



Department for
Communities and
Local Government

Technical Reforms to Council Tax

Empty homes premium: Calculation of Council tax base
Consultation

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This document/publication is also available on our website at www.communities.gov.uk

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The Consultation Process and How to Respond

Scope of the consultation

| | |
|------------------------------------|--|
| Topic of this consultation: | Technical Reforms to Council Tax |
| Scope of this consultation: | This consultation sets out the Government's proposals on how the council tax empty homes premium is to be included in the calculation of the council tax base. |
| Geographical scope: | England. |
| Impact Assessment: | The introduction of the Empty Homes Premium formed part of the Impact Assessment for the whole package of technical reforms, and is available at http://www.communities.gov.uk/publications/localgovernment/lgfbccounciltaxia . |

Basic Information

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|---|---|
| To: | This consultation is aimed primarily at local government. |
| Body responsible for the consultation: | The Department for Communities and Local Government is responsible leading on the policy and the consultation exercise. |
| Duration: | 11 September 2012 – 22 October 2012 |
| Enquiries and how to respond | <p>For enquiries and to respond to this consultation. Please e-mail CounciltaxEHP&CTBconsultation@communities.gsi.gov.uk</p> <p>When responding, please ensure you have the words "Council Tax Empty Homes premiums and the Council Tax Base Consultation Response" in the email subject line.</p> <p>Alternatively you can write to: Council Tax Team Department of Communities and Local Government 5/E2 Eland House Bressenden Place LONDON SW1E 5DU</p> <p>For more information, please see www.communities.gov.uk</p> |
| Compliance with | In this consultation we are seeking views from billing authorities as |

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| the Code of Practice on Consultation: | well as major and local precepting bodies. |
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Background

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| Getting to this stage: | The Department consulted on proposals to allow billing authorities to charge council tax premium of up to 50% council tax on those properties left unoccupied and unfurnished for more than two years. The consultation and summary of responses are available at http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltax and http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltaxsors |
| Previous engagement: | See above |

How to respond

1. Responses to this consultation must be received by **22 October**.

2. You can respond by email to CounciltaxEHP&CTBconsultation@communities.gsi.gov.uk or write to:

Council Tax Team
 Department for Communities and Local Government
 5/E2 Eland House
 Bressenden Place
 London SW1E 5DU

3. When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

Additional copies

4. This consultation paper is available on the Department for Communities and Local Government website at www.communities.gov.uk

Confidentiality and data protection

6. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

7. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the department.

8. DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

Help with queries

10. Questions about the policy issues raised in the document can be sent to the address given at paragraph 2 above.

11. A copy of the consultation criteria from the Code of Practice on Consultation is at <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>. Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please email: consultationcoordinator@communities.gsi.gov.uk

or write to:

DCLG Consultation Co-ordinator
Zone 8/J6
Eland House, Bressenden Place
London
SW1E 5DU

Chapter 1

Introduction

- 1.1 The Local Government Finance Bill supports the Government's commitment to delivering economic growth, decentralising control over finance and reducing the deficit. The Bill includes provisions that will allow a billing authority to charge an empty homes premium of up to 50% of the council tax on property left unoccupied and unfurnished for two years or more. This was subject to a consultation, *Technical Reforms to Council Tax*, which ended on 29th December 2011. The Government published its response on 28th May 2012 - which confirmed its intention to proceed with the premium and to consult on exceptions to the premium – properties which would otherwise be liable for the premium, but which were subject to circumstances that meant it would not be appropriate for it to apply.
- 1.2 In its consultation paper, *Localising Support For Council Tax - Council tax base and funding for local precepting authorities* (August 2012) The Government stated that it would consult separately on possible further changes to the Council Tax Base Regulations in respect of the empty home premium.
- 1.3 This document sets out the Government's proposal, on how the empty homes premium is to be included in the council tax base and the implications for its council tax requirement.
- 1.4 This consultation will close on **22 October 2012**. Details of how to respond to this consultation are set out at the beginning of this document. It is the Government's intention to amend the necessary secondary legislation in time for the changes to take effect in financial year 2013-14.

Chapter 2

Calculation of the council tax base

- 2.1 The Band D council tax bill in an area is calculated through the following formula

$$\text{Council Tax Requirement} / \text{Council Tax Base} = \text{Band D amount}$$

- 2.2 The Government's intention is to amend the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (SI 1992/612) to ensure the calculation of the council tax base takes account of the empty homes premium.
- 2.3 The Council Tax Requirement is the amount that an authority needs to raise through council tax to deliver services and meet its priorities having taken account of other income such as Government grants, fees and charges etc.
- 2.4 The council tax base is a count of "Band D equivalent dwellings" (the 'taxable capacity of an area). It is used for the purposes of calculating a billing authority's and a precepting authority's Band D council tax.
- 2.5 A Band D equivalent dwelling is determined by a series of ratios. For example, a Band A dwelling counts as 6/9 of a Band D dwelling, whereas a Band H dwelling counts as 18/9 of a Band D dwelling.
- 2.6 The council tax base is the aggregate of the relevant amounts calculated for each valuation band, multiplied by the authority's estimated collection rate for the year (item T in the formula for calculating the basic amount of council tax¹).
- 2.7 The Council Tax Base Regulations require the aggregate of the relevant amount, for each band, to reflect any discount or exemptions that are applicable. What this means, in practice, is that by granting discounts and exemptions the council tax base is reduced. This consultation deals with the treatment of the empty homes premium which would, if applied in line with the proposals in this consultation, see an increase if the council tax base.
- 2.8 The changes proposed in this document relate only to changes to the council tax base for the purposes of setting council tax.

¹ Section 31(B)(1) of the Local Government Finance Act 1992

Chapter 3

Government's proposal on how to include the empty homes premium in the calculation of the council tax base

- 3.1 The Government intends that authorities should be able to use any revenue, generated through the application of a premium, for whatever purposes authorities choose. The proposed treatment in the council tax base will mean that councils, local and major preceptors, may use the consequent increase in the council tax base to lower council tax bills or use the additional resources to negate the need for increases in council tax bills while raising the council tax requirement to support required local services. In addition, the Government's intention is that a decision to charge an empty homes premium should not make it more likely that an authority will trigger a council tax referendum.

Council Tax Base

- 3.2 In setting a premium an authority can choose to charge up to an extra 50% on a liable property. The Government believes this amount needs to be reflected in the council tax base. Any property liable to the premium would therefore need to have its Band D equivalent amount multiplied by a ratio reflecting the level of the premium
- 3.3 So, assuming an authority sets the premium at 50%, various liable properties would be counted in the council tax base as follows
- For a Band A property: $6/9 \times 1.5 = 1.0$ Band D equivalent dwelling
 - For a Band D property: $9/9 \times 1.5 = 1.5$ Band D equivalent dwelling
 - For a band H property: $18/9 \times 1.5 = 3.0$ Band D equivalent dwelling

Q.1 Do you agree that this is the most appropriate way to reflect properties liable to the premium in the council tax base?

Q.2 Do you agree that the proposals in this consultation document are the most appropriate way of meeting the policy intention to allow authorities to keep the additional revenue raised by the premium and use it in the way they best see fit?

- 3.4 Subject to consultation, the Government intends to amend regulation 4 the draft Local Authorities (Calculation of Council Tax Base) Regulations 2012 so that billing authorities take account of the number of properties they estimate will be subject to an empty homes premium on 1st April 2013.

The impact of proposed changes on major precepting and local precepting authorities

- 3.5 The Government believes that where a billing authority opts to charge a premium in its area and so increase the council tax base then this should be the council tax base that the relevant major precepting and local precepting authorities should use. Major precepting authorities include County Councils, Fire and Police Authorities and the Greater London authority. Local precepting authorities include parish and town councils.
- 3.6 The rationale for this is that long term empty properties benefit from local amenities such as roads maintained by a County Council, or can be a drain upon local services for example where fire and police services are required to deal with any anti-social behaviour which impacts on local communities. In the case of the GLA, the Mayor has responsibility for housing strategy – including (in partnership with London Boroughs) bringing empty properties back into use. This reflects the approach on certain discounts which billing authorities choose to apply which decrease the tax base for major preceptors and local preceptors.

Q.3 Do you agree with this treatment of the council tax base in relation to major precepting authorities and local precepting authorities?