

# Council Tax Discounts and Exemptions

**Council**

**Date: 20th December 2012**

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Author: Cabinet Member for Finance  
Head of Revenues and Benefits

Wards: All

Locality Affected: All

Parishes Affected: All

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## **1. Purpose and Reasons**

- 1.1 This report recommends changes to Council Tax Discounts and Exemptions in order to encourage empty houses to be used.
- 1.2 Provide an exemption from Council Tax for the Women's Refuge as part of the Council's commitment to supporting victims of domestic abuse.

## **2. Recommendations**

Council is asked to :

- 2.1 That the following changes to Council Tax discounts come into effect from 1<sup>st</sup> April 2013:
  - 2.1.1 Unoccupied and unfurnished properties (Class C). It is recommended that the 6 month exemption is ended. A charge of 50% will be levied for 3 months followed by a 100% charge thereafter.
  - 2.1.2 Charge 150% Council Tax on empty and unfurnished properties that have been empty for 2 years.
  - 2.1.3 Second Homes. Currently the Council awards a 10% discount to owners of second homes (or empty furnished properties). The recommendation is to reduce this to 0% from 1<sup>st</sup> April 2013
  - 2.1.4 Properties requiring structural repair (Class A). It is recommended that the 12 month exemption is ended and a charge of 50% levied for the 12 months.
- 2.2 Award a 100% discount for the self-contained units occupied or owned by the Women's Refuge in accordance with section 13A of the Local Government Finance Act 1992.

## **3. Detail**

Council Tax Discounts

- 3.1 The Local Government Finance Act 2012 and ensuing statutory instruments gives Local Authorities further discretion to amend the discounts and exemptions

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on empty properties. The exemption for persons leaving their house empty whilst they are in care will remain unaltered, as will the discount for Single Persons and Students. The purpose of the changes is to encourage empty homes to be sold or let and to generate additional revenues to local authorities, whose Council Tax Benefits subsidies are being reduced. The Council Tax Benefit subsidy reduction for Swindon is estimated at £2 million per annum.

- 3.2 In 2006 Swindon Borough Council reduced both the long-term empty and unfurnished and the unoccupied and furnished (or second home) discounts on properties to 10%. With effect from 1<sup>st</sup> April 2011 the 10% discount on long-term empty and unfurnished properties (empty more than 6 months) was ended.
- 3.3 The numbers of properties shown as long-term unoccupied and unfurnished reduced from 1,178 in October 2005 to 504 in October 2012. The reduction in discount may have helped encourage owners to sell or rent out such properties. However, the numbers of properties empty and unfurnished less than 6 months has increased from 847 in October 2010 to 1,022 in October 2012. The levying of Council Tax charges during these 6 months may provide a further incentive to owners.
- 3.4 The provision to charge 150% Council Tax on empty and unfurnished properties that have been empty for 2 years is subject to two exceptions. The national regulations provide these exceptions. These are for properties that are the main residences of members of the armed forces absent from the property as a result of service and an annex deemed unoccupied because it is being treated by the occupier of the main dwelling, as part of that main dwelling.
- 3.5 A Second Home discount of 10% is currently granted. There are currently 451 properties receiving this discount. This includes all properties that are empty and furnished. It is recommended that this discount is withdrawn.
- 3.6 Properties requiring structural repair (Class A). Currently properties undergoing structural alterations can receive a 12 month 100% exemption from council tax. The new legislation will allow Local Authorities to set the amount of any discount (to as low as 0%), but will not allow Councils to alter the period concerned. It is proposed that a charge of 50% is levied, as this will still provide some incentive for such houses to be repaired.
- 3.7 Mortgage companies in possession of empty properties (Class L). As at the 10<sup>th</sup> December the national regulations have not been amended to allow the Council the ability to end such exemptions, if it so wished. It is believed that the Department of Communities and Local Government are still in discussion with mortgage companies regarding this. If the regulations are forthcoming the Council may be asked to consider ending this exemption at a later date.
- 3.8 The additional annual revenue generated and shared by the Council, Police and Fire authorities would be as follows:

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Discount or Exemption Type	Number of Properties (31 <sup>st</sup> Oct 2012)	Proposed Changes	Additional Annual Revenue collection fund	Swindon B.C. share (85%)
Unoccupied & unfurnished less than 6 months (class C) exemption	1022	3 months 50% charge & 3-6 months 100%	£525,000	£446,250
Unoccupied & unfurnished more than 2 years	20	Charge 150%	£5,000	£4,250
Second Homes – furnished & unoccupied	451	End 10% discount	£50,000	£42,500
Properties requiring structural repair (Class A).	78	50% discount	£40,000	£34,000
<b>Additional Annual Revenue if all measures adopted</b>			<b>£620,000</b>	<b>£527,000</b>

## Swindon Women's Refuge

- 4.1 The Swindon Women's Refuge has moved to new premises. Their previous property was given a Non-Domestic Rating Assessment and the Council granted 100% charity and discretionary relief from rates payments. The new property has self-contained units and due to this the Valuation Office (who are part of HM Revenues & Customs) has determined that each unit be given a separate Band A Council Tax rating.
- 4.2 Under Council Tax regulations it is the occupiers of the individual units who would be liable for the Council Tax, but the Refuge do not want the individuals to be issued with bills. This would also have many practical difficulties for the Council Tax office, since some of the occupiers are only resident for a few hours or days and may be paying Council Tax on other properties.
- 4.3 During any periods of non-occupancy, as a charity the refuge can claim and will be able to continue to claim an exemption from empty Council Tax charges.
- 4.4 The Women's refuge has asked the Council to grant a discount or exemption from charges that fall due during periods of occupation. The Council can grant Discretionary Discounts under section 13A of the 1992 Local Government

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Finance Act (introduced by the Local Government Act 2003). The Council Tax concerned would be approximately £15,000 per annum, since after giving a single person discount of 25%, the Council Tax on each unit would be £689.09 per annum. There are 22 units.

4.5 The reasons for granting a discount in this case would be:

4.5.1 The Refuge is a charity providing accommodation to homeless women many with children. It is helping discharge one of the Council's duties.

4.5.2 Until now, no Council Tax or Business Rates have been paid by the Refuge. The council granted 100% charity & discretionary relief at their previous property.

4.5.3 Short-term occupiers may already be paying Council Tax elsewhere.

4.5.4 Administratively, it would be very difficult to collect and recover Council Tax from the residents of the refuge. The occupancies are short-term and often the occupiers will have left before the debt is billed or chased. Any unoccupied periods would be charged to the Refuge and as a charity, it would be able to claim exemption for the empty periods.

4.5.5 If the Refuge pays the Council Tax on the flats, it has advised that it will have to increase rents, which may make the flats unaffordable to women seeking refuge.

4.5.6 Some of the occupiers work and any increase in rents may make benefits a better option for the women concerned.

4.5.7 Some of the women do not have recourse to public funds, but are allowed to stay in the U.K. because they are escaping violence. The charity would have to finance the Council Tax payments or turn these individuals away.

## **5. Alternative Options**

5.1 Since Council Tax Benefit subsidy payable to local authorities is being reduced, in order to help raise the necessary revenue, the choices would be to increase any reductions in Council Tax Support (Benefit), increase the Council Tax payable by all Council Taxpayers (subject to any necessary referendum) or reduce expenditure on Council Services.

## **6. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

6.1 The changes to the discounts and exemptions will increase the collection fund by approximately £620,000 per annum. This will offset part of the £2 million reduction in Council Tax Benefit subsidy.

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- 6.2 The Council's Housing Revenue Account will be impacted by these changes. It is estimated that on average 800 properties per annum are empty and unfurnished for on average 1 month. There will be an annual cost of approximately £35,000 for the Housing Revenues Account. Housing Associations may also be similarly impacted. Under the Council's Public Sector Leasing scheme the Council may also be liable for any charges during gaps in tenancies, which have been estimated as approximately £1,500 per annum.
- 6.3 The reduction in Council Tax income by granting a 100% discount to the Swindon Women's Refuge would be £15,000 per annum.

## Legal and Human Rights Implications

- 6.4 The Local Government Finance Act 2012, The Council Tax (Prescribed Classes of Dwellings) 2012 and The Council Tax (Exempt) Dwellings Order 2012 allow Local Authorities to change the empty discounts or exemptions as recommended.
- 6.5 With respect to the Women's Refuge the Council can grant Discretionary Discounts under section 13A of the 1992 Local Government Finance Act (introduced by the Local Government Act 2003)

## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 6.6 It is hoped that the changes will help encourage empty homes to be brought back into use.

## Links to One Swindon, Strategic Objectives, Plans and Policies

- 6.7 A reduction in empty homes should assist in the One Swindon aims of I like where I live and of Living Independently, protected from harm, leading healthy lives and making a positive contribution.
- 6.8 The assistance to the Swindon Women's refuge will also support this aim.

## Diversity Impact Assessment

- 6.9 A Diversity Impact Assessment has been undertaken. Older people and those with disabilities who need to leave houses empty to receive care are exempt from empty Council Tax. It is believed that no other equality groups will be impacted disproportionately. Any available advice will be given to those who are having difficulty selling or renting their property.

## Risk Management

- 6.10 Changes to the Northgate Revenues & Benefits system are required to enable the changes to be implemented and billed.

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## **7. Consultees**

- 7.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- 7.2 Supported People & Housing Strategy officer & Area Housing officers.

## **8. Background Papers**

- 8.1 None attached.

## **9. Appendices**

- 9.1 None.

## **10. Key Decision/Decision in Forward Plan**

- 10.1 The Council is asked to agree these changes in order to compensate for part of the lost £2 million per annum Council Tax Benefit subsidy.