will be some small element of avoidance (a single occupant will, and currently does, pay less than for a second home) the administration and monitoring costs will be largely removed and the 10% extra charge is unlikely to be an excessive burden for a second home.
- 5.4 With regards to unoccupied and substantially unfurnished properties we can confidently say that any move to charge council tax from "Day 1" would cause significant complications. Allowing a one month void period would allow most residents and landlords to hand over their property to the next occupant. Using best estimates of extra income (to be shared by each preceptor) is £775k pa from 2013 onwards (assuming 2% Council Tax increase).

- 5.5 Any Registered Social Landlord who is also a registered charity would be eligible to claim exemption for up to six months under the “Class B” (charitable) provisions.
- 5.6 There appears to be merit in continuing with the Class A (uninhabitable) exiting arrangements at least initially to encourage necessary improvement to housing stock and to return it to occupation.

6. RECOMMENDATIONS

- 6.1 It is recommended that, subject to the enactment of the relevant legislation:
- 6.1.1. Unoccupied and unfurnished (Class C) properties be granted 100% discount for 1 month and then 0% thereafter.
- 6.1.2 Second Home Discount is reduced to 0%.
- 6.1.3 Uninhabitable properties (Class A) be granted 100% discount for a maximum of 12 months (no change).
- 6.1.4 Empty Homes Premium be levied after two years at 50% in addition to the 100% charge currently made.
- 6.1.5 Monthly instalments continue to be due on the 15th day of each month (extended to those requesting 12 monthly instalments) but managers be permitted to include an additional instalment date purely as an incentive for those opting to pay by direct debit.
- 6.1.6 that, in accordance with section 10 – 13 of the Local Government Finance Act 2012 the Head of Customer Services be authorised to calculate and award such discounts and the Council’s scheme of delegation be amended accordingly.

BACKGROUND INFORMATION:

Background Papers:

- Technical reform for Council Tax: Summary of responses report
- Council Tax Information Letter 2/2012
- Cabinet report 12 September 2012

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