



ARTICLE NO: 1C

**CORPORATE OVERVIEW &
SCRUTINY COMMITTEE**

**MEMBERS UPDATE 2011/12
ISSUE: 4**

Article of: Transformation Manager

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor D. Westley

**Contact for further information: Mr Peter Blakey (Extn. 5054)
(E-mail: peter.blakey@oneconnectlimited.co.uk)**

SUBJECT: COUNCIL TAX DISCOUNT & EXEMPTION REFORMS

Wards affected: Borough wide

1.0 PURPOSE OF ARTICLE

1.1 To update members on the Technical Reforms of Council Tax consultation paper which contains the Government's proposals to give billing authorities greater discretion over the reliefs from council tax available in respect of second homes and some empty properties and other potential reforms of the council tax system.

2.0 BACKGROUND

2.1 Discounts from Council Tax Bills

2.1.1 Since council tax was introduced in 1993, taxpayers have in certain circumstances been entitled to pay an amount of council tax which is reduced by a discount. In particular, different discounts are available where:

- only one adult occupies a chargeable dwelling as their sole or main residence (known as Single Person Discounts)
- no adult occupies a chargeable dwelling as their sole or main residence (known as Empty Property Discounts).

2.1.2 The rules on discounts where no adult occupies a dwelling as their sole or main residence have evolved since council tax was introduced in 1993. Originally, the discount was set at 50 per cent but, over the years, that has changed so that now, four contexts are recognised in practice:

- A furnished dwelling which is not the sole or main residence of any individual (known collectively as 'second homes') attracts a discount which

billing authorities can set at between 10 and 50 per cent. - *West Lancashire Borough Council's (WLBC) discount is currently 10%*

- A dwelling which is unoccupied and substantially unfurnished attracts a discount which the billing authority can be set at between 0 and 50 per cent, once any period of exemption has passed. Such dwellings are known collectively as 'long term empties'. - West Lancashire Borough Council's (WLBC) discount is currently 50%.
- A furnished dwelling which is not the sole or main residence of a council taxpayer attracts a discount of 50 per cent if the person liable for council tax necessarily occupies it and another dwelling, and one or other of the occupations is job-related.
- Any dwelling which consists of a pitch occupied by a caravan, or a mooring occupied by a boat attracts a discount of 50 per cent when unoccupied.

2.2 Exempt Dwellings

2.2.1 In a wide variety of circumstances (see table below), dwellings are exempt from council tax either for a period of time, or indefinitely while conditions are met. These proposals address possible changes to three of these exemptions, Classes A, C and L. In brief:

- Class A exemption is currently available for up to 12 months in respect of a vacant property which requires, is undergoing, or has recently undergone major repair work to render it habitable, or structural alteration
- Class C exemption is currently available for up to six months after a dwelling becomes vacant
- The practical effect of Class L exemption is to release mortgagors who have had their homes re-possessed by a bank or building society, from any liability to pay council tax (and therefore to relieve billing authorities of the obligation to collect the tax).

2.2.2 Current Council Tax Exemption Classes:-

Exemption Class	Description
Class A	Undergoing major structural work (exempt for up to 12 months)
Class B	Unoccupied, owned by a charity (exempt for up to 6 months)
Class C	Unoccupied and unfurnished (exempt for up to 6 months)
Class D	Unoccupied where a person is in prison
Class E	Unoccupied where a person is in a hospital or home
Class F	Unoccupied awaiting grant of probate
Class G	Occupation prohibited by law
Class H	Unoccupied, held available for a minister of religion
Class J	Unoccupied, liable person away providing care
Class K	Unoccupied, liable person is a student
Class L	Unoccupied, repossessed by the mortgagee
Class M	Occupied halls of residence
Class N	Occupied only by full-time students
Class R	Unoccupied pitch or mooring
Class S	Occupied by under-18-year-olds
Class T	Unoccupied granny annexe

2.3 Council Tax Instalments

2.3.1 Current legislation dictates that Council Tax payers must receive a minimum of 10 statutory instalments over which, they must pay their annual Council Tax liability. Councils have the discretion to offer special payment arrangements over and above that minimum. WLBC allows payment over 12 monthly instalments in exceptional cases, where personal circumstances are such that it is deemed this would help the customer meet their liability by the end of that financial year. The Council also allows its staff to have their Council Tax instalments deducted from their salary monthly, over 12 months.

2.4 Solar roof panels on domestic properties

2.4.1 Currently, domestic scale solar photovoltaic installations on domestic properties – generally the roofs of homes – are treated by the Valuation Office Agency as part of the dwelling and reflected in the council tax band. The Valuation Office Agency considers that these installations have no material impact on value: so they do not lead to any change in council tax bands. Moreover, the council tax system ensures that material improvements to a home never result in any banding re-assessment, unless the home is sold. This ensures that council tax is not a home improvement tax.

2.4.2 An alternative practice is now emerging in the renewables industry under which third party providers take part possession of the roof of homes and install solar photovoltaic at their own cost. The provider receives payments under the Feed-in Tariffs scheme for the electricity generated and the home owner receives the benefit of free electricity generated by the installation. These arrangements are known as ‘rent a roof’ schemes – *this practice has not yet impacted on WLBC properties.*

2.4.3 Depending upon the circumstances in each case, rent a roof installations may, under existing law, warrant their own business rates assessment separate from the council tax on the home. However, establishing whether a separate assessment is merited could require detailed case by case consideration by the Valuation Office Agency and the resulting rates bills would generally be very small in comparison to the cost of administration.

3.0 CURRENT POSITION

3.1 The Department for Communities and Local Government has published its Technical Reforms of Council Tax consultation document on 31 October, 2011 which proposes that reforms to the council tax system from 2013-14 will:

- Give billing authorities power to levy up to full council tax on second homes
- Replace existing Class A and C exemptions for vacant homes with discounts of up to 100%, the amount of which it would be for billing authorities to determine.
- Abolish the Class L exemption, and make mortgagees in possession of empty dwellings liable to council tax in respect of them.

- Allow billing authorities to levy an ‘empty homes premium’ over and above full council tax liability in respect of dwellings which have been left empty for two years or more .
- Set a default assumption that payment of council tax be by instalments over 12 months rather than 10 as is currently the case.
- Allowing authorities to publish online the ‘information to be supplied with demand notices’.
- Changes to eliminate potential tax complications from arrangements involving third party suppliers where solar panels are placed on the roof of dwellings without coming into the control of the resident.

3.2 The consultation lasted for 8 weeks and closed on 29 December, 2011.

3.3 We await the Government’s response to the outcome of this consultation.

4.0 ISSUES

4.1 Detailed consideration of how the Council should apply the proposed changes will be needed, as there a number of potentially significant impacts, both financially for the Council and local council tax payers. A further report will be provided when the results of the consultation process are published.

4.2 The programme plan for implementation will require the following work streams:

- Policy
- Financial modelling
- Consultation
- Publicity
- Process design
- Training
- ICT — specifically software changes

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

5.1 As there are no recommendations within this report there are currently no significant sustainability impacts associated with this article and, in particular, no significant impact on crime and disorder. The article has no significant links with the Sustainable Community Strategy

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 Dependent on the policy and financial modelling agreed, there maybe significant financial implications for the Authority and affected customers, as a result of these changes.

7.0 RISK ASSESSMENT

7.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers as a result of this report.

Background Documents

There are no background documents (as defined in Section 100D (5) of the Local Government Act 1972) to this Article.

Equality Impact Assessment

There is anticipated to be a significant direct impact on members of the public and stakeholders. Therefore an Equality Impact Assessment would be required as part of any future decision made in respect of this matter.

Appendices

None