

SUBJECT:	Council Tax Discounts from 1 April 2014
REPORT OF:	Officer Management Team - Director of Resources Prepared by N Berry - Revenues and Benefits Client Manager

1. Purpose of Report

- 1.1 To outline the options available to the Council in varying the level of discounts awarded in respect of empty properties and second homes.
- 1.2 To provide estimates of the levels of additional income that could be generated by differing levels of change and the associated implications

2. Links to Council Policy Objectives

- 2.1 Using the powers created by revised legislation to maximise income to the Council, whilst adopting an equitable scheme of discounts, demonstrates the Council's management principles of prudent use of resources.

3. Background

- 3.1 Members will recall a report to Cabinet on 5 February 2013 regarding the levels of discounts to be awarded in respect of various classes of empty property for 2013/14.
- 3.2 A decision was required because certain Council Tax exemptions were abolished from April 2013 and replaced by locally determined discounts. It was agreed at the meeting that the level of discounts adopted for 2013/14 would mirror the previous levels of exemption.
- 3.3 It was agreed that this decision was an interim measure and that the issue would be brought back to Cabinet to enable consideration of various changes from April 2014.

4. The Current Position (April 2013 to March 2014)

- 4.1 There are a variety of types of property where the level of discount can vary. The current position on each of these is shown below:

Class C Discounts - These apply to all properties which are empty and unfurnished for up to 6 months. The discount is currently 100% for the first 6 months as agreed by Cabinet in February 2013. This mirrored the previous exemption (Class C);

Class D Discounts - These apply to properties which are undergoing structural repairs and can apply for a period up to 12 months. The discount is currently 100% for up to 12 months as agreed by Cabinet in February 2013. Again this mirrored the previous exemption (Class A);

Long Term Empty Properties - Currently once a Class C discount has been in place for 6 months, if the property remains unoccupied, it becomes a 'long term empty' and it is a decision of the council what discount should apply at this stage. Currently no discount is given and a full charge is due. This is the situation that has been in place for a number of years since local authorities were given the discretion over this phase (i.e. once a property had been empty for 6 months); and

Second Homes - Discretion was previously given to local authorities to charge anything up to 90% in respect of second homes (discount of 10%). In the case of South Bucks the charge is currently set at 90%.

4.2 In addition there are various other classes of empty property where statutory exemptions still apply and which won't be affected by any local changes. These are for example where:-

- The property was last occupied by a resident of a hospital or care home
- The person living there before has died and the will has not yet been settled or was settled less than 6 months ago
- The owner is living elsewhere to provide or receive care
- The previous occupier is in prison
- Planning restrictions do not allow anyone to live there.

5. What changes are permitted?

5.1 The legislation brought into force in April 2013 permits local authorities to locally determine certain discounts in respect of the four types of property shown in para 4.1 above.

Class C Discounts - The Council can exercise complete discretion over the percentage discount offered and the length of time a discount can apply.

Class D Discounts - The length of time a discount can apply must stay at 12 months however the level of discount can be amended.

Long Term Empty Properties - These will now be defined as properties which have been empty in excess of 2 years (rather than the current 6 months). Provision has been made in the regulations to allow local authorities to charge a supplement of 50% on such properties (150% of the standard council tax).

Second Homes - The Council now has the discretion to charge up to 100% on second homes.

6. The financial benefits of changes

6.1 Any changes which reduce the levels of discount awarded have the effect of increasing the total tax base within the district. This increases the tax raising abilities of both this council and the preceptors.

6.2 Increased revenue raised would be shared across all preceptors and this council would retain a share of approximately 10%.

- 6.3 Various options for change and the estimated financial benefits of each are given in the tables below:

Class C Discounts

	Estimated cost of Discounts	Potential additional revenue	Potential additional revenue to SBDC
Maintain the current position - 100% discount for up to 6 months	£587,112	Nil	Nil
Reduce the discount period to 3 months	£457,346	£129,765	£12,976
Reduce the discount period to 1 month	£229,392	£357,719	£35,771
Allow no discount	Nil	£587,112	£58,711

Class D Discounts (time period must remain 12 months)

	Estimated cost of Discounts	Potential additional revenue	Potential additional revenue to SBDC
Maintain the current position - 100% discount for 12 months	£102,975	Nil	Nil
Reduce discount to 50%	£51,487	£51,487	£5,149
Reduce discount to 0%	Nil	£102,975	£10,297

Second Homes

	Estimated cost of Discounts	Potential additional revenue	Potential additional revenue to SBDC
Maintain the current position - 10% discount	£31,433	Nil	Nil
Reduce the discount to nil	Nil	£31,433	£3,143

Long Term Empty Properties (Empty for over 2 Years)

	Potential additional revenue	Potential additional revenue to SBDC
Maintain the current position - 100% charge	Nil	Nil
Apply a 50% premium	£121,215	£12,121

7. Non Financial Implications

- 7.1 On the face of it, it would appear attractive to adopt the changes which could achieve the highest level of possible increased revenue, however there are other factors that need to be considered.
- 7.2 The figures given in the tables above are based on modelling against the current Council Tax database and provide an estimate of the effects of change. Once such changes are implemented taxpayers may change behaviour to avoid incurring additional costs.
- 7.3 In addition, implementing some of the changes could result in a change to the costs of administering the discounts. Depending on the change, this could lead to an increase or a reduction in costs.
- 7.4 Details of some of the specific implications for each type of empty property are given below:

Class C Discounts -Class C Discounts generally apply in the period between the sale of a property and the new owner moving in or in the case of a rented property when there is a change of tenancy. In a large number of cases this relates to a very short period of time. If no discount were allowed there would be numerous bills required for very short periods of Council Tax liability. Along with the increased administration costs these small amounts may prove uneconomic to bill and collect. It is therefore recommended that the discount period is not completely removed. In addition, to prevent abuse in the claiming of multiple class C discounts a minimum occupation period of 6 weeks is recommended before a further discount can apply. If the discount period were to be reduced from 6 months to 3 months, approximately 100 taxpayers would be affected based on the position in May 2013.

Class D Discounts - currently a discount of 100% is granted. However ensuring that these discounts are claimed legitimately does involve significant costs in terms of resources. Evidence is required of the ongoing work taking place and physical inspections are completed. If Class D Discounts were removed (reduced to 0%) and Class C Discounts of 100% granted for 3 months this would mean all empty properties were treated the same irrespective of what work was required. This would therefore reduce administration and associated costs. A maximum of 32 taxpayers would be affected based on the position in May 2013.

Second Homes - removing the 10% discount on second homes leaves taxpayers with no incentive to report these properties. Such changes may result in an increase in claims that the property is occupied by a single person in order to attract a 25% single occupier discount i.e. a husband and wife might decide for Council Tax purposes that they live in separate properties. Administration costs may well increase to try to prevent this. This however could have been the case when the discount was originally reduced to 10% and such fears were generally unfounded. Currently there are 175 second homes.

Long Term Empty Properties - the table at paragraph 6 shows potential additional income in respect of such properties as £121,000. However it is very unlikely that such revenue would actually be generated as there are various means of avoidance which could be easily utilised by taxpayers. The main reason the Council may wish to introduce a premium would be to encourage properties being brought back into use. Experience from authorities that have already introduced the premium has shown that it has in practice identified properties that are occupied or furnished. In the past because the maximum charge was only 100% there was no incentive for owners to inform of changes. A maximum of 200 properties could be subject to the premium if introduced.

8 What are the other Bucks Authorities charging?

	Aylesbury Vale DC	Wycombe DC	Chiltern DC
Class C Discounts	100% Discount for 1 month	100% Discount for 60 days	100% Discount for 3 months
Class D Discounts	50% Discount for 12 months	100% Discount for 12 months	Discount removed
Second Homes	Discount removed	10% Discount retained	Discount removed
Long Term Empty - Premium Applied?	Yes	Yes	No

9 Recommendation

9.1 The advice of the PAG is sought on whether the Portfolio Holder should be asked to recommend to the Cabinet the following amendments to council tax discounts and exemptions to take effect from April 2014:

1. The Class C discount period is reduced to 3 months with a minimum occupation period of 6 weeks between discounts
2. The discount for Class D discounts is removed (0%)
3. The second home discount of 10% is removed
4. A premium of 50% is applied to properties empty for over 2 years

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Background Papers:	None