



Council tax: discount on second homes and long-term empty properties

Standard Note: SN/PC/02857

Last updated: 9 January 2013

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Section Parliament and Constitution Centre

The [Local Government Finance Act 2012](#) allows changes to the discounts on council tax for second homes and empty properties. From 1 April 2013, second homes may be charged 100% of their normal rate of council tax, instead of the previous maximum of 90%. “Unoccupied and substantially unfurnished” properties will be subject to a discount of anything between 0% and 100% of their council tax, at the discretion of the billing authority. Properties undergoing “major repair work” or “structural alteration”, which are vacant, will be subject to a discount of any amount between 0% and 100%, for a maximum of 12 months.

The full 50% discount must be retained on a second home where the liable person is required as part of his/her employment to live in job-related accommodation.

The current provisions date from 2004, when English local authorities were given discretion to set the discount on second homes and long-term empty dwellings at levels lower than the original 50%. The discount on second homes could be set at between 10% and 50%. The discount on homes which have been unoccupied and substantially unfurnished for more than six months could be set at between 0% and 50%.

From 1 April 2013, local authorities may also set an ‘empty homes premium’ for long-term empty properties. Properties which have been unoccupied and substantially unfurnished for over two years may be charged up to 150% of the normal liability. This is a new provision.

It should always be borne in mind that it is for the local authority to interpret council tax legislation in the light of individual circumstances. Where the taxpayer disagrees with the decision, the matter may be appealed through the valuation tribunal service.

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1 Background

Prior to April 2004, properties in England were allowed a 50% council tax discount if no one had his or her sole or main residence there. This included holiday homes, empty homes and second homes rented or owned by persons who worked a long way away from the family home.

The second homes discount had been a feature of council tax from the very earliest proposals for the tax. The Labour Government's rural white paper, published in November 2000, proposed that local authorities should be given discretion to end the discount.¹ The *Local Government Act 2003* therefore inserted a new section (11A) into the *Local Government Finance Act 1992* which gave the Secretary of State the power to prescribe classes of dwellings for which billing authorities could either reduce the current 50% council tax discount to a minimum of 10%, and those for which they could reduce or completely remove it, in all or part of their area.

The *Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003* (SI 2003/3011), issued under the 2003 Act, prescribed three classes of dwellings for these purposes - Class A, B and C. Classes A and B defined those dwellings for which billing authorities could reduce council tax discount from between 50% to 10% (second homes), and Class C those dwellings where they could reduce the discount to nil (long-term empty homes).

The reason for retaining a minimum discount of 10% was to provide an incentive for second home owners to inform a local authority that a property was a second home, and also to ensure that councils could identify the additional revenue that had been raised. The revenue generated from the reduction in discount was not earmarked for specific purposes and councils could decide how it should be spent.

2 Changes in 2013

The Government published a consultation paper on [technical reforms of council tax](#) in October 2011.² This made a number of proposals relating to council tax, including reforms to council tax on second homes. These were enacted through the *Local Government Finance Act 2012* and the *Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012* (SI 2012/2964). The latter regulations amended the 2003 regulations, specifying additional classes of dwelling to which a discount can be applied by local authorities. These classes were as follows:

	Before 1 April 2013	After 1 April 2013
Class A: second homes where continuous occupancy for 28 days or more is prohibited	Discount of 10%-50%	Discount of 0%-50%
Class B: second homes where continuous occupancy for 28 days or	Discount of 10%-50%	Discount of 0%-50%

¹ DTLR, *Council tax: a consultation paper on proposed changes for second homes and long term empty homes*, 20 November 2001

² DCLG, [Technical reforms of council tax consultation paper](#), 2011, p. 11

more is not prohibited		
Class C: properties which are “unoccupied and substantially unfurnished” ³	Exempt for up to six months, followed by a discount of between 0% and 50%	Discount of 0%-100%
Class D: vacant properties undergoing “major repair work” or “structural alteration”	Exempt for up to twelve months: property where work finished six months ago or more cannot fall into this class	Discount of 0%-100% for up to twelve months: property where work finished six months ago or more cannot fall into this class

Classes A and B cannot include caravan pitches, boat moorings and job-related dwellings, which attract a mandatory discount of 50% both before and after 1 April 2013.

The automatic **exemption** for properties which are “unoccupied and substantially unfurnished”, and for vacant properties undergoing “major repair work” or “structural alteration”, was removed by the [Council Tax \(Exempt Dwellings\) \(England\) \(Amendment\) Order 2012](#) (SI 2012/2965).⁴ The new provisions are for **discounts** to those types of property, not exemptions.

3 Long-term empty properties

Section 12 (2) of the [Local Government Finance Act 2012](#) allows regulations to be made for local authorities to set a council tax rate for long-term empty properties of up to 150% of the normal liability.⁵ A ‘long-term empty property’ must have been unoccupied and substantially unfurnished for at least two years. This has been called the ‘empty homes premium’: it was not available before the 2012 Act.⁶

Regulations may also specify classes of dwelling to which this premium *may not* apply. The [Council Tax \(Prescribed Classes of Dwellings\) \(England\) \(Amendment\) Regulations 2012](#) specified that the premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes (**Class E**); or to annexes being used as part of a main property (**Class F**)

4 Job-related accommodation

The 2003 regulations provide for the retention of the full discount on ‘job-related dwellings’. Such a dwelling is defined as one which is:-

...provided for him by reason of his employment or for his spouse [or civil partner by reason of that person’s] employment, in any of the following cases –

(a) where it is necessary for the proper performance of the duties of the employment that the employee should reside in that dwelling;

³ The phrase “unoccupied and substantially unfurnished” is not defined in the regulations. It is for billing authorities to determine whether individual cases fall into this category.

⁴ This alters the [Council Tax \(Exempt Dwellings\) Order 1992](#) (SI 1992/558). It removes the exemption for classes A and C in that order. This is a different set of ‘classes’ from those referred to elsewhere in this note.

⁵ These two sections take the form of insertions into the [Local Government Finance Act 1992](#).

⁶ DCLG, [Technical reforms of council tax consultation paper](#), 2011, p11. For further information see Library Research paper 12/01, [Local Government Finance Bill 2010-12](#), 5 January 2012

(b) where the dwelling is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide dwellings to employees;

(c) where, there being a special threat to the employee's security, special security arrangements are in force and the employee resides in the dwelling as part of those arrangements.⁷

The CPAG's *Council Tax Handbook* gives various examples as follows:-

Job-related dwellings includes any dwelling provided as a second home to a person as part of her/his employment (eg, a live-in teacher or caretaker) and dwellings owned as second homes by people who are required by their employment to occupy another dwelling – eg, the second home of a publican who is required to live in other licensed premises as a tenant of a brewery.⁸

Ministers of religion and members of **service personnel**, who have a second home in England but who live in a job-related dwelling in England, Scotland or Wales, should be entitled to the full 50% discount on that second home.⁹ Currently the Ministry of Defence runs a scheme, as part of the military covenant, supporting military personnel who are eligible for council tax. This is an MoD scheme and is not part of the council tax system as such. The guidance accompanying the covenant states:

MOD will double council tax relief for all Service personnel on eligible operations overseas. Eligible personnel will receive council tax relief of 50% of the average council tax paid in England for the period of their deployment. This will be an increase on the current rate which is set at 25%.¹⁰

The Chancellor announced in the 2012 Budget that the relief would be doubled to 100%:

£3 million will be reinvested each year to double the rate of council tax rebate, from 50 per cent to 100 per cent, for around 9,500 deployed military personnel.¹¹

It must be emphasised, however, that decisions on council tax discounts and exemptions are a matter for individual local authorities. Where the taxpayer disagrees with the decision, he/she may appeal the matter to the valuation tribunal service.

5 Wales

The 50% discount on second homes was not applied in Wales after the introduction of council tax. Regulations made under section 12 of the *Local Government Finance Act 1992* gave Welsh local authorities the power to reduce the discount for second homes to 25% or remove it altogether. Following the *Local Government Act 2003* and associated regulations, Welsh authorities were given discretion to set the level of discounts in a scheme which was broadly in line with the English scheme.¹²

In 2012, the Welsh Government published a consultation on long-term empty homes in Wales, which is expected to lead to powers to charge more than 100% of council tax.

⁷ *Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003* (SI 2003/3011), schedule

⁸ Martin Ward, *Council tax handbook*, Child Poverty Action Group, 9th ed (updated by Alan Murdie), 2011, p109

⁹ This wording is based on that in the explanatory notes to *The Council Tax (Prescribed Classes of Dwellings) (Amendment) (England) Regulations 2005*, SI/2005/416.

¹⁰ MOD, *The Armed Forces Covenant: Today and Tomorrow*, May 2011

¹¹ HM Treasury, Budget 2012, Chapter 2, *Budget policy decisions*, p57

¹² See Bill Lovell and Moira Hepworth, *Council tax: your guide*, IRRV, 4th ed, 2008, p32

We propose that the Housing Bill (to be introduced in the Autumn of 2013) should include a provision to give local authorities a discretionary power to charge a higher than standard level of council tax for properties that have been empty for a considerable period of time.¹³

The consultation anticipates a maximum of 200% of council tax being charged on empty properties which are unfurnished. It does not anticipate this provision being used on holiday homes, and seeks opinion on how to distinguish a furnished empty property from a holiday home. The consultation also seeks views on treating properties differently in different areas of a local authority (currently each class of properties must be treated the same throughout any given local authority area).

6 Scotland

Draft regulations currently before the Scottish Parliament provide for a standard discount of 50% for empty property and second homes. Local authorities are permitted to alter the standard amount within specified 'bandwidths'. The discount cannot be increased beyond 50% and cannot be decreased beyond 10%. However, council tax liability on dwellings unoccupied for over a year may have their liability **increased** by up to 100% (subject to certain exceptions).¹⁴ These regulations are being made under the [Local Government Finance \(Unoccupied Properties etc\) \(Scotland\) Act 2012](#).

Previously, Scotland had retained the 50% discount on second homes. Following a consultation paper issued in 2002,¹⁵ the Finance Minister (Andy Kerr) announced on 5 August 2004 that the 50% discount on second homes would be abolished and replaced by a discretionary scheme managed by local authorities.¹⁶ This would allow local authorities to reduce the 50% discount to any level between 50% and 10%. A 50% mandatory discount was retained for certain categories of second homes and long-term empty property:

- Purpose built holiday homes.
- Second properties owned or rented by those living in tied accommodation.
- Vacant dwellings which subsequently undergo extensive repair after sale.
- Dwellings vacant for less than twelve months.¹⁷

¹³ Welsh Government, [Council Tax and Long-Term Empty Homes in Wales](#), July 2012, p. 6

¹⁴ See http://www.legislation.gov.uk/sdsi/2013/9780111018750/pdfs/sdsi_9780111018750_en.pdf

¹⁵ Scottish Executive, *Council tax on second and long-term empty homes: a consultation paper*, November 2002

¹⁶ Scottish Executive News Release, [Councils given discretion on holiday home tax](#), 5 August 2004

¹⁷ Ibid.