

Committee(s):	Date(s):
Finance	18 th February 2014
Subject: Council Tax – Discounts for Empty Properties	Public
Report of: The Chamberlain	For Decision
Summary	
<p>This report advises members of the various options for discounts from council tax for empty properties and of the possible consequences of changing the current level of discounts. For council tax purposes, empty is defined as unoccupied and substantially unfurnished. It does not include second homes.</p> <p>Each billing authority has the discretion to give a discount of any amount from 0% to 100% in respect of empty properties or to levy a premium of up to 50% for properties that are empty for more than two years.</p>	
Recommendation	
<p>Members are asked to agree that the current level of discounts is maintained.</p>	

Main Report

Background

1. When council tax was introduced in 1993, empty properties were exempt from council tax for the first 6 months they were empty. After that period, a discount of 50% was awarded. The Local Government Act 2003 gave local authorities the power from 1st April 2004 to remove the 50% discount from full council tax.
2. The Local Government Finance Act 2012 gave greater flexibility and from April 2013, local authorities can remove all discounts or exemptions from empty property however short a period it is empty, or award any discount up to 100%. Discounts can be for any period. Additionally, a discretion was introduced to levy a premium of up to 50% above full council tax on empty property that has been empty for more than two years.
3. For council tax purposes a property is defined as empty if it is unoccupied and substantially unfurnished. Property that is furnished is treated as a second home.

Current Position

4. Although the discounts for second homes have varied over time, discounts and exemptions for empty dwellings in the City have remained unchanged, i.e. a discount of 100% is awarded to property empty for up to 6 months and a discount of 50% is awarded to property that has been empty for more than 6 months.
5. Historically the City has few empty properties, currently 54 that have been empty for less than 6 months and 51 that have been empty more than 6 months. Of these, 17 have been empty for more than 2 years; hence it has always been considered that there would be little gain achieved by changing the level of discounts.

Options

6. The options for empty properties are to leave the situation as it is, to vary the current level of discounts and/or periods of discounts and/or to charge a premium on property empty for more than 2 years. Any change would be effective from April 2015.

Implications

7. Most domestic property is empty for a short time only, frequently between lets or because it is a newly constructed property which is completed and remains empty before the first resident moves in. Although the actual properties change, the number empty is fairly constant at around 100, with about half empty for less than 6 months. Those empty for less than 6 months are often empty only for a few days or weeks. The additional income from removing or reducing the current 100% discount (exemption) for the first 6 months would be quite small but could lead to collection difficulties generally as it would damage relationships with tax payers and landlords who would be less willing to provide information about when tenants move in or out.
8. The number of properties continuously empty for more than 2 years is extremely low, currently 17. The majority of these consist of flats awaiting redevelopment as part of a non-domestic development scheme and two are the liability of a company in liquidation with no assets. If we were to attempt to charge a premium on these properties, they would almost inevitably become furnished if not actually lived in and there would be no additional income at all in insolvency cases where any debit raised would have to be written off.
9. It is important to distinguish between empty property and second homes. To be considered empty, a property must be both unoccupied and substantially unfurnished. A property where there is no permanent resident but where there is furniture present is treated as a second home. From April 2014, all second homes in the City will be liable for 100% council tax. There have been considerable new domestic developments in the City in recent years and undoubtedly some dwellings have been bought for investment purposes. These have subsequently been sold on or let or occupied on an occasional basis. Little of such property is technically empty. There are also a number of

serviced apartments in the City. These are continuously furnished and occupied on a temporary basis. The Valuation Office Agency is currently considering whether these should be more properly considered to be non-domestic and subject to business rates. Meanwhile, in accordance with council tax legislation, these properties are to be treated as second homes.

10. Given the number of empty properties in the City, even if all the additional income were to be retained by the City, this is likely not to be significant. Many properties are empty for a very short period between lets or when property is sold before the new owner moves in. With long term empty properties, the administration in dealing with a premium could outweigh any financial gain as owners would seek to avoid the additional tax, by moving a minimal amount of furniture in either permanently or for more than six weeks in order to break the empty period.

Conclusion

11. As there is not a significant problem regarding empty residential dwellings, whether short or long term empty, no changes to the current discounts are proposed.

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