

Council Tax Premium Charges 2020/21 - Background

1. Section 11B of the Local Government Finance Act 1992 gives Councils to power to charge additional amounts of Council Tax on long term empty properties. A long term empty property in this context is any property which has been both unoccupied and unfurnished for a period of over two years.
2. The amount of the additional charge is capped by the legislation at:
 - a. properties that have been long term empty for less than 5 years, 100% - City of Lincoln current have 89 (65 Band D equivalent) properties within this category; and
 - b. properties that have been long term empty between 5 and ten years, 200% - City of Lincoln current have 20 (14 Band D equivalent) properties within this category; and
 - c. properties that have been long term empty for 10 years or longer, 300% - City of Lincoln current have 24 (18 Band D equivalent) properties within this category.
3. The 200% premium (maximum charge of 300%) represents a new power for the financial year 2020/21. For the financial year 2021/22, an additional premium of 100% for properties which have been long term for 10 years or longer comes in to force, increasing the total premium to 300% (maximum charge of 400%). However, approval of any change for 2021/22 cannot be made until the 2021/22 Local Council Tax Support scheme is consulted on.
4. Since the Council was granted this power in 2013/14 it has adopted the maximum premium available to it each year. For the financial years 2013/14 to 2018/19, the maximum was 50% (maximum charge of 150%). From 2019/20 the maximum increased to 100% (maximum charge of 200%).
5. To apply the maximum (or any additional charge below the maximum) the Council must make a resolution to this effect prior to the start of the financial year to which it applies.
6. The number of long term empty properties at both Councils has reduced since April 2019 and this is believed to be as a consequence of the increased Premium. It is likely that increasing the Premium for those properties which have been long term empty for more than 5 years from 1st April 2020 (and 10 years from 1st April 2021) could have a similar beneficial effect.
7. The increase in the additional premium to 100% (maximum charge of 200%) from 1st April 2019 generated a considerable amount of criticism, not least because of the blunt nature of the additional charge applying to all qualifying properties, regardless of the circumstances at those properties, or the circumstances of the taxpayers.

8. The criticism is likely to be even greater if the Council were to apply the new maximum levels that come into force from 1st April 2020 in the same manner.
9. To deflect the criticism whilst still giving the Council the opportunity to use the powers available to it, it is recommended that from the commencement of the financial year 2020/21, the Council introduces a combination of the following adjustments to its determination:
 - a. a period of grace for the purchasers of long empty properties before they incur the Premium Charge – this could be for 6 months or a year – really a matter of judgement. This has been a justifiable complaint against the Council's application of the Premium Charge. A person purchasing an empty property will not know in advance whether it is a long term property or not and so feel aggrieved that they immediately incur the additional charges.
 - b. reductions (subject to conditions) if the taxpayer is:
 - i. repairing the property to bring it back into habitable condition
 - ii. making reasonable efforts to dispose of the property
 - iii. make adjustments to the property to make it suitable accommodation for someone living with a disability
 - iv. making adjustments to improve the energy efficiency of the property
10. The amounts of suggested adjustments are contained in Appendix 1 to this document.
11. At 1st November 2018, there were 154 long term empty properties in City of Lincoln. These figures have reduced to 133 on 1st September 2019.
12. There are 59 properties in Lincoln that are currently long term empty and will have been so for more than 5 years on 1st April 2020. Increasing the Premium rate to 200% (maximum charge of 300%) for these properties would have the effect of increasing the tax base by 43 Band D equivalents.
13. A suggested resolution is contained in Annex 2 to this document.

Annex 1

Suggested adjustments to Premium Charges

Circumstances	Considerations	Suggested Premium Amount	Length of adjustment	Details for owners
Change of owner	<ul style="list-style-type: none"> What changes of ownership are acceptable? (suggest property has to have been marketed for sale to prevent abuse such as transfer between relatives etc.) Length of adjustment 	0% (so new owners effectively paying standard empty property rate for first period of purchase)	6 months	The Council would write to the owner to advise of 0% charge from the first day of liability. The letter will advise of the % increase after 6 months
Properties undergoing repair	There is a locally defined discount with statutorily defined circumstances which applies and it would appear sensible to use those circumstances with some provisos. <ul style="list-style-type: none"> Cannot apply to anyone who has already received the similar local discount at the property Question whether the discount can only apply in a specific period (e.g. in the first two years that the person is the taxpayer) so that people cannot hold on to property for years before commencing work on property to maximise discount The Council would have to be satisfied that work is actually taking place and likely to be completed in a reasonable 	Additional Charge to be halved So for long term empty property that is: <ul style="list-style-type: none"> Less than 5 years, 50% 5 years or longer, 100% Could consider only applying to those over 5 years 	3 months (this could be in addition to the initial 6 months) – new owners only	

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	timescale (so as not to encourage delay)			
Properties being marketed for sale	<ul style="list-style-type: none"> • Should only apply (if at all) to properties which are suitable for immediate occupation, so there is an incentive on owners to keep property in repair. • Council would need to see evidence of marketing • Council would need to be convinced that valuation is reasonable 	<p>Additional Charge to be halved</p> <p>So for long term empty property that is:</p> <ul style="list-style-type: none"> • Less than 5 years, 50% <p>5 years or longer, 100%</p> <p>Could consider only applying to those over 5 years</p>	3 months	
Property undergoing adjustment to make it suitable for disabled living	Probably similar to those undergoing repair, except it may be appropriate for it to be for a longer period, or in addition to the local discount.	<p>Additional Charge to be halved</p> <p>So for long term empty property that is:</p> <ul style="list-style-type: none"> • Less than 5 years, 50% <p>5 years or longer, 100%</p> <p>Could consider only applying to those over 5 years</p>	6 months Not limited – all owners	
Properties undergoing environmental	Probably similar to those undergoing repair, except it may be appropriate for	Additional Charge to be halved	6 months	

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<p>efficiency improvement</p>	<p>it to be for a longer period, or in addition to the local discount.</p>	<p>So for long term empty property that is:</p> <ul style="list-style-type: none"> • Less than 5 years, 50% <p>5 years or longer, 100%</p> <p>Could consider only applying to those over 5 years</p>		
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Annex 2

Suggested resolution

1. Pursuant to Section 11B of the Local Government Finance Act 1992, the Council resolves that it shall levy an additional charge on the Council Tax for long term empty properties for financial years commencing with the financial year 2020/21. The additional charge shall, subject to paragraphs 2 and 3 below, be the maximum permitted by the legislation for any class of property according to the length of time that it has been a long term empty property.
2. (a) The additional charge shall not apply in the first 12 months that a taxpayer becomes liable for the Council Tax for a property following the date of its purchase.

(b) This paragraph shall not apply if in the Council's view, the sale and purchase of the property was contrived in order to avoid the additional charges.

(c) For the purpose of this paragraph, a property will only be considered to have been sold if there is a conveyance leading to an amendment regarding the proprietorship of the property on the Land Register entry for the property.
3. (a) The amount of the additional charge shall be halved in the following situations:
 - (i) Subject to sub paragraphs (b) and (d), the Council is satisfied that the taxpayer is taking reasonable steps to return the property to a habitable state
 - (ii) Subject to sub paragraph (c), the Council is satisfied that the taxpayer is taking reasonable steps to bring the property back into occupation
 - (iii) Subject to sub paragraph (d), the Council is satisfied that the taxpayer is taking reasonable steps to make the property suitable for occupation by a person with a disability.
(b) This paragraph shall not apply in the following circumstances:
 - (i) The taxpayer has already received a local discount from the Council from the Council Tax for this property under Section 11A of the Local Government Finance Act 1992 and Class D of the Council Tax (Prescribed Classes of Dwellings) Order 2003.
 - (ii) The taxpayer has at the time of the repairs commencing been liable for the Council Tax at the property for a period of 18 months or longer.
(c) This paragraph applies for a maximum period of 3 months.

(d) This paragraph applies for a maximum period of 6 months.