

Amendment to Council Tax Exemptions & Discounts – Briefing Note

The Local Government Finance Act 2012 makes provision for Local Authorities to amend a number of Council Tax Exemptions and Discounts. The aim of this briefing note is to explain what changes can be made, to examine what proposals have been made elsewhere, and to consider the implications of the changes.

The exemptions and discounts which can be amended are as follows:

Exemptions

Class A: This applies to properties which are undergoing major renovation or otherwise uninhabitable. Currently an exemption for up to 12 months can be awarded, and presently the City Council grants a 100% exemption for the whole period. The new legislation allows a charge of anything up to 100%, and the ability to vary the time over which this applies.

Class C: This applies to properties which are unoccupied and substantially unfurnished. Currently an exemption of up to six months can be awarded, and presently the City Council grants a 100% exemption for that period. The new legislation allows a charge of anything up to 100%, and to vary the time over which this applies.

Class L: This applies to properties where the mortgagee is in possession. Currently an exemption applies for as long as the mortgagee remains in possession of the property, and presently the City Council grants a 100% exemption. The new legislation allows a charge of anything up to 100%, and to vary the time over which this applies.

Discounts

Second Home Discount: This applies to property which is unoccupied and where the owner resides elsewhere. Currently local authorities are able to award a discount of between 10% and 50%. Oxford City Council currently awards a 10% discount in such cases. The new legislation allows a charge of up to 100% to be levied.

Long Term Empty Property: This relates to properties which have been unoccupied and substantially unfurnished for over six months. Currently local authorities are able to award a discount of between 0% and 50%. Oxford City Council currently awards 0% discount in these cases. The new legislation allows an additional 50% premium to be levied after a property has been in this state for two years.

Proposals from other Local Authorities

The table below collates the proposals from a number of authorities. The Councils have been anonymised as some of these proposals are not yet in the public domain. The Class L exemption has not been included, as there are insufficient incidences of this exemption to merit comparison. In only two cases below has consultation been carried out specifically in respect of these proposals.

Council	Proposed Class A Exemption	Proposed Class C Exemption	Proposed Second Home Discount	Proposed Long Term Empty Discount
Oxford City Council	25%	25%	0%	0%
Council 1	25%	2months @100% then 0% *	10%	-50% **
Council 2	25%	2months @100% then 25%	10%	-50%**
Council 3	0%	0%	0%	-50%
Council 4	50%	25%	0%	0%
Council 5	50%	25%	0%	0%
Council 6	0%	1month @100% then 0%	0%	-50%**
Council 7	50%	2months @100% then 0%	10%	-50%**
Council 8	0%	0%	0%	-50%
Council 9	100%	1month @ 100% then 0%	0%	-50%**

- ***Represents 50% levy on top of normal charge*

Implications

The application of a tax has two main functions, to raise revenue and/or to alter behaviour. The Government's intention with these amendments is to firstly encourage taxpayers to bring empty properties into use, and secondly to allow local authorities to raise additional revenue to offset the impact of the reduction in grant linked to the localisation of Council Tax Support.

Because of the behavioural changes that may result from the application of these changes it can not be assumed that the same level of revenue will be raised in subsequent years. For instance if no discount was available for circumstances which give rise to a Class C exemption, then an owner may be inclined to advise us that there is a single person living in the property. This would attract a discount of 25%.

Class C Exemptions and Second Home Discounts - Generally these awards are for short periods of time, usually due to people moving in and out of the same property. Consequently any charge raised will be relatively small, costly to collect and fall outside of minimum levels for recovery action. For this reason some councils have opted to retain a Class C exemption for one or two months. However, this is not possible with Second Home Discounts.

New properties are brought into use by serving a Completion Notice which specifies the date that the property will be entered into the Council Tax list. The Completion Notice is usually issued shortly before the property is complete to ensure that buildings are not left partially completed. From this point a Class C Exemption can be awarded which currently provides for six months before a charge becomes due. If a charge is due immediately from the date a property is entered into the Council Tax list, then the process of serving the Completion Notice becomes more contentious and could result in more cases for the Valuation Tribunal.