

## **Appendix I – Cabinet 25<sup>th</sup> February 2019**

### Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

#### **Background**

The Local Government Finance Act 2012 (LGFA 2012) made provision for Local Authorities to technically reform Council Tax discounts and exemptions with effect from 1<sup>st</sup> April 2013.

Sections 10,11 and 12 of the LGFA 2012 contained provisions for changes that were agreed by Cabinet in December 2012, and the changes included:-

- Reducing the discount on 2<sup>nd</sup> homes to nil.
- Class A and Class C exemptions were abolished and replaced by discounts which the Council had the discretion to reduce the discount to nil.
- Where a discount replaced a Class A exemption and that discount was more than the Council's long term empty discount, the Council has the discretion to prescribe that discount to 12 months
- Where a discount replaced a Class C exemption, and that discount is more than the Council's long term empty discount, the Council had the discretion to prescribe the period of the discount to 12 months
- The Council has the discretion to add a "premium" of up to 50% on any long terms empty of up to 50% on any long term empty dwelling which has been unoccupied and substantially unfurnished for more than 2 years
- Where a mortgagee is in possession of a dwelling, the mortgagee will be liable to pay the Council Tax and it will be treated like any other long term empty dwelling

One of the drivers for these changes was to incentivise owners to bring their empty properties back into use, therefore assisting with the current housing pressure in the Borough.

The Rating (Property in Common Occupation)and Council Tax (Empty Dwellings) Act 2018 received royal assent on 1<sup>st</sup> November 2018, and made provisions to increase the percentage by which a billing authority may increase the Council Tax payable in respect of a long-term empty dwelling from 1<sup>st</sup> April 2019. A long-term empty dwelling, is a dwelling that is unoccupied and substantially unfurnished for a period of two years or more, and the dwelling is not a prescribed class of dwelling.

### **From 1<sup>st</sup> April 2019**

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 further enables a Council to increase the Council Tax premium for long term empty dwellings, from 50% to 100% with effect from 1<sup>st</sup> April 2019.

What this means in additional revenue based on the number of long term empty dwellings as at 18<sup>th</sup> January 2019 is as follows:-

	Number	Base Liability for 2018	Base Liability for 2019 (2018 plus 4.88%)	50% Premium	100% Premium
Premium 50%	135	£213,714	£224,143	£336,215	£448,286
PCLD zero	1	£1,637	£1,717	£2,575	£3,434
PCLC zero	273	£432,170	£453,259	£679,889	£906,519
Total	409	£647,521	£679,120	£1,018,679	£1,358,239
<b>Additional Revenue 2019</b>					<b>£339,559</b>

### **From 1<sup>st</sup> April 2020**

In addition to the above, a Council has the power to increase the 100% premium to 200% from 1<sup>st</sup> April 2020 where a dwelling has been long term empty for more than 5 years. If a dwelling is long term empty for 5 years or less the premium will remain 100%.

What this means in additional revenue based on the number of long term empty dwellings as at 18<sup>th</sup> January 2019 is as follows:-

	No. > 2 years and < = 5 years	No. > 5 years	100% Premium	200% Premium	Total Additional Premium
Premium 50%	41	94	£138,110	£465,264	£603,374
PCLD zero	1	0	£3,432	£0	£3,432
PCLC zero	265	8	£879,430	£40,629	£920,059
<b>Additional Revenue 2020</b>	307	102	£1,020,972	£505,893	£1,526,865

### **From 1<sup>st</sup> April 2021**

From 1<sup>st</sup> April 2021, a Council has the power to increase the 200% premium mentioned above to 300%, if a dwelling has been long term empty for over 10 years. The premium will remain 200% if the dwelling has been long term empty for more

than 5 years and up to 10 years. If the long term empty dwelling has been empty for less than 5 years, the premium remains at 100%.

What this means in additional revenue based on the number of long term empty dwellings as at 18th January 2019 is as follows:-

	No. >2 years and <= 5 years	No. > 5 years and <= 10 years	No. > 10 years	100% Premium	200% Premium	300% Premium	Total Additional Premium
Premium 50%	41	55	39	£138,110	271,260	258,668	668,038
PCLD zero	1	5	0	£3,432	0	0	3,432
PCLC zero	267	0	3	£879,430	23,463	22,888	925,781
Additional Revenue 2021	307	60	42	£1,020,972	294,723	281,556	1,597,251

These figures are based on the number and value of the long term empty dwellings in the Council Tax base as at 18<sup>th</sup> January 2019, what will happen in reality is that some dwelling will come back into use and other dwellings will become long term empty over time.

### **What is a prescribed class of dwelling?**

The Council Tax (Prescribed Classes of Dwellings)(England)(Amendment) Regulations 2012, describes which classes of dwellings could not be included in the reduced discounts and additional premium.

The proposed changes under these regulations are:

- No premium can be added on a dwelling which is exempt
- No premium can be added on a dwelling which is genuinely on the market for sale or letting
- No premium can be added on a dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service
- No premium can be added on an annex deemed unoccupied, because it is treated by the occupier of the main dwelling as part of the main dwelling:

### **Impact on Croydon**

The biggest problem regarding the earlier reforms is regarding whether or not a dwelling is genuinely for sale or rent. The problem, however, is largely an administrative one and it was unclear to what extent owners will seek to evade the premium. The reality is this has not been an issue for Croydon in the recent past.

However in the absence of regulations which specify what “genuine efforts” are, it will be for the taxpayer to prove to the council’s satisfaction that they should not be subject to a premium. In the case of any dispute, there will be a right of appeal to Valuation Tribunal, and again this has not been an issue for Croydon since the inception of these regulations from 1<sup>st</sup> April 2013.

### **Recommendation**

Members are asked to agree the increase in premium for long-term empty dwellings with effect from 1<sup>st</sup> April 2019.