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## COUNCIL TAX – CONSULTATION PAPER ON PROPOSED CHANGES FOR SECOND HOMES AND LONG TERM EMPTY HOMES

### 1 SUMMARY

This report seeks the views of this Council on a consultation paper relating to the proposed Council tax changes for second homes and long term empty homes.

### 2 BACKGROUND

2.1 Members are informed that following the Government's Rural White Paper "*Our Countryside our Future*" published in November 2000, a consultation paper has now been issued concerning proposals which could give Councils the option of reducing or removing the current 50% Council Tax discount on *second homes* and properties *left empty for more than six months*.

2.2 The paper invites views on how any additional Council Tax raised as a result of the reduction or removal of these discounts should be distributed. Views are sought on whether this revenue should be retained and ring-fenced for, say, housing purposes, or whether authorities should be free to spend it on other local priorities.

2.3 Copies of the Consultation Paper have been placed in the Members Lounge. It is also available on the DTLR's website:

*[www.local-regions.detr.gov.uk/conindex.htm](http://www.local-regions.detr.gov.uk/conindex.htm)*

### 3 THE MAIN PROPOSALS

These are to allow Local Authorities to:-

- Remove or reduce the existing 50% discount for second homes (defined as furnished dwellings which are no-one's main residence).
- Remove or reduce the existing 50% discount for unfurnished long-term empty homes and to decide how long a property should remain empty before Council Tax is payable.
- Grant additional relief in circumstances that are not already covered by the current discounts and exemptions.

### 4 THE CURRENT ARRANGEMENTS

4.1 There are currently 23 classes of exempt dwellings, which cover a range of circumstances and are listed on the **Appendix** to this report.

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- 4.2 Unless properties are exempt under one of these categories, 50% Council Tax is payable if the dwelling is no-one's main home.
- 4.3 Currently, Councils can only grant exemptions in accordance with the Legislation and have no freedom to vary the situation with second or long-term empty homes. They also have no powers to grant additional relief in any unforeseen local problems such as flooding or foot and mouth disease infestation.

## **5 WHY CHANGE THIS?**

- 5.1 The impact of second homes and long-term empty properties varies from area to area.
- 5.2 In some areas, second home owners bring a much needed boost to the local economy but, in other areas, a high demand for second homes can price local people out of the property market and undermines the viability of local services. Equally, homes left empty for long periods can blight local communities and encourage crime and anti-social behaviour.
- 5.3 The proposals being suggested in this consultation paper could be used to help encourage owners of empty homes to bring them back into use, particularly if they are required to pay the full Council Tax.
- 5.4 Nationally, statistics show that more than ½ million properties which are no-one's main residence currently receive 50% Council Tax discount, with over half of these being long-term empty properties. Potentially £200m could be raised in England by ending the Council Tax discounts on these empty homes.
- 5.5 Within the Rochford District area, the breakdown of empty properties showing the time they have been empty is summarised below:-

0-3 months	-	277 properties
3-6 months	-	140 properties

(Most of the above 417 properties are exempt from Council Tax)  
(in accordance with current Legislation)

6-12 months	-	81 properties
12-18 months	-	45 properties
18-24 months	-	20 properties
2-3 years	-	17 properties
3-4 years	-	26 properties
4-5 years	-	17 properties
5-6 years	-	11 properties
6-7 years	-	4 properties
7-8 years	-	8 properties
8-9 years	-	42 properties

(Most of the above 271 properties pay 50% Council Tax)

From the summary above only 37 of these properties are recognised as second homes and pay 50% Council Tax.

## **6 THE MAIN ISSUES ON WHICH VIEWS ARE BEING SOUGHT?**

- 6.1
- Does this council agree that it should be able to reduce or end the discounts for second homes?
  - Should this apply to long-term empty homes as well?
  - Should the Council have powers to create their own exemption and discount categories including powers to grant relief on a case by case basis?
  - Should any additional tax raised be shared across all local authorities as at present or should it be retained locally?
  - Should any money retained be from just second homes or from long-term empty homes as well?
  - Should any money retained be ring-fenced for housing purposes or should the Council be free to spend it on other priorities?
  - Should the Council meet the costs of any additional Discretionary exemptions or discounts they grant?

## **7 VIEWS ON CHARGING POLICIES**

- 7.1 Clearly, every Local Authority will have different views and concerns relating to these matters, none more than deciding what effect charging full Council Tax will have upon empty properties within the District and how any extra revenue gained could be used.
- 7.2 The Head of Service reports that the issues contained in this paper have been discussed with other Essex Revenue Officers and the general consensus is that as Council Tax is now a well established and clearly understood Tax System, it does not seem desirable to offer Local Authorities "Discretionary Powers" appertaining to discounts and exemptions which would create widespread differences in how Council Tax is administered.
- 7.3 It would create uncertainty amongst Taxpayers, not only within Essex County but nationally, as a result of Local Authorities creating their own separate charging policies on empty property levies

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**8 OPTIONS FOR USING THE ADDITIONAL REVENUE RAISED FROM ENDING OR REDUCING DISCOUNTS**

8.1 Several options are set out in this consultation paper and include :-

- National retention of any additional revenue by Central Government and shared out to all Local Authorities when distributing grants .
- If the 50% discount is withdrawn, the Local Authority could retain the revenue and be free to spend it on say housing and/or other local priorities.
- Again, if the discount is withdrawn, the additional revenue could be ring-fenced for housing purposes.

**9 RECOMMENDATIONS FOR CONSIDERATION**

9.1 The Head of Service, whilst recognising that Rochford District does not have a problem with only 37 second homes, feels that there is a strong case to support charging 100% Council Tax and any additional revenue raised being retained and used for "housing purposes". The estimated yearly revenue from these 37 properties would amount to approximately £18,500.

9.2 With regard to the long-term empty properties, it is felt that, again, should an opportunity arise there is a strong case for the 6 months exemption period remaining but that any properties left empty for more than 12 months should pay the full 100% Council Tax charge. That is to say:-

empty 0-6 months	=	exempt
empty 6-12 months	=	50% charge
empty 12 months plus	=	100% charge

9.3 This would include approximately 200 properties in Rochford and would bring in additional revenue of approximately £100,000 which, if legislation allows, might be retained and used for any general service requirements.

9.4 Finally, it is considered that no powers should be afforded to Local Authorities within England to create their own additional exemptions and discounts as this might lead to anomalies and divisive categories with narrow qualifying criteria.

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**10 RECOMMENDATION**

It is proposed that the Committee **RESOLVES**

That the views of this Council be conveyed to the Department of Transport,  
Local Government and the Regions.

S J Clarkson

Head of Revenue and Housing Management

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**Background Papers:**

Department for Transport Local Government and the Regions (DTLR)  
Consultation Paper Issued November 2001

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**APPENDIX**

The following classes of exempt dwellings are prescribed in Legislation:

<b>Class</b>	<b>Exemption for:</b>
A	Empty and substantially unfurnished dwellings where works are required, underway or recently completed (valid for up to 12 months)
B	Empty dwellings owned by charities
C	Dwellings left empty and substantially unfurnished (valid for up to 6 months)
D	Dwellings left empty by prisoners
E	Dwellings left empty by patients in hospitals and care homes
F	Dwellings left empty by deceased persons
G	Dwellings where occupation is prohibited by public law
H	Empty clergy dwellings
I	Dwellings left empty by people receiving care
J	Dwellings left empty by people providing care
K	Dwellings left empty by students
L	Repossessed dwellings
M	Halls of residence
N	Dwellings occupied only by students or school leavers
O	Armed forces' accommodation
P	Visiting forces' accommodation
Q	Dwellings left empty by bankrupts
R	Empty caravan pitches and boat moorings
S	Dwellings occupied by minors only
T	Empty annexes which cannot be let separately
U	Dwellings occupied only by persons who are severely mentally impaired.
V	Dwellings occupied by Diplomats
W	Annexes occupied by dependent relatives