

Consultation on charging additional Council Tax (a “Council Tax Premium”) on second homes and long term empty properties .

Introduction

We are consulting in order to gather the views of Gwynedd taxpayers, homeowners and others on how the Council should implement the powers that allow it to introduce a Council Tax Premium of up to a maximum of 100% on long term empty homes and on second homes from 1 April 2018.

Background

Council Tax is a local tax on domestic properties and is billed and collected by the Council. The money raised through Council Tax is used to support and fund local services.

Current regulations gives the Council discretion to charge full Council Tax, or allow a discount of 25% or 50% to **second homes**, and to allow a 50% discount, or a smaller rate, or no discount at all, to **long-term empty properties**.

For several years, Gwynedd Council has decided not to allow any discount for long-term empty homes or second homes. The full Council must take this decision annually; the decision not to allow a discount for 2016/17 was made at the full Council meeting on 10 December 2015.

The Housing Act (Wales) has now added Sections 12A and 12B to the Local Government Finance Act 1992 (the Act which introduced Council Tax) to include a right for Councils to raise an additional premium of **no more than 100%** on long-term empty homes (Section 12A) and second homes (Section 12B).

The Council must make its initial decision to raise a Premium on second homes at least one year before the beginning of the financial year to which it relates. Therefore, if the Council is to raise a premium on second homes from 2018/19, the Council must make a full decision before 31 March 2017.

When deciding on an annual basis to not allow Council Tax discount for long term empty dwellings, the Council has adopted the principle that offering 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 and the expectation is that raising the premium on empty properties is a further incentive to reoccupy empty dwellings.

What do we mean by “second homes” and “long-term empty properties”?

A **long-term empty property** is defined as a dwelling which is unoccupied and substantially unfurnished for a continuous period of at least one year. A **second home** is defined as a dwelling which is not a person's sole or main home and is substantially furnished. The 1992 Act refers to these dwellings as dwellings occupied periodically, but they are commonly referred to as “second homes”.

Exceptions

By law, some long term empty properties and second homes are eligible for exemption from paying the Premium. The following table shows the exceptions that exist, and which properties are eligible for these exemptions:

Classes of Dwellings	Definition	Type of property that is eligible for an exemption from paying the premium
Class 1	Dwellings being marketed for sale – time-limited for one year	Long-term Empty Properties and Second Homes
Class 2	Dwellings being marketed for let – time-limited for one year	
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

In addition, it should be noted that the Council cannot charge a premium on any property where basic Council Tax cannot currently be charged.

Key points for consideration

- Gwynedd is the county with the highest rate of second homes in England and Wales. In July 2016 there were 4,867 second homes paying Council Tax which would be eligible to pay the premium.
- In July 2016, the total number of dwellings in Gwynedd that had been empty for over 1 year was 1,115. Of these:
 - 714 had been empty for over 2 years
 - 513 had been empty for over 3 years
 - 389 had been empty for over 4 years.

A detailed study was carried out in 2013 on the numbers and impact of second homes within Gwynedd. Some of the main findings of this study were:

- The impact of second homes is not confined to certain areas. Communities with high concentrations of second homes are dispersed and widespread.
- In areas with high concentrations of second homes, the impact of a strong 'external' market for houses, together with the fact that the stock of housing available for residential use in those areas is diminished, pushes up house prices.
- The work concluded that low income levels and inflated house prices in areas with high concentrations of second homes make it impossible for most residents to form their own households in their communities.
- Comparing the two most recent census results shows a decline in the percentage of Welsh speakers in communities with a high concentration of second homes.
- Providing local solutions by means of affordable housing, if resources are available, can help counteract affordability issues in communities with high proportions of second homes, without a negative impact on the Welsh language.
- Areas of high density of second homes are amongst the most deprived in Wales in terms of access to basic services. The high numbers of second homes reduce the population base of those areas, thereby affecting the sustainability of services.
- High concentrations of second homes do not necessarily correspond to 'affluent' areas. Indeed, many of the communities affected are deprived areas.
- Second homes lead to significant under-occupation of housing in many communities, when the best use of housing stock is not made.
- The types of and number of local services such as shops and post offices, will naturally be affected due to a lower population level. Second homes will reduce the amount of retail floor space that can be supported by the resident population.
- Second homes reduce the demand for tourist accommodation in the communities concerned, therefore affecting the sustainability of local businesses such as hotels, self-catering accommodation and caravan / camping sites.
- The demography of communities with high proportions of second homes is different – in general the resident population is 'older'. This affects the balance of the communities and will have an impact on the future resilience and sustainability of these areas.
- The fact that second home owners themselves are generally of a different age / wealth profile to the resident population further imbalances the structure of the communities concerned. In addition, the simple fact that they are absent for a significant proportion of the year limits their ability to contribute to local community activities and to the local economy.

- There are increased costs in providing public services within communities with high concentrations of second homes. This is due to the older age profile of service users and the variability / unpredictability of service demand.
- The costs of providing local authority services to second home residents are not recognised in the formula which provides the majority of funding for these services. If second homes in Gwynedd were occupied permanently, the authority would receive a significantly higher central grant outweighing the costs of serving the increased population. In effect, the resident population of Gwynedd are subsidising most of the costs of providing services for second home owners.
- The additional funding from increasing Council Tax on second homes could be used to address some of the problems facing communities in those areas. For example to improve the condition of housing stock (which is worse in Gwynedd than in other areas) and affordability of housing.

Use of the Premium

The Welsh Government has stated that a local authority will be able to retain any additional funds generated by implementing the premiums (and the Government has noted that amendments will be made to the calculation of the tax base to facilitate this). However, authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums, but there is no legal requirement to do this.