

Committee:	Date:
Finance	25th June 2014
Subject: Council Tax Discounts for Empty Properties	Public
Report of: The Chamberlain	For Decision

Summary

Following reports to this Committee in February and March 2014 on the options for council tax discounts for empty property from April 2015 and the possible consequences of removing them, Members were keen to discourage the practice of leaving property empty for long periods, but wanted to understand the policies other authorities were adopting before making a decision.

For council tax purposes, empty is defined as unoccupied and substantially unfurnished. It does not include second homes where the discount was removed from April 2014.

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.

No other London billing authority awards any discount to properties empty for more than 6 months. With some, this has been the case for a number of years, with others the change was made in April 2013

Recommendation

It is recommended that the 50% discount awarded to vacant dwellings (i.e. dwellings that are unoccupied and substantially unfurnished) should be removed for the financial year 2015/16.

Main Report

Background

1. 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

2. Currently council tax on empty property is charged in accordance with the previous statutory provisions:

Period empty	Discount	Council tax payable
up to 6 months	100%	nil
more than 6 months	50%	50%

There has been a discretion since 2004 to remove the discount after 6 months and the Local Government Finance Act 2012 introduced wider discretionary powers in relation to empty property from 2013/14. To date the discretion has not been exercised in the City and empty dwellings continue to be awarded a 50% discount.

Implications

3. Regular statistics show that there are generally around 50 empty properties at any one time that have been empty for more than 6 months so removing the discount would not have a significant impact on the revenue generated from empty property and the decision to remove the discount should be taken on the basis of principle.
4. In time, if residents, owners of second homes, and owners of long term empty property are all paying 100% council tax, tax payers will become more reluctant to advise us of changes in status of the property and it will become more difficult to distinguish which properties fall into which category. This could have implications on the council tax base in that additional grant is received for empty properties and second homes. However, the amount of any loss would be inconsequential, given the small numbers of second homes.

Policies of Other Authorities

5. A survey of all other London authorities has been undertaken since the last report to Committee and from the results of the survey and from making further enquiries of those who have not yet responded, we have learnt that no other London billing authority awards any discount to properties empty for more than 6 months. With some, this has been the case for a number of years, with others the change was made in April 2013.

Proposals

6. In order to discourage the practice of leaving property empty for long periods and to remain in line with neighbouring local authorities, consideration should be given to removing the discount.
7. In the past council tax payers have been consulted before varying the level of discounts but in view of the small number of responses generally received to such consultations, it is not proposed to conduct a survey on the discount for

empty property. The position has been checked with the Comptroller and City Solicitor who has confirmed that there is no legal requirement to carry out a consultation.

8. Changes can only be made at the beginning of a financial year so if a decision is made to remove the discount, this would be effective from 2015/16.
9. In view of the above and the feelings of Members about the discount for empty domestic property, it is proposed, therefore, to remove the discount for dwellings that have been empty for more than 6 months from the financial year 2015/16. The change will form part of the council tax setting process to be approved by this Committee in February 2015 to be included in the council tax resolution to be passed by Court of common Council in March 2015.

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Background papers:

Report to Finance Committee - Council Tax – Discounts for Empty Properties 18th
February 2014

Report to Finance Committee – Council Tax – Discounts for Empty Properties 25th
March 2014