

CABINET

Date of Meeting	Tuesday, 20 th December 2022
Report Subject	Council Tax Consultation on Draft Regulations to Extend Exceptions to Second Home Premiums
Cabinet Member	Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Cabinet Members with information and a recommended response to a Welsh Government consultation seeking views on draft regulations which are designed to ensure that second home properties are subject to Council Tax at the standard rate (and not charged at a premium rate) where properties are subject to a planning condition that specifies a dwelling may only be used for short-term holiday lets or that restricts occupancy of the property from use as a person's sole or main residence.

The proposed application date for introducing the changes will be from 1 April 2023.

RECOMMENDATIONS

1	Cabinet is asked to consider and endorse the proposals of Welsh Government as set out in the consultation and authorise senior officers to respond positively to the consultation.
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REPORT DETAILS

1.00	EXPLAINING THE DRAFT REGULATIONS TO EXTEND EXCEPTIONS TO SECOND HOME PREMIUMS
1.01	Since 2017, local authorities in Wales have been able to charge a premium of up to 100% of the standard rate of Council Tax on long-term empty dwellings and dwellings occupied periodically (more commonly referred to as second homes) in their areas. From 1 April 2023, the maximum level at which local authorities can set Council Tax premiums will increase to 300%.
1.02	The Council has previously decided to use discretionary powers to charge a 50% premium on long term empty properties and second homes and this scheme is set to continue in 2023/24 and at the same rate of 50%.
1.03	<p>Not all long-term empty properties and second homes are subject to the premium and there are circumstances where a premium does not apply, or only applies after a specified time period, and this is designated by 'exception classes' as detailed below.</p> <p>Class 1-4 applies to both long term empty homes and second homes, but Class 5-7 applies only to second homes:</p> <ul style="list-style-type: none"> • Class 1 – Properties being marketed for sale (time limited exception for a period of up to 12 months) • Class 2 – Properties being marketed for let (time limited exception for a period of up to 12 months) • Class 3 – Annexes forming part of, or being treated as part of the main property • Class 4 – Properties which would be someone's sole and main residence if they were not residing in Armed Forces accommodation • Class 5 – Occupied caravan pitches and boat moorings where the caravan or boat currently has no resident but when next in use will be a person's main residence • Class 6 – Seasonal properties where all year-round occupation is prohibited by planning conditions • Class 7 – Job related properties where a property is left empty because the person in relation to the dwelling is now resident in another dwelling which is 'job-related' (as defined by Regulations)
1.04	There is currently no exception from the Council Tax premium for properties with a planning condition specifying its use as holiday accommodation or restricting the occupancy of that property as a person's sole or main residence. In other words, these properties cannot be sold or let long-term as a home for a member of the local community, without a change of planning conditions, and are arguably not limiting the supply of local housing stock.
1.05	The purpose of the legislative change as set out in the consultation and the Council Tax (Exceptions to Higher Amounts) (Wales) (Amendment) Regulations 2023 (the draft regulations) is to amend Class 6 of the

	<p>exceptions. The proposed change will affect Council Tax premiums for dwellings occupied periodically by including properties subject to a planning condition which:</p> <ul style="list-style-type: none"> • specifies a dwelling may only be used for short-term holiday lets; or restricts occupancy of the property to prohibit use as a person's sole or main residence. • Such properties would be liable for Council Tax at the standard rate but could not be charged a premium.
1.06	The proposed application date for introducing the exception will be from 1 April 2023, in conjunction with the increased thresholds for properties providing self-catering accommodation to be classified as non-domestic.

2.00	RESOURCE IMPLICATIONS
2.01	The proposals as set out in the consultation paper, where planning restrictions are in place, may result in a small number of second home properties being entitled to an exception from the 50% Council Tax Premium. In other words, such properties would only be liable for Council Tax at the standard rate.
2.02	The loss of revenue resulting in applying the extended Class 6 exception is expected to be negligible, especially when considering the Council has, on average, 183 second homes currently subject to the Council Tax Premium – the majority of which will not have planning restrictions in place.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The introduction, and continuation, of the Council Tax Premium scheme for long term empty properties and second homes is intended to bring properties back in full use, to improve the supply of affordable housing and to support the sustainability of local services and communities.
3.02	The overarching policy aims will continue to positively improve the supply of local housing and since properties that may fall within the scope of these of these changes cannot be sold or let long-term as a home for a member of the local community, without a change of planning conditions, the proposed changes as set out in the consultation are not considered to be limiting the supply of local housing stock.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The Welsh Government consultation is open until 22 nd December 2022 and the purpose of this report is to provide cabinet with the opportunity to comment on the consultation proposals before the changes are implemented in April 2023.

4.02	<p>For the purposes of providing a response to the Welsh Government consultation there are two main questions where cabinet is asked to endorse the brief response:</p> <p>Question 1: Do the draft Regulations provide clarity on the circumstances in which a property with a planning condition can be exempted from the Council Tax premium? If not, how can it be improved?</p> <p>The draft Regulations clearly set out the circumstances where an exception from the premium may apply in the case of properties with planning conditions and restrictions. The Council therefore supports the introduction of the regulations.</p> <p>Question 2: Are there any unintended consequences for the proposal to extend Class 6 of the Council Tax premium exception? Can you provide any examples?</p> <p>None that can be identified.</p>
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5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>The Welsh Government consultation documents are accessible at:</p> <ul style="list-style-type: none"> • https://gov.wales/draft-council-tax-exceptions-higher-amounts-wales-amendment-regulations-2023

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Council Tax Premium: an additional amount of Council Tax of up to 300% (a premium) can be charged from April 2023 by local authorities in Wales for property defined as either being second homes or long-term empty property. There are seven prescribed exceptions from the Council Tax Premium.</p> <p>Long Term Empty Property: is defined as a property which is both unoccupied and substantially unfurnished for a period of six months or</p>

more, but to be liable for a premium, it would be unoccupied and unfurnished for a continuous period of one year or longer.

A Second Home: is defined as a property which is not a person's sole or main residence and is substantially furnished.