

**TECHNICAL REFORM OF COUNCIL TAX
CONSULTATION QUESTIONS**

Proposals on Second Homes

Q1 – Do you agree with the Government’s proposal to extend the range of discount available to billing authorities in respect of second homes to 0 to 50 per cent?

A – Yes – provided the authority has discretion to make its own decision regarding any discount awarded and any extra income generated is retained locally.

However, it is possible that authorities charging 100% may experience an increase in avoidance tactics, e.g. a couple trying to claim single person discount at their main home and their second property. This places an increased administration burden on council tax staff at a time when resources are being reduced.

Q2 – How might authorities choosing not to offer any discount on second homes identify them in order to report second homes as necessary for formula grant purposes?

A – Billing authorities can collect the information regarding ownership/occupation in the same way as they do now, merely adding an additional question as to whether a property is a main residence or second home. Also, by ensuring software systems have an indicator within the system to record this information, which could link in with CTB1 information extraction for reporting purposes. However, such changes may require system upgrades/amendments which would attract a cost. This cost should be met by central government.

Proposals on Class A exemption

Q3 – Do you agree with the government’s proposal to abolish Class A exemption and replace it with a discount, which billing authorities may set in the range 0% - 100%?

A – No we do not agree with this proposal. Although we cannot argue that it would create additional revenue, the numbers involved for individual authorities are minimal (Lancaster – 103 cases), and such charges would be difficult to collect, impacting on overall collection performance.

Given that the government is seeking to bring empty properties back in to use, it is our view that such an initiative would be counter - productive and stall the purchase of empty properties in poor condition. The fact that this exemption is time limited and most authorities carry out inspections on such applications means that there is little abuse of this exemption category.

The impact of neighbouring authorities having different levels of discount cannot be ignored, it is our view that it could skew the property market in favour of those authorities who continue to offer a discount.

Each Council would need to establish a policy around this issue, with clear guidance for council tax staff, however in our experience such discretionary powers lead to more challenge and appeal. Current appeals for Class A exemption are dealt with independently by the Valuation Tribunal which works well. The consultation paper does not address the issue of appeals and begs the question whether each authority would need to set up an appeals panel to allow for independent determinations?

Q4 – If Class A exemption is replaced by a discount for what period should the new discount apply before such properties are treated as long term empties? Should the one year time limit continue to apply or should billing authorities have any discretion about it?

A – Yes, the current time limit of one year is reasonable. If the exemption is replaced by a discount and the authority chooses to raise a 100% charge on all uninhabited property, to a certain extent the time limit becomes irrelevant.

However, to provide discretion on the one hand and then impose a statutory time limit seems contradictory. You may as well stick with the exemption.

Q5 – If Class A exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?

A – No, such a system would be complicated and give rise to dispute. Given that the consultation paper is silent on an appeals process this proposal causes concern from an administration perspective. It would be impractical and time consuming to distinguish between different “types” of Class A dwellings. Such a proposal would create unnecessary additional work for council tax departments.

Proposals on Class C exemption

Q6 – Do you agree with the Government’s proposal to abolish Class C exemption and replace it with a discount which billing authorities may set in the range 0 to 100 per cent?

A – No. In the current economic climate where property rental is increasing and many home owners are experiencing difficulties in selling their property it is reasonable to allow a period of exemption on unoccupied/unfurnished properties. The fact that the exemption is defined in regulations creates a national point of reference for all charge-payers. At a time when energy suppliers and train companies are being criticised nationally for their confusing pricing structures, there seems little sense in complicating the local taxation system by introducing varying levels of discounts in this way.

Q7 – If Class C exemption is replaced by a discount, for what period should the new discount apply before such properties are treated as long term empties? Should the six month time limit continue to apply, or should billing authorities have any discretion about it?

A – The current system works well and six months is a reasonable time period to allow a property owner to be free of council tax while attempting to sell or re-let a property. There seems no reason to make the time period discretionary as any such discretion would create additional disputes and appeals.

Q8 – If Class C exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?

A – No – see the response to Q5.

Class L exemption

Q9 – Should Government seek to make mortgagees in possession of empty dwellings liable to council tax?

A – It seems fair and logical that, on taking possession of a property, the mortgagee in possession should become the liable party for council tax purposes. They have taken control of the property from the mortgagor who is, by definition, unable to pay the expenses incurred. However, in recent times we have seen mortgagees revert to using their powers under the Law of Property Act rather than repossessing properties. An LPA receiver acts as an agent for the property owner, and protects the mortgagee's interest in the property. Liability for council tax remains with the mortgagor, who is unable to pay. The removal of the Class L exemption will support the use of this action and such charges would be difficult to collect with the authority having little alternative but to write off the debt.

Long Term Empty Dwellings

Q10 – Would enabling local authorities to levy an empty homes premium on council tax have a significant impact on the number of homes being left empty?

A – Unlikely - There has been no evidence provided that those authorities who currently charge 100% on long term empty homes have experienced a significant reduction in the number of homes being left empty. There are various reasons as to why a property would be left empty, specific to each owner's individual circumstances, and we are of the view that council tax charges have little impact upon their decision making process.

It must also be pointed out that experience shows that the longer a property remains empty the more difficult it is to collect council tax charged. Authorities can only obtain address details for absent owners where they are provided voluntarily or where they happen to be noted on the land registry. If an owner wishes to remain under the radar, collection of council tax due can only be made via charging order and subsequent order for sale, which is a costly exercise to undertake. In such circumstances, adding an additional premium would only serve to increase the level of debt outstanding and impact on collection rates.

Q11 – In terms of a percentage of normal council tax, what should the maximum permitted premium be?

A – We do not feel any premium is appropriate – see answer to Q10.

Q12 – How long should a dwelling have remained empty before the empty homes premium might be applied in respect of it?

A – We do not feel any premium is appropriate - see answer to Q10.

Q13 – Should constraints be placed on the purposes to which the additional tax revenue generated from an empty homes premium may be devoted?

A – No. If the government's agenda is to promote localism and broaden decentralisation, then to prescribe to local authorities how such revenue must be spent contradicts this strategy.

Q14 – What circumstances if any should be defined as being inappropriate for levying the empty homes premium, and why?

A – If you are levying such a premium it has to be levied across the board. Council tax departments do not have the resources to be identifying and investigating special cases. The administration would be unworkable and leave the authority open to challenge.

Q15 – What practical issues would have to be addressed if the premium were to be implemented (for example in the consistent identification of empty homes) and how should they be resolved?

A – Such identification would be down to regular inspection of the property at a time when most authorities are reducing resources in this area.

The definition of a “relevant person”

Q16 – Do you agree that Section 66(2C)(a) should be amended along the lines suggested?

A – Yes. it would close a loophole in the legislation.

Payment by instalments

Q17 – Do you agree that the default pattern of council tax bill instalments should be payment by 12 monthly instalments (with other arrangements to be reached by agreement between the taxpayer and billing authority)?

A – No. The present system of 10 instalments works well. Most taxpayers are familiar with this pattern of payment and enjoy their 2 “payment free” months at the end of the financial year. The authority has discretion to allow a 12 month scheme if it wishes to do so and can currently use the two additional months to set up extended payment arrangements in individual cases, which proves to be an effective tool in the recovery process.

Also, current software systems are set to default to 10 instalments and to change the default to 12 months will require system changes. This is a concern at a time when most of the software suppliers may also be required to amend systems to take account of localised council tax benefit schemes.

Information to be provided with demand notices

Q18 – Do you agree that billing authorities should be able to discharge their duty to provide the information that must currently be supplied with demand notices by publishing it online (with the exception of information relating to penalty charges, and subject to the right of any resident to require hard copy)?

A – Yes, billing authorities should be able to discharge their duty to provide the demand notice information online. However, under this proposal there remains a duty to provide a hard copy of the statutory information to any resident who requests it.

A relatively large percentage of the cost of producing a leaflet is in the design/formatting and set-up. The authority would be unable to estimate the demand for a written leaflet so would not be in a position to save from the economies of scale of large print runs, and time and postage costs would be wasted by clerical staff responding to individual requests.

It would seem appropriate if the regulations referred to arrangements to be made for viewing the information, perhaps on display at the traditional council buildings, or printed in a local newspaper.

There is still a significant section of the public who cannot or do not access information online; they can often be vulnerable groups who benefit from the information included in their bill. Most authorities recognise this and use the leaflet and other literature to relay messages about benefits and council services.

“Rent a roof” solar PV installations on domestic properties

Q19 – Do you agree that domestic scale solar photovoltaic installed on dwellings should be treated as part of those properties?

A – Yes. Presumably this would be unlikely to change the band of the property in the majority of cases.

Q20 – Do you agree that domestic scale solar photovoltaic should be defined as installations having a maximum generating capacity of 10kw?

A – Yes, 10kw generating capacity would seem reasonable as a gauge of an upper limit for such installations to be treated as part of the dwelling.

Annexes to dwellings

Q21 – In what circumstances if any do the rules requiring the separate banding of self contained unit of accommodation within a hereditament give rise to injustice?

A – In certain older style houses in multiple occupation, a tenant may occupy his or her own rooms which are not truly self contained accommodation (e.g. bed sitting room, kitchen, and bathroom off a communal landing). It is common practice for the valuation office to band such accommodation separately resulting in the tenant being required to pay full Band A charge for a very limited level of accommodation.

Some premises (e.g. women's shelters) used as short-term accommodation may have individually banded units and do not therefore fall into the definition of a hostel. It is impractical for the authority to bill the occupants, who often stay anonymously, and for periods as short as one night due to issues of domestic violence.

Q22 – Should the Government seek to make changes to these rules, and if so, what changes?

A – When deciding whether a property should be banded as a self-contained unit the Valuation Office Agency should consider whether the accommodation has its own private entrance, (i.e. is it truly self-contained). An example of how this works is how living accommodation above a non domestic property is designated as a composite dwelling only when it has a separate entrance. This would immediately solve some of the issues surrounding granny annexes as many of them have a shared access within the main dwelling.

Consideration should also be given to the actual use to which the accommodation is put. As the expectations of society change, it is becoming more common for occupants of homes, hostels and shelters to be accommodated in rooms which under the present definition would be considered self-contained.