

# Report to the Council

**Committee:** Cabinet

**Date:** 26 September 2006

**Portfolio Holder:** Councillor J Knapman

**Item:** 9(d)

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## 4. COUNCIL TAX DISCOUNTS FOR LONG-TERM EMPTY HOMES

### Recommending:

That the discount for Class C Properties (Long-Term Empty Properties) within the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003:

- (a) remains at 50% for six months; and
  - (b) thereafter be removed.
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- 4.1 Regulations allow councils to reduce the discount applied to second homes and long-term empty properties. In 2005, the Council chose to reduce the Council Tax discount for second homes from 50% to the statutory minimum of 10%. At the same time, members decided not to reduce the discount on long-term empty properties (i.e., those empty for more than six months) but to review the situation in 2006 with a view to potentially changing the discount from 1 April 2007. Second homes are distinguished from empty homes as they remain furnished whilst being unoccupied.
- 4.2 The owners of empty properties are currently eligible to a six month exemption from Council Tax provided the properties are substantially unfurnished and no-one's sole or main residence. After the six month period a 50% discount is currently applied. The regulations allow for this discount to be reduced or removed completely.
- 4.3 The principal distinction between reducing the discount for second homes and long-term empty properties lies with the revenue implications. The tax base determines the capacity for a Council to generate revenues from Council Tax. This calculation has to take into account the effect of Council Tax discounts. The fewer discounts there are, the higher the tax base.
- 4.4 Where a Council reduces the second homes discount, both the Council and major precepting authorities benefit from the increase in their tax base used in their Council Tax setting decisions. The tax base used in the calculations of revenue support grant will not be increased. In essence, therefore, the Council and major precepting authorities retain the additional revenue. For 2006/07 the Council expects to receive approximately £60,000 in additional revenue from having reduced the second homes discount.
- 4.5 Where the billing authority reduces or removes the discount for long-term empty homes, this will be taken into account in calculating the tax base for Council Tax setting purposes. Therefore, neither the Council nor major precepting authorities receive the same financial benefit.

- 4.6 However, by reducing the discount on long-term empty homes, it is felt that pressure will be brought to bear on the owners to bring them back into use and help to alleviate the housing problems within the District.
- 4.7 The Housing Scrutiny Panel have discussed this issue as part of the Empty Property Strategy. The Panel recommended that the discount for long-term empty properties should remain at 50% for six months after the period of exemption expires and that after this period, the discount be removed and a 100% charge made payable. This was in recognition that a number of properties are sold between the period of six months and one year from being empty and therefore provides a more gradual reduction in discount after the period of exemption expires.
- 4.8 We have taken account of the views of the Housing Scrutiny Panel and agree that a reduction in the Council Tax discount for long-term empty properties will assist the Council's Empty Property Strategy by putting pressure on owners to bring their properties back into use. However, we are of the view that the Council Tax discount should be removed immediately after the six month exemption period has expired. Accordingly, we recommend as set out at the commencement of this report.