

# Consultation Response

## Council tax: proposed changes for second homes and long-term empty homes

From the Shelter policy library

February 2002

[www.shelter.org.uk](http://www.shelter.org.uk)

© 2004 Shelter. All rights reserved. This document is only for your personal, non-commercial use. You may not copy, reproduce, republish, post, distribute, transmit or modify it in any way.

This document contains information and policies that were correct at the time of publication.

# Shelter

Shelter welcomes the opportunity to respond to the Department for Transport, Local Government and the Regions consultation on proposed changes to Council Tax. We are pleased that the Government is looking at the important issue of the impact of second homes and empty homes.

Second homes and empty homes can reduce the stock of available housing in areas, contributing to demand for housing to outstrip supply. There is need to ensure that use of housing in these areas is maximised. There are also areas of empty housing where demand for housing is low. The reasons for low demand need to be more clearly understood and measures put in place to tackle them. The issue of empty homes is an important one at a time when the lack of affordable housing is resulting in increasing numbers of homeless households being housed in temporary accommodation, including in bed and breakfast hotels.

## Summary

Shelter supports proposals to give local authorities powers to reduce discounts for second homes and long-term empty homes. Council tax can and should be used as a tool to tackle the blight of empty homes. Changes should be implemented as part of an overall empty homes strategy. We would like to see the proposals going further by:

- Removing all discounts for second and holiday homes
- By giving local authorities power to levy double council tax on some long-term empty homes.

It is important to distinguish between second / holiday homes and long-term empty properties. They should be treated as two distinct categories.

The new powers to reduce discounts (or increase council tax) for empty homes should only be available to local authorities developing an empty homes strategy, where the use of additional council tax revenue will be used to support this strategy.

Guidance should be issued by the DTLR on, local authorities using discretion and flexibility in applying discounts for long-term empty homes. Guidance should also be issued on the definition of 'long-term' and on the difference between second home and empty home.

## **Shelter's views on the specific questions posed in the consultation are set out below.**

### **Q1. Do you agree that local authorities should be given discretion to reduce or end the council tax discounts for second homes?**

Shelter welcomes this proposal but would like it to go further. As stated above second homes can be a cause of problems in local housing markets. Shelter is not convinced that an argument exists for lower council tax on second homes or 'holiday' homes. Owners of second homes are eligible to access the services provided by the local authority that are funded through council tax. As second home ownership can in fact create housing supply problems in some areas it may be seen as only fair that they should contribute toward initiatives to address these problems. Therefore, we would like to see the council tax regulations amended to remove discounts from second homes and 'holiday' homes. There is a strong case for arguing that the additional resources raised from this should be earmarked for spending on meeting housing need and tackling house conditions.

### **Q2. Do you agree that this discretion should also extend to long-term empty homes?**

Shelter agrees that action needs to be taken to address the problem of long-term empty homes. However, there can be many reasons for homes being left empty, some of these are picked up in the consultation document. Before local authorities are given permission to alter the council tax charging structure for long-term empty properties we would like to see a requirement for them to carry out an assessment of why homes are lying empty. This assessment should also include positive measures to encourage these homes to be brought back into use. We would like to see the proposals go further and give local authorities an option to charge double council tax on long-term empty homes, where owners are unwilling to co-operate with plans to bring them back into use. Income from reducing discounts or increasing charges could perhaps be used to employ Empty Homes Officers to work with owners of long-term empty properties. Any plans to alter council tax on empty homes must be done as part of a local authority's empty homes strategy.

A desire to reduce or eliminate the number of long-term empty properties should take precedence over using them as a source of additional income for the local authority. Any proposal to allow the reduction of discounts, or Shelter's proposal to allow the doubling of council tax, should therefore be accompanied by clear plans to reduce the number of empty properties. Some measures to do this are set out in the consultation document. Local authorities should be required to take a strategic, joined-up approach to these measures including taking into account other initiatives such as the Government's proposals for selective licensing of the private rented sector or the use of compulsory

purchase order powers, neighbourhood renewal work and local authority housing strategies.

Compulsory purchase powers are not often used because of their complexity. These should be simplified to allow local authorities to take over long-term empty properties where the owner will not co-operate with an empty homes strategy. The authority should be able to purchase the property at a figure based on the council tax, perhaps say ten times the council tax that can be levied on that property.

One of the problems that may face local authorities in achieving this is identifying the owners of long-term empty properties. Clarification is needed on the use of council tax records to help identify and tackle empty homes through empty homes strategies.

The term 'long-term empty homes' needs to be defined. For example it would not be appropriate to levy additional council tax on private rented properties that are empty between tenants. There can be a number of reasons for short-term empty homes. It may be sensible to not look at changing council tax for homes that have been empty for less than six months. The proposals for discretions and flexibility should also help to prevent perceived unfairness in charging.

**Q3. Should local authorities also have powers to create their own council tax exemptions and discounts, including powers to grant relief on a case by case basis?**

Shelter believes that local authorities should be given the power to set their own exemptions and discounts for empty homes that should form part of their overall strategy to tackle empty homes. It is good to have flexibility in the system and plans to allow for case by case decisions will allow for the fair treatment of exceptional cases. Guidance on how local authorities should exercise discretion should be issued to ensure some consistency within a more flexible framework.

This power should not extend to second homes.

**Q4. Should individual local authorities be able to retain the additional council tax raised, or should the additional money be spread across all local authorities in England?**

Shelter's view is that no second or holiday homes should benefit from council tax reductions. They should be treated as any other occupied home. Council tax income from second and holiday homes should be treated in the same way as current council tax income. However, there is a case for the proceeds being used to address housing problems within the authority.

Individual local authorities should retain council tax income from the taxation of long-term empty homes. This income should be used to address empty homes problems in their area through the development and implementation of their empty homes strategy.

**Q5. If you believe there should be local retention, should the proceeds be retained for just second homes, or for long-term empty homes as well?**

See answer to Q4.

**Q6. If so which options in B-D in paragraph 31 would be the most appropriate means of local retention?**

Again Shelter believes that all second and holiday homes should be required to pay full council tax (see Q4).

Allowing the billing authorities to retain the proceeds from long-term empty homes will provide an incentive for these authorities to remove or reduce discounts or levy additional charges. However, to ensure that this is not just additional income generation it should be implemented alongside a clear plan to address empty homes (See Q2). The money raised should be ring-fenced for tackling empty homes.

**Q7. Do you agree that the distinction between unoccupied furnished and unoccupied unfurnished properties is the simplest and fairest approach to defining second homes and long-term empty homes? If not please suggest an improvement.**

Shelter recognises that administratively this distinction may be the easiest option to implement. However, there are instances where long-term empty homes have been left furnished. It may also be open to abuse with owners of long-term empty properties moving furniture in to avoid higher council tax. Removing all discounts from second homes will go some way to preventing abuse. It may also be worth looking at having a distinction based on some form of occupancy test. A second home or holiday home is likely to be occupied either by the owner or a tenant at some time during the year. A long-term empty property will not be occupied at all.

One of the aims of imposing additional council tax charges on long-term empty homes should be to bring them back into use for occupation. An occupancy test would appear to fit well with this aim.

**Q8. If the proceeds are retained locally, how can we continue to ensure that the additional amount raised by removing or reducing the council tax discount is identified correctly in years to come? (Failure to do so will have implications for grant distribution.)**

Local retention of additional funding should be ring fenced. It should not be offset against the capital allocation from Central Government.

**Q9. Do you agree that local authorities should meet the costs of any additional exemptions or discounts that they grant?**

Exemptions and discounts should be removed for second homes. Long-term empty homes should not be eligible for a discount of greater than the current 50%. In these circumstances there should not be an issue of additional costs to the local authority.