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Llywodraeth Cymru
Welsh Government

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John Griffiths, AM
Chair, Equalities, Local Government
And Communities Committee

6 August 2019

Dear Chair,

Thank you for the opportunity to highlight importance of the empty property agenda through the Committee's inquiry into this topic.

During my evidence session, I agreed to write to you with the results of the short survey undertaken with local authorities and further information on Council Tax premiums. This information is attached for your consideration

Yours sincerely,

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Deputy Minister for Housing and Local Government

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Equality, Local Government and Communities Committee, 17 July 2019: Contribution to follow-up – second homes, empty dwellings and council tax

I undertook to provide further information on liability for council tax and council tax premiums. It may help first to clarify the definitions used for council tax purposes and the circumstances in which exemptions, discounts and premiums may apply. A list of exemptions and discounts is given at **Annex 1**.

It is important to understand the distinctions between second homes, empty homes and long-term empty homes for the purposes of council tax. Liability for council tax is primarily determined by whether a dwelling is someone's sole or main residence. Where this is the case, the occupier (owner or tenant) is liable for council tax unless the dwelling falls into one of the classes which is exempt or the occupier qualifies for a full reduction.

Where the dwelling is not someone's sole or main residence, its classification as an empty or second home is determined by whether it is occupied and whether it is furnished. An empty dwelling is one which is both unoccupied and substantially unfurnished. A 'long-term empty property' is one which has been empty for 12 months or more.

A second home is a dwelling which is not a person's sole or main home and is substantially furnished – council tax law refers to such properties as 'dwellings occupied periodically' but they are commonly referred to as 'second homes'.

In this context, the term 'second home' refers to a variety of dwellings. It is not confined to dwellings being used as private holiday or weekend homes. For example, the definition includes properties being marketed for sale or let, properties owned by people whose job requires them to work elsewhere, purpose-built seasonal homes, and caravans. Many of these would not be available or suitable for year-round occupation.

Under the Local Government Finance Act 1992, a discount may be applied to the council tax bills for empty (including long-term empty) dwellings and second homes. Authorities have discretionary powers to vary or remove the discount.

The Housing Act (Wales) 2014 provides discretionary powers for local authorities to apply premiums of up to 100% to the council tax bills for long-term empty properties and second homes. Authorities can set the premium at any level up to 100% and can apply the premium to long-term empty dwellings or second homes or both and can apply different premiums to the different types of dwelling.

The provisions were introduced to assist authorities in managing issues relating to local housing supply. They were not introduced as a revenue-raising measure. The powers are discretionary, enabling authorities to tailor their approach to premiums to the needs of local communities. The provisions allowed authorities to introduce premiums from 1 April 2017 (after allowing the necessary period for properties to meet the relevant conditions).

There are a number of exceptions where the premium cannot be charged:

- Dwellings being marketed for sale – this exception is time-limited for one year
- Dwellings being marketed for let – this exception is time-limited for one year

- Annexes forming part of, or treated as part of, the main dwelling
- Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation
- Occupied caravan pitches and boat moorings
- Seasonal homes where year-round occupation is prohibited
- Job-related dwellings

The decision to apply a premium is a matter for individual local authorities. Each authority needs to consider all the possible effects in deciding whether to apply a premium. This includes taking account of the effect of introducing premiums on the local economy and on the local tax-base. More information is provided in the *Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales* which was issued by the Welsh Government to accompany the introduction of the powers:

<https://gov.wales/sites/default/files/publications/2019-06/council-tax-on-empty-and-second-homes.pdf>

The Welsh Government recognises that some dwellings could be used either as second homes (as defined above) or as commercially let self-catering accommodation for holiday-makers and has legislated to make the distinction clear.

To qualify as self-catering accommodation, a dwelling must be available to let for at least 140 days in a 12-month period and actually let for at least 70 days. The definition was set out in *The Non-Domestic Rating (Definition of Domestic Property) (Wales) Order 2010*. The Order was revised and strengthened in 2016. The qualification periods were retained, reflecting the replies to the public consultations.

The criteria for self-catering accommodation strike a balance between supporting the tourism industry in Wales and ensuring that underused second homes do not limit the availability of affordable housing, particularly in some smaller communities.

Dwellings which meet the criteria may be recorded on the non-domestic rating list rather than the council tax list. Dwellings which do not meet the criteria, including second homes kept mainly for private use, are liable for council tax. Valuation lists for council tax and non-domestic rating purposes are compiled and maintained by the Valuation Office Agency. The Agency is independent of the Welsh Government.

For a property to be defined as self-catering accommodation and moved to the rating list, the owner must provide evidence to the Valuation Office Agency that the property meets the criteria. Owners are required to complete a return and provide documents, for example accounts and receipts, to demonstrate that they comply. The Agency scrutinises this information before any changes are made to the lists. If a local authority believes a property should be listed for council tax and has evidence of this, it is obliged to share such information with the Agency and the Agency will consider the evidence. Officials continue to monitor the effect of introducing the discretionary powers to charge premiums.

Self-catering accommodation which falls below a specified rateable value may be eligible for Small Business Rates Relief (SBRR). The Welsh Government introduced its permanent SBRR scheme on 1 April 2018. The proposals, including whether there should be any additional exceptions, were also subject to public consultation. SBRR is fully funded by the Welsh Government.

ANNEX 1: COUNCIL TAX EXEMPTIONS, DISCOUNTS, AND DISREGARDS

Within the council tax system, certain types of dwelling are exempt (Table 1). No council tax is due on exempt dwellings.

In occupied dwellings, certain people are disregarded (not counted) for council tax purposes (Table 2). Where there is only one liable adult occupant of a dwelling (who is not in a disregarded class), a discount of 25% will be applied to the bill. Where all the occupants are in a disregarded class, a discount of 50% applies (unless all the occupants fall into class, eg. students, which qualifies the dwelling for an exemption).

In addition, households on low incomes may be entitled to a reduction under the council tax reduction scheme (CTRS).

Table 1: Council Tax Exemptions

Class	Summary
A	Unoccupied – uninhabitable or empty and unfurnished property undergoing structural alteration or repairs. Time-limited: max of 12 months.
B	Unoccupied – owned by a charity. Time-limited: max of six months since last occupied.
C	Unoccupied – empty and unfurnished. Time-limited: max six months since becoming vacant.
D	Unoccupied – liable person in detention.
E	Unoccupied – liable person in hospital or care home.
F	Unoccupied – liable person has died. Time limited: for period before probate or letters of administration are granted and for up to six months after probate or letters are granted.
G	Unoccupied – occupation prohibited by law.
H	Unoccupied – held available for use of ministers of religion.
I	Unoccupied – liable person receiving care elsewhere.
J	Unoccupied – liable person providing care elsewhere.
K	Unoccupied – liable person is a student.
L	Unoccupied – repossession.
M	Occupied – halls of residence predominantly for students.
N	Occupied – only by students.
O	MoD Armed forces accommodation.
P	Visiting forces accommodation.
Q	Unoccupied – left empty by a person declared bankrupt.
R	Unoccupied – caravan pitch or boat mooring.
S	Occupied – only by a person or persons under the age of 18.
T	Unoccupied – annexe or part of dwelling which may not be let separately
U	Occupied – only by a person or persons who is severely mentally impaired.
V	Occupied – where at least one person is a diplomat.
W	Occupied – annexe occupied by a dependent relative.
X	Occupied – only by care leavers under the age of 25.

Table 2: Council Tax Disregards

When working out the number of people living in a property for the purposes of calculating a council tax bill, the following people are disregarded (not counted).

People disregarded for council tax purposes
Anyone aged 17 or under.
A prisoner or someone in detention awaiting deportation or under mental health legislation.
Someone who is severely mentally impaired.
A full-time student on a qualifying course of education (including correspondence or online courses); student nurses; Foreign Language Assistants on the official British Council programme. If a property is occupied only by students, it is exempt from council tax.
A spouse, civil partner or dependant of a student who is a non-British citizen and who, under immigration rules, is not allowed either to work in the UK or claim benefit
A young person on a government training scheme or certain types of apprenticeship.
A long-term hospital patient or care home resident.
Someone living in a hostel which provides care or treatment because of old age, physical or mental disability, past or present alcohol or drug dependence, or past or present mental illness.
Someone living in a bail or probation hostel.
A live-in care worker.
Someone staying in a hostel or night shelter, for example a Salvation Army or Church Army hostel.
A school or college leaver under the age of 20 who left school or college after 30 April. School leavers are disregarded until 1 November of the same year whether or not they take up employment.
Someone aged 18 and still entitled to Child Benefit.
A member of a religious community.
A member of a visiting armed force (their dependants are also disregarded).
A care leaver under the age of 25.

The Welsh Government is currently reviewing its policy on empty homes and buildings with a view to streamline some of its current loan/grant programmes to make them more effective for Local Authorities to use. In addition we are looking at the use of enforcement powers and how we can potentially help Local Authorities in using these powers.

We would be grateful if you could take a few minutes to fill out our survey as your views are important. If you would be interested in taking part in a face to face discussion with our officials please let us know at the end of the survey. Please answer all the questions if possible

1. Do you have an empty homes/properties strategy?

YES		NO	
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2. Where does responsibility for empty properties lie within your authority:

Regeneration team	
Environmental team	
Planning team	
Housing team	
A mixture of the above	
Other – please specify	

3. Do you use any Welsh Government loan or grant schemes to tackle empty properties?

YES		NO	
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4. If yes, which of following do you use (please tick all that apply):

Housing Loans (HIH/HIL)	
Town Centre Loans	
Targeted Regeneration Investment	
Other schemes – please list below	

5. Do you regularly take enforcement action to bring empty properties back into use?

YES		NO	
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6. If yes, which of following do you use (please tick all that apply):

Section 215 notices – Town & Country Planning Act 1990	
Section 79 – Building Act 1984	
Improvement notices and EDMO's – Housing Act 2004	
Compulsory Purchase Orders	
Other powers – please list below	

7. If not, which of the following are currently preventing you from using your enforcement powers?

Financial resources	
Staffing resources	
Expertise within your authority	
Priority of other work	
Other reasons – please list below	

8. If you would like to discuss this questionnaire face to face with the Welsh Government could you please provide your contact details below?

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Many thanks and please return your completed forms to:
Kathryn Beard at Kathryn.beard@gov.wales
or
Vivienne Lewis at Vivienne.lewis@gov.wales

