

REPORT FROM: Director of Resources

TO: Executive

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Council Tax Premiums for Empty Homes and Second Homes

PURPOSE OF REPORT

The report is to recommend the implementation of the premium for empty homes and second homes, changes provided by the Levelling Up and Regeneration Act 2023.

RECOMMENDATIONS

- (1) Reduce the minimum period for the implementation of a 100% Council Tax premium for empty and substantially unfurnished dwellings from 2 years to 1 year from April 2025.
- (2) Introduce a Council Tax premium of 100% on dwellings classed as second homes that are empty and substantially furnished from April 2026.

REASONS FOR RECOMMENDATIONS

- (1) To encourage all owners of domestic premises to occupy homes and not leave them vacant in the long term.
- (2) The new legislation for second homes premiums will encourage the use of dwellings as primary residences.
- (3) To raise additional revenue to support the delivery of local services.

BACKGROUND

1. The Leveling Up and Regeneration Act 2023 has introduced new powers for local authorities, to reduce the period for which a premium can be applied to an empty property from two years to one year, and to apply a premium of up to 100% on second homes.
2. The powers to charge the empty homes or second homes premium (or both) is discretionary, and it is for the local authority to decide whether to charge the premium in their local area and at what rate, up to the statutory maximum.

Empty Homes Premium

3. A dwelling is considered to be vacant if it is not the sole or main residence of a person/s and it is substantially unfurnished.
4. When determining its policy, each billing authority must decide the percentage level of any premium by the 31 March prior to the financial year in which it wants to introduce the changes. The percentage level for the empty property premium will remain at 100%, as the recommendation is to reduce the period the premium can be applied from two years to one. This means that from 1 April 2025, any property that has remained empty for one year will now attract the premium of 100%.
5. Current premiums in place for Empty Properties

Table1

| Properties over | Percentage Premium | Council Tax Charge | Effective Date |
|-----------------|--------------------|--------------------|----------------|
| 2 Years | 100% | 200% | 01 April 2021 |
| 5 Years | 200% | 300% | 01 April 2021 |
| 10 years | 300% | 400% | 01 April 2021 |

From 01st April 2025 the position will be as below

Table 2

| Properties over | Percentage Premium | Council Tax Charge | Effective Date |
|-----------------|--------------------|--------------------|----------------|
| 1 Year | 100% | 200% | 01 April 2025 |
| 5 Years | 200% | 300% | 01 April 2021 |
| 10 years | 300% | 400% | 01 April 2021 |

6. Based on figures derived from a report produced in December 2024, there are currently 304 properties that have been empty for over one year that would attract the 100% premium from 01st April 2025. The premium would generate approximately £521,591.17 that would be shared across the major precepting bodies. The proportion retained by the council would be £67,806.55.

Second Homes Premium

7. In respect of second homes, the Act introduces a new section to apply a premium of up to 100%, but states that the billing authority must give twelve months' notice to owners of second homes before the premium can be applied. This means that the earliest the authority can apply a premium to second homes is 1st April 2026.
8. A dwelling is considered to be occupied periodically (a second home) if it is not the main residence of a person/s and it is substantially furnished.
9. In Pendle, there are currently 252 properties that are used as second homes. If the 100% premium was applied to these properties from 01 April 2026, this would generate annual income of around £449,779.75 that would be shared across the major precepting bodies. The proportion retained by the council would be approximately £58,471.37.
10. The Bill provides that a property cannot be subject to both a second home premium and an empty home premium imposed under section 11B of the 1992 Act, and that an existing empty homes premium would cease to apply to a property which became subject to a second homes premium.

Substantially Furnished / Unfurnished

11. There is no statutory definition of the term 'unoccupied and substantially unfurnished'. It is for the billing authority to decide whether a property meets this definition.
12. It is considered that the current discount afforded to second homes may facilitate or encourage the avoidance of the long-term empty levy. For example, a taxpayer liable for an empty dwelling premium charge may only need to place some furniture in the property and declare it to be used as a second home to enjoy a significantly reduced council tax charge.

Exceptions

13. The government completed a consultation which sought the views on the possible categories of dwellings which should be dealt with as exceptions to the Council Tax premiums. From November 2024, regulations came into force with the exceptions for both empty homes premium and the second Home Premium.

Exceptions to both the empty and second homes council tax premium

- Properties undergoing probate: The government will legislate to ensure that inherited properties will have a 12-month exception from the empty and second home premiums after probate or letters of administration have been granted. The property will be liable for the standard rate of council tax once the class F exemption has ended; but a premium cannot be levied for a 12-month period. Where there are cases that merit a longer exception period, or a higher level of discount, councils can continue to exercise their discretion.

- Properties being actively marketed for sale or let: The government will legislate to ensure that a 12-month exception to both the empty and second home premiums applies to properties that are actively marketed for sale or let. The exception would run from when the exception first applies until the end of the exception period or until the property is no longer actively marketed, sold, or let (whichever is sooner).

Exceptions to the empty homes premium only

- Empty properties undergoing major repairs: The government will legislate so that properties undergoing major repairs or structural alternations will have a 12-month exception from the empty homes premium.

Exceptions to the second homes premium only

- Annexes forming part of, or being treated as part of, the main dwelling: The government will legislate to introduce an exception to the second homes premium for annexes which form part of a single property which includes at least one other dwelling. The exception will not apply to annexes where they are not being used as part of the main residence.
- Job related dwellings: The government will legislate to introduce an exception to the second homes premium for job-related dwellings. This exception will not apply to cases where someone chooses to have an additional property to be closer to work while having a family home elsewhere or where an individual is posted to a new location but maintain their previous address.
- Occupied caravan pitches and boat moorings: The government will legislate so that a pitch occupied by a caravan and a mooring occupied by a boat are an exception to the second homes premium.
- Seasonal homes where year-round or permanent occupation is prohibited or has been specified use: Where properties have planning restrictions or other conditions on occupation or use in place which prevent year-round occupation, the government will legislate so that such properties are an exception to the second homes premium.

14. The council's Section 151 officer is granted with delegated powers to amend the Councils policy of premiums in line with government requirements.

15. There may be circumstances where the implementation of these changes may cause exceptional hardship to a taxpayer. In such cases, the Council will consider applications for a reduction in liability under its Section 13A(1)(C) of the Local Government Finance Act 1992 - Reduction in Council Tax liability policy.

IMPLICATIONS

Policy: None

Financial:

The proposed changes will have a positive effect on receipts in the Collection Fund. It is estimated that the collection rate will reach around 70% of such premiums being applied in 2025 and 2026.

Legal:

Section 11B (higher amount for long-term empty dwellings: England) of the Local Government Finance Act 1992 ('the 1992 Act');

Section 11C (higher amount for dwellings occupied periodically) of the 1992 Act (an amendment made by the Levelling-up and Regeneration Act 2023); and

Section 13A(1)(c) (reductions by billing authority) of the 1992 Act.

Risk Management: None

Health and Safety: None

Sustainability: None

Community Safety: None

Equality and Diversity:

There are no anticipated impacts on protected characteristics associated with this report. The proposals do, however, include the potential generating of positive outcomes for local people who are struggling to secure sustainable accommodation in the district, and may subsequently ease current inequalities around access to local homes

APPENDICES

Appendix A – None

Appendix B – None

LIST OF BACKGROUND PAPERS

The Levelling-Up and regeneration Act 2023

Local Government Finance Act 1992