

## **COUNCIL TAX ON EMPTY PROPERTIES**

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### **1.0 EXECUTIVE SUMMARY**

- 1.1 On 27 June 2013 Council approved a policy for charging double Council Tax on long-term empty dwellings under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. This allows the Council to increase the council tax charge on unoccupied properties which are not being actively marketed for sale or for let under appropriate conditions and which have been unoccupied for over 12 months by 100% across the whole of the council area with effect from 1 April 2014, and to increase the council tax charge on unoccupied properties which are being actively marketed for sale or for let under appropriate conditions and which have been unoccupied for over 24 months by 100% across the whole of the council area with effect from 1 April 2014.
- 1.2 On 23 January 2014 the Council agreed not to increase the council tax charge on unoccupied properties in a restricted number of circumstances as a transitional measure and in these circumstances the property would benefit from a 10% long term empty discount for a further 6 month period. These transitional measures have now expired.
- 1.3 The policy was further amended by Policy & Resources Committee on 19 March 2015 so that where major repairs are underway which require planning permission and/or building warrant, the double charge is only applied after a property has been empty for 2 years. We now have had a small number of cases where new owners have purchased properties which have been empty prior to purchase for some considerable time. New owners of such properties which require major repairs get a 50% discount for 6 months, but after that period, the double charge immediately applies. For some properties, the 6 months' period is not sufficient to allow repairs to be completed.
- 1.4 The committee is asked to amend the existing policy to give 10% discount for a further 6 months where major repairs are continuing, and only to apply the double charge after the new owner has owned the property for a 12 months' period.

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### **2.0 INTRODUCTION**

- 2.1 On 27 June 2013 the Council approved a policy for charging double Council Tax on long-term empty dwellings under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 which came into effect from 1 April 2014. On 23 January 2014 Council agreed not to increase the council tax charge on unoccupied properties in certain circumstances as a transitional measure which included postponing the double charge for a single 6 month period commencing on or after 1 April 2014 and finishing before 31 March 2016 whilst major repair works are under way to the property.
- 2.2 The policy was further amended by Policy & Resources Committee on 19 March 2015 so that where major repairs are underway which require planning permission and/or building warrant, the double charge is only applied after a property has been empty for 2 years.
- 2.3 We now have come across a small number of cases where new owners have purchased properties which have been empty prior to purchase for some considerable time. New owners of such properties which require major repairs get a 50% discount for 6 months, but after that period, the double charge immediately applies. For some properties, the 6 months' period is not sufficient to allow repairs to be completed. This paper asks the committee to consider an amendment to the policy on charging double council tax on long-term empty properties which would give only bring in the double charge 12 months after purchase where major repairs are required to a property and such repairs are being carried out.

### **3.0 RECOMMENDATIONS**

- 3.1 Policy & Resources Committee approves an amendment to the policy for charging double council tax on long term empty properties so that where major repairs are underway which require planning permission and/or building warrant, and the property has recently been purchased by a new owner, the double charge is only applied after 12 month period. The revised policy which would give effect to this is attached at Appendix 1 for approval. This change should be backdated to 1 April 2015.

### **4.0 DETAIL**

- 4.1 On 27 June 2013 Council approved a policy for charging double Council Tax on long-term empty dwellings under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. This allows the Council to increase the council tax charge on unoccupied properties which are not being actively marketed for sale or for let under appropriate conditions and which have been unoccupied for over 12 months by 100% across the whole of the council area with effect from 1 April 2014, and to increase the council tax charge on unoccupied properties which are being actively marketed for sale or for let under appropriate

conditions and which have been unoccupied for over 24 months by 100% across the whole of the council area with effect from 1 April 2014.

4.2 On 23 January 2014 Council agreed not to increase the council tax charge on unoccupied properties in the following circumstances as a transitional measure:

- For a 6 month period from 1 April 2014 to 30 September 2014 where a council tax payer has an unoccupied property where a grant of confirmation has been obtained but the title has not yet passed to a named beneficiary and the property is being actively marketed for sale or let;
- For a 6 month period from 1 April 2014 to 30 September 2014 where a disabled council tax payer has an unoccupied property which they have previously vacated in order to move to a more suitable property;
- For a single 6 month period commencing on or after 1 April 2014 and finishing before 31 March 2016 whilst major repair works are under way to the property.

In these circumstances the property would benefit from a 10% long term empty discount for the relevant 6 month period.

4.3 An appeal was heard by the Valuation Appeal Committee (VAC) on 10 December 2014. The appellant was aggrieved that the Council applied a double charge 18 months after they had purchased a property. The VAC found in favour of the appellant despite the charge being in accordance with council policy at that time. They felt this period was too short. To give effect to the VAC ruling, Policy and Resources Committee on 19 March 2015 agreed to remove the 6 month transitional exemption from the double charge for buildings under repair and instead amended the policy so as to provide a 24 month period before the double charge would be applied in such cases.

4.4 The Committee was reminded that if a long term empty property is purchased by a new owner, they would be eligible for a 50% council tax discount for 6 months if the property is undergoing or requires major repair work to render it habitable beginning with the day on which it was purchased. Thereafter it would be immediately be subject to the double charge if the property had been empty at that point for 24 months or more.

4.5 A small number of new owners are now aggrieved that this is the case for them. No doubt they were aware of the requirement to carry out repairs before they bought the property, and this may well have been factored into the price, but they are unlikely to have been aware of when the property was last occupied and may only find this out some time after purchasing the property.

4.6 It is in the Council's interest to encourage the new purchaser to carry out the repairs and bring the property back into use as quickly as possible. It is understood that the cost of the double charge may reduce funds available for doing up the property, and these two aspects need to be balanced. It is important, however, to ensure that any relaxation in the double charge does not provide an incentive simply to sell the property on to yet another owner without the improvements necessary to make it habitable ever being carried out.

4.7 It is therefore proposed to make a further change to the policy to provide a modest relaxation of the policy. This would apply only to dwellings who have received a 50% discount under regulation 5 (c) The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 (SSI 2013/45), and where evidence is provided that such major repair work or structural alteration has commenced within

that 6 month period and is continuing or has been completed. In such cases 10% discount would be available for up to a 6 month period after the 6 months' 50% discount, provided the property remains unoccupied.

- 4.8 The 50% discount applies where major repairs are required to render a property habitable but they do not actually have to have commenced. It is proposed only to offer the 10% discount for the following 6 months if the repairs have actually commenced and evidence of this would need to be provided. If this evidence is not forthcoming the double charge would come into effect after the 6 month period with 50% discount. The discount will also be ended if the property becomes occupied.
- 4.9 It is not possible to accurately estimate the number of council tax payers who would be affected by this change in policy. There is likely to be a very small number of cases each year. In the interests of equity, this change should be backdated to 1 April 2015 when the previous change approved on 19 March 2015 came into effect.

## **5.0 CONCLUSIONS**

- 5.1 This paper asks the committee to amend the imposition of a double council tax charge on a long term empty property to provide a new owner with a minimum of a 12 month period before the double charge is imposed where it is undergoing major repairs or structural alteration. This is likely to provide a modest reduction of the income from the double charge.

## **6.0 IMPLICATIONS**

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| 6.1 Policy:           | This proposes a change to the policy for charging double council tax on long term empty properties where major repairs are underway, the double charge is only applied after a new owner has owned the property for 12 months. |
| 6.2 Financial:        | A small loss of council tax income estimated to be up to a maximum of £3k p.a..  |
| 6.3 Legal:            | Proposals are in accordance with legislation for council tax which came into effect from 1 April 2013.   |
| 6.4 HR:               | None   |
| 6.5 Equalities:       | Owners of these unoccupied properties are not expected to fall disproportionately into any particular equalities group.  |
| 6.6 Risk:             | Reduces risk of further similar appeals being lost at VAC hearings.  |
| 6.7 Customer Service: | None.  |

### **Appendices:**

- 1 Draft revised policy for council tax on long term empty properties

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**15 June 2015**

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Background papers

Council tax on empty properties: Council 27 June 2013, reconvened on 8 August 2013

Council tax on empty properties: Council 23 January 2014

Council tax on empty properties: Policy & Resources Committee 19 March 2015

**Draft revised policy for council tax on long term empty properties**

The council exercises its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulation 2013 to increase the council tax charge on the following categories of unoccupied property by 100% across the whole of the council area with effect from 1 April 2015, as follows:

1. any property which has been unoccupied for over 24 months.
2. any property which has been unoccupied for over 12 months and:
  - (a) is not being actively marketed for sale or let under appropriate conditions and;
  - (b) is not the subject of major repair works or structural alteration which require planning permission and/or building warrant, and such works or structural alteration commence before the property has been unoccupied for 24 months.
- 3 provided that no property above falls under either:
  - (a) regulations 5 and 6 “Limitations on local authorities’ power to modify the application of these regulations” or;
  - (b) the class of dwelling which falls under regulation 5 (c) for the period of 6 months following the period therein specified and provided that the major repairs works or structural alterations have commenced and are continuing or are completed within that 6 month period.