



COUNCIL TAX ON SECOND HOMES - POLICY REVISION

Report by Chief Financial Officer

PURPOSE

- 1.1 The purpose of the report is to seek Members approval for a change to the Council Tax on Empty Homes and Second Homes Policy, as it applies to Second Homes. In April 2023, the Scottish Government issued a consultation regarding the charges levied on Empty and Second Homes, which resulted in Councils being able to charge 200% on second homes from April 2024.

EXECUTIVE SUMMARY

- 2.1 Councils in Scotland were given powers in April 2013 to levy additional Council Tax on empty homes in certain circumstances. At this time, Councils were also permitted to charge between 50% and 90% on Second Homes and the Comhairle introduced a 90% charge (10% discount).
- 2.2 In April 2018, the regulations were amended to allow councils to charge between 50% and 100% on second homes. The Comhairle implemented a 100% charge on second homes from 1 April 2018, removing the discount previously available.
- 2.3 The Government's aim in introducing these new powers was to encourage owners to bring empty properties back into use, both to increase the supply of housing and to reduce the blight on communities through empty houses falling into disrepair.
- 2.4 During 2023, the Scottish Government issued a consultation regarding the charges levied on Empty and Second Homes, which resulted in Councils being allowed to charge up to 200% on Second Homes from 1 April 2024.
- 2.5 The consultation document was considered by the Budget and Strategy Board and the Housing Member Officer Working Group, to inform a response on behalf of the Comhairle. There was wide support for the introduction of an increased charge for Second Homes, in line with the policy aim of bringing homes into use.
- 2.6 The introduction of a 200% charge would generate around £800k of additional income for the Comhairle, to be used for ongoing service provision.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle**
 - (a) **agree to amend the current policy to charge 200% on second homes; and**
 - (b) **agree that second home properties on the market for sale or for long- term let, continue on the pre-April 2024 100% charge for a period not exceeding six months from the date that the property is advertised.**

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Appendix: None

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	The adoption of the new policy would generate additional income of £800K, which would contribute to the Comhairle's budget.
Legal	The application of an additional Council Tax levy on second homes is authorised under The Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 and The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 as amended. Application of the legislation is underpinned by guidelines issued by the Scottish Government.
Staffing	It is expected that the introduction of the policy would not require additional staffing.
Assets and Property	None.
Strategic Implications	Implications/None
Risk	None.
Equalities	None.
Corporate Strategy	None.
Environmental Impact	None.
Consultation	None.

BACKGROUND

- 5.1 Councils in Scotland were given powers in April 2013 to vary Council Tax on long term empty and second homes.
- 5.2 The Comhairle is currently able to choose to charge between 50% and 100% council tax for a property classified as a second home.
- 5.3 From April 2024, the Comhairle can choose to charge between 50% and 200% council tax for a property classified as a second home.
- 5.4 A property is classed as a Second Home where it is no one's main sole or main residence, is furnished and is occupied as a second home for a minimum of 25 days a year.

SCOTTISH GOVERNMENT POLICY INTENTION

- 6.1 The Local Government and Communities Directorate issued guidance to Scottish Local Authorities on the discretion to reduce the discount for second homes and long-term unoccupied properties or to apply a levy to long term unoccupied properties.
- 6.2 The main intention of the discretion to vary the discount or charge is stated as:

"This greater flexibility is intended as an additional tool to help local authorities encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the blight on communities caused by houses being left empty and allowed to fall into disrepair."

- 6.3 The guidance states that the Comhairle can use their discretion for cases that meet circumstances that the Comhairle considers appropriate for a variation from local policy for the following reason:

“This allows a local authority to avoid charging a council tax increase, or to charge a lower level of council tax than for other unoccupied dwellings, where it considers there are reasons why the owner is justified in leaving the dwelling unoccupied and/or reasons why the dwelling could not be lived in, sold or let.”

- 6.4 In line with this discretion, Comhairle policy was revised in November 2022, to exempt empty properties under significant structural repair for two years, if they had not already received a reduction since last occupied, and to give them the maximum reduction from their charge as was allowed by the regulations (50% council tax).

- 6.5 In relation to the changes proposed for second homes, Public Finance Minister Tom Arthur stated:

“We want everyone in Scotland to have a home that meets their needs. We know second homes can sometimes benefit local communities, but they can also restrict the availability of housing and increase costs for people who want to rent or buy.

“This legislation aims to prioritise housing for living in by allowing local authorities to charge a Council Tax premium on second homes. Backed by a majority of respondents to our joint consultation with COSLA, it will enable councils to seek a fair contribution towards local services from second-home owners.”

CURRENT POLICY – SECOND HOME

- 7.1 The Comhairle implemented a 90% charge on second homes from 1 April 2013.
- 7.2 The Council Tax Second Homes Policy was amended in April 2015 to grant delegated authority to the Chief Financial Officer to extend the application of the second home charge for up to one year where a person had not met the 25-day occupation criteria in the previous year due to ill health or bereavement, rather than moving them onto the long-term empty charges.
- 7.3 In April 2018, the Comhairle removed the 10% discount for second homes and implemented a 100% charge.

CHANGE TO CURRENT POLICY

- 8.1 Meetings of the Budget and Strategy Board and the Housing Member Officer Working Group were held on 22 May 2023 and 01 June 2023, to consider a Comhairle response to the Scottish Government Consultation on proposed legislative changes regarding the levy to be charged on Second and Empty Homes. There was wide Member support for an increase to the levy, in recognition that this may have a positive impact on the availability of housing.
- 8.2 The consultation suggested a range of potential levies but in introducing the legislation, Scottish Government has set the maximum levy at 200%.
- 8.3 As the consultation within the Comhairle indicated support for the introduction of a higher levy, it is proposed to implement a 200% charge on Second Homes from 1 April 2024. Whilst Members can opt for a different charge to that proposed, this should be considered in the context of the overall Comhairle budget.

FINANCE

- 9.1 Council Tax income collected as a result of the policies is retained by the Comhairle to support the delivery of services. An element of the income is classed as ring-fenced Additional Council Tax Income on Second Homes (ACTISH), with the remainder included within general Council Tax income. ACTISH income is used to fund a range of housing initiatives, including support for the Affordable Housing

Programme, Local Housing Strategy operational budgets and Homeless Partnership support, as agreed by the Comhairle.

- 9.2 For 2023/24, estimated income from the adoption of the current policies is around £580k for ACTISH and £550k for general revenue purposes. A brief description of how this income is allocated is given below.
- 9.3 The minimum council tax charge that can be levied on a long-term empty property or second home by the regulations is 50%. Where an additional charge is applied, the first 40% of the additional income goes to ACTISH and the remainder to general Comhairle revenue budget.
- 9.4 The maximum council tax charge currently allowed by the regulations on a second home is 100% of the normal charge for a property in the band.

Example: Mrs Graham has a second home that is subject to the 100% council tax charge. Her normal council tax for a year is £1,000 and as a result of the second homes policy she is billed for £1,000. The first 50% (£500) of her charge is standard council tax that the Comhairle is required to charge. The next 40% (£400) of her charge is ringfenced to the ACTISH fund. The last 10% (£100) is additional income to general Comhairle budgets.

- 9.5 The maximum council tax charge allowed by the regulations from April 2024 on a second home is 200% of the normal charge for a property in the band.

Example 1: Mrs Graham has a second home that is subject to the 200% council tax charge. Her normal council tax for a year is £1,000 and as a result of the second homes policy she is billed for £2,000. The first 50% (£500) of his charge is standard council tax that the Comhairle is required to charge. The next 40% (£400) of his charge is ringfenced to the ACTISH fund. The last 110% (£1,100) is additional income to general Comhairle budgets.

- 9.6 Based on data held at the end of October 2023, there were 840 second homes. Based on the banding of these properties, amending the policy could generate around £800k additional income to the Comhairle over and above the figures in 9.2. This amount is subject to change if properties are subsequently occupied on a permanent basis.

CONCLUSION

- 10.1 The Comhairle's policy on Council Tax levies on empty and second homes has been developed in the context of the Government's aim to encourage owners to bring empty properties back into use. The policy has been amended on a number of occasions, mainly to extend discounts to properties under repair. The change in legislation which allows the charging of 200% Council Tax on Second Homes would generate around £800k of additional income, which would be used to support the delivery of services across the Comhairle.