

EAST HERTS COUNCIL

EXECUTIVE - 4 DECEMBER 2012

REPORT BY EXECUTIVE MEMBER FOR FINANCE

COUNCIL TAX DISCOUNTS AND PREMIUM

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- For Members to consider how the Council will exercise discretions in respect of council tax discounts and premium with effect from 1 April 2013.

RECOMMENDATIONS FOR THE EXECUTIVE:

That Council be recommended to approve the following discounts in respect of council tax with effect from 1 April 2013:

(A)	a discount of 50% for any period of up to six months in respect of dwellings which become empty and unfurnished;
(B)	a discount of 50% where a dwelling is empty undergoing major repair for such minimum period as prescribed by regulation; and
(C)	a discount of nil in respect of second homes.

1.0 Background

1.1 As part of its localism agenda the government proposes to allow local discretion to set discounts to replace some of the currently prescribed exemptions and discounts applied to council tax.

1.2 The consultation paper summarised the purpose of the proposals:

- “These proposals will help local authorities keep the overall level of council tax down, supporting hard-working families and pensioners by adjusting the tax relief in respect of

second homes and empty properties when authorities judge that they do not merit the special treatment they currently get”

- “The Government has no plans to change the rules on exemptions currently available in respect of properties left empty because a person has moved into a hospital or care home, or has died, or has moved to provide care to another.”

2.0 Report

2.1 The current scheme of exemptions and discounts over which discretion becomes available reduces annual council tax income by:

- Empty and unfurnished £885,000 [no tax payable]
- Empty undergoing repair £108,000 [no tax payable]
- Second homes £ 20,000 [90% payable]

2.2 The loss of income is shared by East Herts, the County Council, Police Authority and Town and Parish Councils pro rata to each authority’s rate of council tax. Any reduction in discount will be for the benefit of all councils.

2.3 In addition to helping keep council tax down for the wider group of council tax payers a liability to pay some council tax may be an incentive to bring houses into occupation sooner by owners by compromising on sale prices and landlords on rents expected. This effect is difficult to quantify but making more effective use of the housing stock would be a useful contribution to the need for more housing.

2.4 However, the financial benefits to tax payers generally and any contribution to housing supply need to be considered against the impact on owners and landlords. Owners of empty property will most likely be paying council tax on another house they occupy and empty properties do not call on the full range of council services. For landlords council tax will be a cost at a time of loss of rent income for void periods.

2.5 The proposal to reduce the discount from 100% to 50% rather than withdraw the discount entirely achieves this balance. The council might assess impacts and review the discounts after a period and depending on the Council’s overall financial position.

2.6 Regulations with regard to current exemptions provide that a property must be occupied for at least six weeks after being empty before a further six months of exemption because empty

can be triggered. It is assumed that similar provisions will be prescribed with regard to the proposed equivalent scheme of discounts. This is important to avoid “game play” to avoid tax and if not carried forward the Council will need to consider how to put in place equivalent protection.

2.7 The discount on second homes was previously determined by the Council at the minimum of 10%. Removing the discount will avoid the need to track these properties but is unlikely to have much, if any, impact on the number of such properties in East Herts.

2.8 Exercising a provision to charge a premium rate of tax on properties which have been empty for two years may be seen as an incentive to bring properties back into use. However, keeping track of empty properties which have ceased to be in receipt of discount will require changes to procedures. On balance it is proposed that a premium is not charged.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

Background Papers

None

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