

MEETING: **THE FULL COUNCIL**

DATE: **5 DECEMBER 2013**

TITLE: **COUNCIL TAX: DISCRETIONARY POWERS TO ALLOW DISCOUNTS**

PURPOSE: **Formal ratification for 2014/15 and thereafter of previous decisions not to allow any discounts for second homes and to disallow discount on empty properties.**

CABINET MEMBER: **Councillor Peredur Jenkins**

CONTACT OFFICER: **Dafydd L Edwards, Head of Finance**

1. LEGISLATIVE BACKGROUND

- 1.1 Section 12 of the Local Government Finance Act 1992 (as amended by Section 75 of The Local Government Act 2003 and The Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004) provides Councils with the discretionary powers to grant discount or not to two classes of second homes (classes A and B, below) and to long term empty dwellings (class C). The discount can be 50%, a reduced percentage or no discount.
- 1.2 Whilst regulations now provide the Cabinet with powers to decide on the council tax base, **a decision by the full Council is still required in relation to discounts.** For technical reasons, annual confirmation has been sought again regarding the decision to disallow council tax discounts.

2. CURRENT POLICY AND INTENTION

- 2.1 The Council has resolved to allow NO discounts to second homes (classes A and B) every year since receiving discretionary powers for these classes in 1998, and it is recommended below that this should continue for 2014/15.
- 2.2 The Council has also resolved NOT to allow a 50% discount for class C (in respect of empty/unoccupied properties) since 2009/10, and it is recommended below that this should continue for 2014/15.
- 2.3 In order to avoid the need for an annual decision on the above, the full Council resolved on 21 January 2010 to confirm that this policy would continue beyond 2010/11, and thereafter until a relevant item is tabled on the full Council's agenda. However, consideration by a valuation tribunal of a case involving a property in another county raised doubt regarding the validity of a permanent resolution and policy on this matter, and the legal opinion is that it would avoid an element of risk to the Council if we secure an annual decision for this matter.
- 2.4 The financial strategy for 2014/15, and the Council's grant settlement from the Welsh Government, is based on continuation of the policy to allow NO discounts, and any change to that policy would need to be funded by the Council in 2014/15.

3. **“THE REGULATIONS” – COUNCIL TAX (PRESCRIBED CLASS OF DWELLINGS (WALES) REGULATIONS 1998 / THE COUNCIL TAX (PRESCRIBED CLASSES OF DWELLINGS) (WALES) (AMENDMENT) REGULATIONS 2004**

- 3.1 In the above Regulations, 'second homes' have been categorised into two classes, A and B, while class C refers to empty properties:
- ❑ **Class A** - Second homes which are unoccupied and furnished, with a restriction on occupancy for a period of at least 28 consecutive days in any 12 month period.
 - ❑ **Class B** - Second homes which are unoccupied and furnished.
 - ❑ **Class C** – empty and unfurnished properties, and have been such for a period of over 6 months.
- 3.2 The Regulations provide the Council with the discretion to charge full Council Tax or to allow a 25% or 50% discount to classes A and B.
- 3.3 Similarly, the Regulations provide the Council with discretion to continue to allow a 50% discount, to allow a lower percentage of discount, or no discount at all to class C.

4. **SECOND HOMES**

- 4.1 A number of elected members have suggested that we should charge more than 100% of the usual Council Tax payable on second homes, by means of a 'premium' rather than a discount.
- 4.2 In order to operate a 'premium', there would need to be a change in the national Regulations, and also a change in the primary legislation underpinning those Regulations (by the Westminster and Welsh Governments).
- 4.3 Acting jointly with other local authorities, the Council Leader, Cabinet Members and many officers continue to campaign to prompt such a development, with local authorities retaining the additional council tax income generated.
- 4.4 The Westminster Government has devolved powers allowing the Welsh Government to legislate on charging a Council Tax 'premium' on second homes, and the Welsh Government recently consulted on this matter.
- 4.5 A positive response was submitted on behalf of Gwynedd Council, supporting the introduction of a premium, whilst also stressing the need for measures to control / prevent the transfer of second homes to commercial holiday lets and the business rates regime.
- 4.6 The Council's response supporting the introduction of a Council Tax 'premium' on second homes can be seen in the November issue of 'Rhaeadr' on the following website, and preceding correspondence regarding transfer of second homes to business rates is in the July issue of 'Rhaeadr' on the same website –

25 Nov Article:

<http://gwyneddmembers.wordpress.com/2013/11/25/second-home-tax-the-latest/>

31 July Article:

<http://gwyneddmembers.wordpress.com/2013/07/31/tax-loopholes-councillors-concerns/>

- 4.7 We remain hopeful that discretionary powers to raise more than 100% will be allowed to local authorities in the future, but such powers will not be in place for 2014/15.

5. EMPTY PROPERTY

- 5.1 Gwynedd Council's Empty Property Strategy was adopted in February 2009. The Council has also recognised the importance of dealing with empty properties within its Strategic Plan (bringing empty properties back into use). The Empty Property Strategy's mission statement is that: *"Gwynedd Council will endeavour to bring empty properties back into use. Our aims are to contribute to the well-being of the neighbourhood, increase the supply of housing, reduce homelessness or the potential for homelessness, and at the same time, reduce the pressure on the Housing Waiting List"*.
- 5.2 Since April 2009, long term empty dwellings have been charged 100% council tax, following either an exempt period of 6 months, or an extended 12 month period of exemption if undergoing major renovation. Any discount would provide an unfortunate incentive for owners to keep dwellings empty. The Empty Property Strategy includes the Council exercising its discretion to charge 100% council tax on long term empty dwellings, as an incentive for these dwellings to be reoccupied. It is recommended that the full Council continues with the resolution not to allow a discount on empty property in 2014/15.
- 5.3 In October 2012, there was a Welsh Government consultation regarding empty property taxation and powers to raise more than 100% of Council Tax on long-term empty properties. On the 18 November 2013 the Housing (Wales) Bill 2013 was issued.
- 5.4 The Housing (Wales) Bill 2013 includes the discretionary provision for local authorities to charge a standard 150% tax on properties which have been empty for 12 months or more. The Bill will now continue its legislative passage through the Assembly, but it is not envisaged that it will be effective for 2014/15.

6. RECOMMENDATION

- 6.1 It is prudent to seek an annual decision by the full Council on these matters.
- 6.2 Therefore, **the Council is asked to formally resolve** again for 2014/15 **that Gwynedd Council allows NO discount** under Section 12 of the Local Government Finance Act 1992 **to the two classes of second homes** (classes A and B) defined in the Council Tax (Prescribed Class of Dwellings) (Wales) Regulations 1998.
- 6.3 Further, **the Council is asked to formally decide** again for 2014/15 **to allow NO discount in respect of empty properties** (class C).