

## Empty and Second Homes Premiums

Full Council is asked to approve that the following additional council tax premiums be applied from 1 April 24, or as soon as possible thereafter, subject to the required legislation being in place:

- 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years
- 100% premium (or the % limit as specified in any regulations) for properties that are substantially furnished but where there is no resident (often referred to as 'second homes')

### Evidence Base

The Local Government Finance Act 1992, as amended, allows a billing authority to set policies for the application of discretionary council tax premiums.

Adopting council tax premiums on empty properties is one way of incentivising property owners to bring those properties back into use at the earliest opportunity. The current approach agreed by Bristol City Council for premiums on empty homes is set out in the table below.

**Table 1: Empty Homes Premiums**

	Dwelling empty for less than 5 years, but <b>at least 2 years</b>	Dwelling empty for less than 10 years, but at least 5 years	Dwelling empty for 10 years or more
1 April 2019	100%	100%	100%
1 April 2020	100%	200%	200%
1 April 2021	100%	200%	300%

**The Levelling Up and Regeneration Bill** (the Bill) proposes discretionary council tax premium options on both empty **and** second homes.

Through the Bill it is the government's intention to:

- reduce the minimum period for the implementation of a council tax premium for empty premises from two years to one year
- allow councils to introduce a council tax premium of up to 100% in respect of 'second homes'

In respect of b) the Bill provides that the Secretary of State may by regulations

- identify certain dwellings for which a premium may not be applied
- specify a different percentage limit for 100%

If the Bill receives Royal Assent, these options will become available to billing authorities with effect from 1 April 2024 at the earliest.

The government has confirmed that billing authorities that wish to adopt any changes arising from the Bill are required to make a Council resolution confirming their

requirements at least 12 months prior to the financial year in which the changes will come into effect.

## Empty homes

The proposed approach for premiums on empty and unfurnished homes is set out below.

**Table 2: Proposed approach - empty and unfurnished homes**

	Dwelling empty for less than 5 years, but <b>at least 1 year</b>	Dwelling empty for less than 10 years, but at least 5 years	Dwelling empty for 10 years or more
1 April 2024	100%	200%	300%

Records indicate Bristol currently has around 1500 properties that appear to have been empty for between one and two years, however, with a full charge being applied whether the property is empty or occupied, it is possible that some citizens may not notify us when they take up occupation. We therefore cannot assume all would attract the 100% premium after one year. The number of cases empty for more than 2 years (and subject to a premium currently) has remained quite static for some time, at around 299 properties.

## Second homes

The Council Tax Base (CTB1) return that was submitted to government in October 2022 provides a snapshot of the numbers of properties classed as second homes on the council tax system at that time, as shown in the table below, by council tax band.

**Table 3: Number of properties classed as second homes**

Band	A	B	C	D	E	F	G	H	Total
No	778	676	483	325	129	40	16	5	2,452

As full council tax is charged on these properties, their status as second homes is currently not monitored, and we can expect people to report changes in circumstances regarding these properties when a 100% premium is charged. We therefore estimate a potential income of £2.7million to £3.0million could be generated for Bristol City Council from this policy.

The introduction of a premium for second homes might encourage council tax payers to explore whether their property could be transferred to business rates, and thereby benefit from small business rate relief as a way of avoiding the higher charge. From April 2023, the Valuation Office Agency (VOA) will only rate domestic properties for business rates if they are available for short term lets for at least 140 days in total over the current and previous tax years and have actually been let for short periods totalling 70 days in the last 12 months. This should ensure that any properties transferring from council tax to business rates relate to genuine circumstances where the property is being utilised for business purposes in accordance with legislation.

Whilst this will impact on those who genuinely use a property as a second home periodically throughout the year, the criteria as it stands will also see the premium applied in different scenarios, for instance:

- some victims of domestic violence who have fled their permanent home
- social and private landlords of furnished properties for periods between tenancies

As noted above regulations may be laid to exclude dwellings based on any factors the Secretary of State sees fit, such as the physical characteristics of the dwelling, or the circumstances of the person liable to pay council tax. No such regulations have been laid yet and we cannot speculate as to whether they will be, or to their potential extent.