

TITLE OF REPORT: Council Tax Premiums

REPORT OF: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. This report asks Cabinet to approve the legislative Second Homes Premium provided for in the Levelling Up and Regeneration Act 2023 which billing authorities may charge.

Background

2. Council Tax is a source of funding for local government and is primarily based upon the capital value of domestic dwellings. The Council tax charge is based upon two elements which comprise:
 - Property which accounts for 50% of the charge.
 - Person which accounts for up to a further 50% of the charge.
3. The current Council Tax scheme provides domestic dwellings with a valuation band which ranges between Band A and Band H. Charges are set for each band and the amount paid is determined by the occupancy of the property by reference to both the property and person element. Unoccupied dwellings may qualify for exemptions which reduce charges to nil for specific periods of time.

Premiums

4. On 26th October 2023 Government, through the Levelling-Up and Regeneration Act 2023, changed the existing legislation relating to Council Tax. Section 80 of the Act introduces a change which allows a Council Tax Premium to be charged against dwellings that are known as “second homes”. The Second Home Premium that can be applied is up to 100% of the Council Tax liability. The Act also amended the definition of the duration of a “long-term empty dwelling” from two years to one.
5. Second homes are no one’s sole or main residence and are furnished and, for example, could be a property occupied as a holiday home or when working away from the household’s main home.

Exceptions

6. On 11 March 2024, Government published proposals to exempt categories of dwellings from the Council Tax Premiums. Details of the guidance can be found [here](#). This included:
 - a) exceptions to both Long-Term Empty and Second Homes Council Tax Premiums
 - for properties undergoing probate and
 - properties being actively marketed for sale or let

- b) exceptions to the Long-Term Empty Property Premium for
 - empty properties undergoing major repairs
- c) exceptions to the Second Home Premium for
 - annexes forming part of, or being treated as part of the main dwelling or
 - job related dwellings,
 - occupied caravan pitches and boat moorings and
 - seasonal homes where year-round or permanent occupation is prohibited or has been specified use.

The Government has confirmed it will legislate to bring the exceptions into effect before the 2025/2026 financial year and will issue guidance in due course.

7. The Government's previous guidance stated that "the intention behind the decision to provide billing authorities with the power to charge a premium was not to penalise owners of property that is genuinely on the housing market for sale or rent".
8. There is a requirement that councils must make a determination at least one year in advance of introducing the Second Home Premium. The earliest that the council can introduce the Second Home Premium is therefore May 2025.
9. A review of all empty and furnished properties (second homes) shown on our records will be undertaken which will include the impact of the new exceptions when these are introduced by Government during 2024-25.
10. A review of the impact of reducing the definition of the duration of a "long-term empty dwelling" from two years to one will also be undertaken so that this can be considered as an option for change from April 2025.

Proposal

11. It is proposed that the Council implements the new additional 100% Second Home Premium from May 2025 in line with legislation. The proposed implementation of this measure is consistent with other councils in the region.

Recommendations

12. It is recommended that Cabinet agrees to:
 - (i) the application of the Second Homes Premium from May 2025

for the following reason(s)

- (i) Application of the Second Homes Premium will deliver additional council tax income for the council and its precepting bodies.
- (ii) It will further discourage the holding of empty properties.

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APPENDIX 1

Policy Context

1. The proposals in the report are consistent with Council priorities and in particular ensuring that effective use of made of Council resources to support the framework for “Making Gateshead a Place where Everyone Thrives”.

Background

2. Council Tax is a source of funding for local government and is primarily based upon the capital value of domestic dwellings. The Council tax charge is based upon two elements which comprise:
 - Property which accounts for 50% of the charge.
 - Person which accounts for up to a further 50% of the charge.

Single adult occupancy may benefit from a reduction of 25%. Certain types of residents may also be disregarded in respect of the person element.

3. The current Council Tax scheme provides domestic dwellings with a valuation band which ranges between Band A and Band H. These valuation bands are based upon capital valuation of the dwelling. Charges are set for each band and the amount paid is determined by the occupancy of the property by reference to both the property and person element. Unoccupied dwellings may qualify for exemptions which reduce charges to nil for specific periods of time.

Premiums

4. Following budget consultation 2023/24, the Council agreed the application, from 1st April 2024, of the additional “Long-Term Empty Homes Premium” consistent with legislative changes set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. Specifically, the following premiums were to be applied from 2024:

A premium for long-term empty properties, these are defined as unfurnished properties left empty for longer than 2 years:

- 100% premium if empty for 2-5 years which would be a charge of 200%
- 200% premium if empty 5-10 years which would be a charge of 300%
- 300% premium if empty for 10+ years which would be a charge of 400%

5. On 26th October 2023 Government, through the Levelling-Up and Regeneration Act 2023 changed the existing legislation relating to Council Tax. Section 80 of the Act introduces a change which allows a Council Tax Premium to be charged against dwellings that are known as “second homes”. The Second Home Premium that can be applied is up to 100% of the Council Tax liability. The Act also amended the definition of the duration of a “long-term empty dwelling” from two years to one.
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Exceptions

7. On 11 March 2024, Government published proposals to exempt categories of dwellings from the Council Tax premiums. Details of the guidance can be found [here](#). This included:
 - a) exceptions to both empty and Second Homes Council Tax Premiums for properties undergoing probate and properties being actively marketed for sale or let
 - b) exceptions to the empty property homes premium for empty properties undergoing major repairs
 - c) exceptions to the Second Home Premium for annexes forming part of or being treated as part of the main dwelling or job related dwellings, occupied caravan pitches and boat moorings and seasonal homes where year-round or permanent occupation is prohibited or has been specified use.
8. The Government's previous guidance stated that "the intention behind the decision to provide billing authorities with the power to charge a premium was not to penalise owners of property that is genuinely on the housing market for sale or rent".
9. There is a requirement that councils must make a determination at least one year in advance of introducing the Second Home Premium. The earliest that the council can introduce the Second Home Premium is therefore May 2025.
10. A review of all empty and furnished properties (second homes) shown on our records will be undertaken which will include the impact of the new exceptions when these are introduced by Government during 2024-25.
11. A review of the impact of reducing the definition of the duration of a "long-term empty dwelling" from two years to one will also be undertaken so that this can be considered as an option for change from April 2025.
12. The proposed implementation of these measures is consistent with other councils in the region.

Consultation

13. The Leader of the Council has been consulted on this report.

Alternative Options

14. No alternative options are proposed.

Implications of Recommended Option

15. Resources:

- a) **Financial Implications** – An increase in the amount of Council Tax payable in the year 2025/2026. The Strategic Director, Resources and Digital confirms that changes will be taken into consideration in the calculation of the Council Tax base for 2025/2026.

b) Human Resources Implications – Nil

c) Property Implications - Nil

16. Risk Management Implication - There is a risk that the additional payments will not be made.

17. Equality and Diversity Implications - Nil

18. Crime and Disorder Implications – Nil

19. Health Implications - Nil

20. Climate Emergency and Sustainability Implications - Nil

21. Human Rights Implications - Nil

22. Ward Implications – Council Tax covers the whole of Gateshead

23. Background Information: Nil