



Department for
Communities and
Local Government

Technical Reforms to Council Tax

Empty Homes Premium: Calculation of Council tax base

Summary of consultation responses

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Technical Reforms to Council Tax

Empty Homes Premium: Calculation of Council tax base

Summary of consultation responses

DCLG's consultation document *Technical Reforms to Council Tax, Empty Homes Premium: Calculation of Council Tax Base* was published on 22 September 2012. The Empty Homes Premium is created by the Local Government Finance Act 2012 and will come into force from 1 April 2013. The document set out Government's proposals on how properties liable to the premium should be treated when local authorities calculate their council tax base and considered the implications for their council tax requirement.

The consultation closed on 22 October 2012. Responses received were as follows:

- 32 responses in total
- 28 (88%) major precepting authorities i.e.
 - 26 local authorities*
 - 1 police authority*
 - 1 fire and rescue authority*
- 1 (3%) local precepting authority
- 3 (9%) representative organisations

Consultation comments

The consultation responses confirmed overwhelming support for the Government's proposed treatment of the empty homes premium when authorities calculate their council tax base.

Q1. Do you agree that this is the most appropriate way to reflect properties liable to the premium in the council tax base?
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A vast majority of respondents (88%) agreed with the proposed method of accounting for a property liable to the premium when calculating their council tax base (multiplying the Band D equivalent amount by a ratio reflecting the level of the premium) as the most appropriate way to reflect properties in the council tax base. This was considered to be consistent with the way that discounts and exemptions are already treated in the calculation, and so a reasonable approach.

A small number of respondents (13%) disagreed and commented that the proposed methodology could be vulnerable to avoidance tactics and this could lead to distortion to the tax base. For example, if the house owner furnished the house in order to avoid the premium being charged, and the

authority had included it in its tax base, the authority could receive less income than anticipated.

A small number of respondents suggested an alternative method for accounting for the premium that is, it should be accounted outside of the tax base or allow for authorities to exercise their own discretion as to when to apply it.

Q2. Do you agree that the proposals in this consultation document are the most appropriate way of meeting the policy intention to allow authorities to keep the additional revenue raised by the premium and use it in the way they best see fit?

Again a vast majority of respondents (88%) agreed with the proposal and welcomed the additional revenue that it would generate. The ability to decrease council tax levels or to pay for local services was considered to be a positive development.

The small minority of respondents who disagreed (13%) with the retention of the premium, repeated earlier views about the potential distortion of council tax base and implications for the amount of council tax raised. Some understood the policy intention but felt there were still some problems with the principle of the policy, and that the exemptions to the premium (which is the subject of a separate consultation) would create extra administrative burdens that may effectively negate the benefits of collection.

Q3. Do you agree with this treatment of the council tax base in relation to major precepting authorities and local precepting authorities?

The consultation proposed that where a billing authority opts to charge a premium in its area and so increase the council tax base then this should be the council tax base that the relevant major precepting and local precepting authorities should use. A large majority of respondents (75%) felt that one tax base across all major and local preceptors was the most appropriate and consistent way forward. All authorities provide services which can be affected by empty properties – an example given in the responses was dealing with the effects of anti-social behaviour. It was suggested by respondents that the premium would help to fund some of the additional costs incurred as a result.

Respondents that disagreed (25%) with the proposed changes did not believe the premium was worth levying as it was not a predictable or reliable source of additional income. It was also felt it should be retained by those authorities most affected by long term empty homes. One respondent felt a better

incentive would be if billing authorities were given a bigger share of the income, given that they incur billing and collection costs.

Other comments

A small number of respondents also offered comments on the impact of premium in the triggering of a council tax referendum, though there was no direct question in the consultation paper to comment on this. It was felt that any increase attributable to the tax base should be excluded from referendums.

Government response

An overwhelming majority of the responses to the consultation supported each of the Government's proposals. The responses did not highlight any practical difficulties that would justify an alternative approach. Therefore, the Government confirms its intention to implement the proposals set out in the consultation paper, by making the necessary legislative changes to the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (SI 1992/612). This will be done in time for authorities to take account of any homes potentially liable to the premium when they set their budgets and council tax for the financial year 2013-14.