

COUNCIL TAX ON SECOND HOMES

1.0 EXECUTIVE SUMMARY

- 1.1 The Scottish Government announced its intention to introduce legislation to allow councils to end the Council Tax discount for second homes from April 2017 in “A Plan for Scotland: The Government’s Programme for Scotland 2016-17”. It has now produced draft legislation to bring this into effect. Assuming that this is enacted as planned from 1 April 2017, Policy & Resources Committee is invited to consider whether they wish to do this from April 2017.

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2.0 INTRODUCTION

- 2.1 The Scottish Government announced its intention to introduce legislation to allow councils to end the Council Tax discount for second homes from April 2017 in “A Plan for Scotland: The Government’s Programme for Scotland 2016-17”. It has now produced draft legislation to bring this into effect. Assuming that this is enacted as planned from 1 April 2017, Policy & Resources Committee is invited to consider whether they wish to do this from April 2017.

3.0 RECOMMENDATIONS

- 2.1 Council exercises its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to vary the council tax charge on second homes such that no discount applies across the whole of the council area with effect from 1 April 2017. This is conditional on the draft SSI entitled The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 being enacted with effect from 1st April 2017.

4.0 DETAIL

- 4.1 The Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 received Royal Assent on 5 December 2012. This provided enabling powers for further regulations to modify council tax discounts such that there can be variations allowing for up to a doubling of the council tax charge. Further regulations were laid in February 2013 entitled The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013.
- 4.2 In November and December 2004, Council decided to exercise its discretion to reduce the discount for council tax on long term empty and second homes across the council area from 50% to 10%. The legislation under which this was done was repealed with effect from 1 April 2013. The new legislation is the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 and affects the council tax bills for 2013-14. The new legislation defines new categories of unoccupied properties which differ from the previous categories, and there are new discretions for charging council tax for these new categories.
- 4.3 A second home is defined as a domestic dwelling which is no-one’s sole or main residence and is furnished, but has also been lived in other than as a sole or main residence for at least 25 days in a rolling 12 months’ period. An

unoccupied dwelling is a domestic dwelling which is no-one's sole or main residence but which is not a second home.

- 4.4 In March 2013 Council agreed to exercise its discretion under The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 (SSI 2013/45) to reduce the discount for council tax on unoccupied dwellings and second homes across the council area from 50% to 10%. This mirrored the decisions made in November and December 2004.
- 4.5 In June 2013 the Council approved a policy for charging double Council Tax on long-term empty dwellings. This was further modified in August 2015. This applies after 12 months to all properties unless they are being actively marketed for sale or let when it applies after they have been empty for 24 months. There is also some exemption where there are new owners and buildings are under repair.
- 4.6 The Scottish Government has now drafted an amendment to these provisions entitled The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 and plans for this to be enacted with effect from 1st April 2017. The regulations, if passed, would then allow the council to determine that, instead of a reduced discount of a minimum of 10%, no discount may apply to second homes.
- 4.7 If the Council were to choose to exercise its discretion to do this, this would affect approximately 3,400 second home owners across the council area and would bring in around an additional £380,000 p.a. in council tax receipts assuming a 95% payment factor.
- 4.8 The previous income from the reduction in the 50% discount has been ring-fenced to the Strategic Housing Fund and we assume will continue to be ring-fenced in this way. We expect that the additional income from removing the discount will not be ring fenced - in the same way as it is not ring fenced for long term empty properties. At this stage no updated guidance on this has been produced by the Scottish Government, so this is not certain.

Implementation

- 4.9 If this change in policy is approved, it is proposed to write out as soon as practical to all owners of properties currently classed as second homes to advise them of the proposed increase in council tax charge for such properties from 1 April 2017. The change would then be implemented as part of the normal council tax annual billing in February 2017 with bills being issued at the start of March.
- 4.10 These proposals are conditional on the draft legislation being enacted as planned.

5.0 CONCLUSIONS

- 5.1 This paper asks the committee to remove the council tax discount on second homes with effect from 1 April 2017. This would bring additional income of c £380,000 p.a. and would affect c 3,400 second home owners.

6.0 IMPLICATIONS

- 6.1 Policy: This proposes the council exercises new powers to remove the 10% discount on second homes with effect from 1 April 2017 when this becomes legal to do so.

- 6.2 Financial: Potential increase in recurring council tax income of c£380,000 p.a.. We expect this increase will not be ring-fenced and will be available to council to spend as it sees fit.
- 6.3 Legal: Proposals are in accordance with draft legislation for council tax which should come into effect from 1 April 2017
- 6.4 HR: None
- 6.5 Equalities: Scottish Government completed an equalities impact assessment as part of their consultation into these changes for the earlier legislation. Owners of second homes are not expected to fall disproportionately into any particular equalities group.
- 6.6 Risk: Potential for non-payment of the increased charge.
- 6.7 Customer Service: Will need to give as much notice as possible to owners of second homes.

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15 September 2016

For further information please contact Judy Orr, Head of Customer and Support Services Tel 01586-555280 or Fergus Walker, Revenues and Benefits Manager Tel 01586-555237

Background papers

Council tax discount on second homes and long term empty homes: Council 24 November 2004

Council tax discount on second homes and long term empty homes: Council 21 December 2004

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