

Full Council

13 February 2024

Council Tax Premiums on Second Homes and Empty Properties

For Decision

Portfolio Holder: Cllr J Haynes, Corporate Development and Transformation

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Brief Summary: In February 2023 an initial paper was taken before Place and Resources Overview Committee on 9 February 2023 and unanimously supported at Cabinet on 28 February 2023 considering the potential power to levy Council Tax Premiums contained, as per the draft Levelling up and Regeneration Bill that at the time, was progressing through parliament. As a reminder the unanimously supported Cabinet recommendation was:

Recommendation to Full Council:

(a) That Full Council approve the following additional Council Tax premiums to be applied from 1 April 2024, or as soon as possible thereafter, subject to the required legislation being in place. That approval is given to:

(i) 100% premium for dwellings occupied periodically (Second Homes).

(ii) 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years.

(b) That Cabinet review the Council Tax premiums for second homes and empty properties after two years of implementation.

(c) That consideration be given to using a percentage of the additional income received through the premiums to support affordable housing projects, if the Council has a balanced budget.

The report set out the implications for a key element of the Bill, being proposed changes to allow councils to place a council tax premium on second homes and permit a 100% premium on empty properties at an earlier one-year commencement point as opposed to the current two-year commencement point. This legislation gives councils the power to raise additional revenue acknowledging the impact that second homes (referenced as 'dwellings occupied periodically' in the Bill) and empty homes can have on some communities.

In February 2023 the bill had not received Royal assent so was only considered by Dorset Council's Resource and Overview Committee and Cabinet but was waiting upon enactment before coming before Full Council.

At the time it was known that if the Bill received royal assent, then billing authorities would be able to consider:

1. Allowing councils to introduce a council tax premium of 100% in respect of dwellings occupied periodically. (Second Homes) – Introducing a new premium
2. Reducing the minimum period for the implementation of a council tax premium for empty premises from two years to one year – a technical adjustment to an existing premium

The Levelling Up and Regeneration Bill received Royal Assent on 26 October 2023 becoming The Levelling Up and Regeneration Act 2023. The above position can now move forward, therefore the recommendations are.

Recommendation:

Dorset Council are asked to approve the following:

1. **That from 1 April 2025** a 100% Council Tax premium will apply to all dwellings occupied periodically (second homes) other than those included as exceptions.
2. **That from 1 April 2024** the 100% Council Tax premium for properties which have been empty and unfurnished will be applied from the earlier 1 year commencement point, a change from the current 2 year commencement point, other than those included as exceptions.

3. That cabinet review the Council Tax Premiums for both Second Homes and Empty Properties after two years of implementation.
4. That consideration be given to using a percentage of the future additional income received through the premiums to support affordable housing projects, if the Council has a balanced budget.
5. That following the outcome of DLUHC's National consultation, authority to amend exceptions to this policy as a result of any changes to National binding regulations, are given to the Section 151 officer in consultation with the appropriate Portfolio Holder.

1. Reason for Recommendation:

- 1.1 **Second Homes Premium:** The Levelling Up and Regeneration Bill Act 2023 is now enacted in law. Section 80 (2) of the Act inserts a new section 11C into the Local Government Finance Act 1992. This now permits the Council to apply a premium on second homes. The maximum Council Tax charge in these cases would be a standard 100% charge plus a premium of 100% making a total Council Tax charge of 200%. Unlike empty dwellings, there is no requirement for a property to have been used as a second home for a fixed period of time before the premium can apply so it becomes chargeable from day one that a property is considered a second home (dwellings periodically occupied).
- 1.2 Section 11C (3) requires that the first decision to impose this class of premium must be taken at least 12 months before the financial year to which it would apply. In effect this means that premiums for second homes will not take effect until 1 April 2025 for the 2025-2026 financial year.
- 1.3 **Empty Homes Premium:** Section 79 (1) (b) of The Levelling Up and Regeneration Act 2023 permits the Council to impose an empty homes premium after one year instead of the current two years. Section 80 of the act provides that from April 2024, a property can be charged an empty home premium at 100% after one year, even if it became empty before 1 April 2024. This would be an amendment to the existing charging policy and as such is not subject to the same notice period as a new premium.
- 1.4 During the periods of past consideration in February 2023, Government had not yet made provision for exceptions from the premiums. Provision for exceptions have been included in the approved bill. A National Consultation was held seeking views on possible categories of dwellings which should be dealt with as exceptions to the Council Tax premiums. Regulations are expected to be published covering the exceptions which will include the second home premiums and the empty homes premium.

- 1.5 The Council has included the proposed exceptions below however; it should be noted that these may change when the regulations are commenced, recommendation 5 outlines the delegated authority to amend.
- 1.6 The consultation proposed that there will be circumstances where premiums will either NOT apply or be DEFERRED for a defined period of time. They are as follows:
- **Properties undergoing probate** – government proposes that these properties should be exceptions to the second homes **and** empty homes premiums for a maximum of 12 months. The exception would start once probate or letters of administration have been granted. This will not affect the Class F Council Tax exemption or the ability for the Council to charge its determined rate of Council Tax following the expiry of the Class F exemption; (this relates to the standard non premium element of the Council Tax Charge)
 - **Properties that are being actively marketed for sale or rent** – government proposes that this exception will apply for up to a maximum of 6 months from the date that ACTIVE marketing commenced, or until the property has been sold or rented, whichever is sooner. The Council, in determining whether the exemption applies will require the following evidence:
 - (a) evidence that the dwelling is being actively marketed for sale or rent through a recognised agent (evidence can include contracts with agents, advertisements in recognised media or marketing websites)
 - (b) where the premises are being self – marketed by the owner or landlord, evidence that the premises is being actively marketed such as advertisements in recognised media, newspapers or letting websites
 - (c) where for sale, evidence that the premises are being sold at a true market value for the size and type of dwelling within the area in which it is situated. Where the dwelling is for let, that the rent requested is at a true market value for the size and type of dwelling within the area in which it is situated.
 - (d) The above list is not exhaustive and the council reserve the right to request further evidence to support any claim for exemption. It will be

down to the taxpayer to provide satisfactory evidence that this exemption applies.

It should be noted that the exemption will only apply ONCE to any taxpayer or taxpayers if they are joint and severally liable.

- **Empty Properties undergoing major repairs** – Government proposes that empty properties undergoing major repair work or structural alterations should be an exception to the premium for up to 6 months once the exception has been applied or when the work has been completed, whichever is sooner. The exception will be applied at any time after the property has been empty for at least 12 months, so long as the council is satisfied that the necessary repair work is being undertaken. As with all other exemptions to the premiums, the council will require the taxpayer to provide such evidence that is required to support their application.
- **Annexes forming part of, or being treated as, part of the main dwelling** – government proposes that such annexes should be an exception to the Council Tax premium on second homes only.
- **Job related dwellings** – currently, there is a Council Tax discount of up to 50% for properties which are unoccupied because the owner is required to live elsewhere for employment purposes. The discount applies where the dwelling is provided for the better performance duties of the employment and it is one of the kind of employment in the case of which it is customary for the employers to provide dwellings for the employees. The Government proposes that the dwelling should also be an exemption to the second homes premium. **The exception will not apply to cases where someone chooses to have an additional property to be closer to work while having a family home elsewhere or where an individual is posted to a new location but maintains their previous address.**
- **Occupied Caravan pitches and houseboats** – government proposes that these caravans and boats should be an exception to the Council Tax premium on second homes.
- **Seasonal homes where year round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupancy as a person's sole or main residence** – government proposes that properties that have

restrictions or conditions preventing occupancy for a continuous period of at least 28 days in any 12 month period, or specifies its use as a holiday let, or prevents occupancy as a person's sole or main residence, should be exceptions to the second home premium.

- 1.7 It is understood that regulations will be issued early 2024 regarding the above exceptions and the Council will need to ensure that any charging policy is in line with legislation.

2. Financial Implications

- 2.1 Initial high-level analysis presented to cabinet suggested that the application of a 100% premium on second homes could generate around £10m in additional council tax revenue based on 5,722 listed second homes. It was also reported that it would be prudent to assume an initial collection figure within a range of between £9.5m to £8m given a variety of factors that may impact collection rates. This analysis will need to be updated to include the impact of exceptions when known, which will reduce initial estimates. The financial impact of this premium will therefore be presented as part of the Medium Term Finance Paper for 2025/26 onwards including the scope to allocate a percentage towards affordable housing, as laid out in recommendation 4.

- 2.2 Initial high-level analysis suggested that the application of applying the empty homes premium from the earlier 1 year commencement point is estimated to have increase revenue by £300,000. It is extremely difficult to assess initial customer responses and whether changes to this premium may result in earlier occupation of these empty dwellings in question. Owners are often actively working towards occupying, letting or selling properties within this category and we do not hold data to comprehensively assess if premiums commencing after 12 months will be applicable throughout the full year or positive changes will mean the premium no longer applies which impacts financial assessments regarding potential revenue yield. This will be assessed as information becomes available during 2024/25 and factored into the setting of the Councils Council Tax base in future years.

3 Natural Environment, Climate & Ecology Implications

The environmental implications of this recommendation have been considered, and there are no implications of the proposed course of action that would act against the strategic ambitions of the Climate and Ecological strategy and action plan.

4 Well-being and Health Implications

There is a potential positive impact on resident's wellbeing if under-utilised or empty properties are made available for occupation.

5 Other Implications

No other implications identified.

6 Risk Assessment

Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Low

There is a risk that the implementation of a second homes premium may encourage council tax "avoidance" through people seeking to transfer their properties to business rates as holiday lets. This risk is reducing as government have brought in new requirements for people to evidence to the Valuation Office Agency that alongside having their property available for let for at least 20 weeks in a year, it must also have been actually let for at least 70 days. It is the Valuation Office that make the decision if a property (hereditament) is entered and remains on the Council Tax list or the Business Rates list.

7 Equalities Impact Assessment

There are no specific equalities issues that have emerged from the potential implementation of this policy, although subject to adoption there will be additional revenue for Dorset Council to invest into services for the residents of Dorset.

8 Appendices:

Appendix A: Draft Empty Homes and Second Homes Premium Policy

9 Background Papers

[Choose agenda document pack - Cabinet 28 February 2023 - Dorset Council](#)

[\(Public Pack\)Agenda Document for Place and Resources Overview Committee, 09/02/2023 10:00 \(dorsetcouncil.gov.uk\)](#)

10 Report Sign Off

This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)