



Department for
Communities and
Local Government

Council Tax

National council tax discount for annexes – Consultation

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The Consultation Process and How to Respond

Scope of the consultation

Topic of this consultation:	Council Tax – National Discount for Annexes
Scope of this consultation:	This consultation sets out the Government's proposals on a national discount for annexes.
Geographical scope:	England.
Impact Assessment:	The proposed policy is not within the scope of the Reducing Regulation Committee and so does not need an Impact Assessment for this purpose.

Basic Information

To:	This consultation is aimed primarily at local government and council taxpayers.
Body responsible for the consultation:	The Department for Communities and Local Government is responsible leading on the policy and the consultation exercise.
Duration:	27 th August 2013 to 8 October 2013 (six weeks)
Enquiries and how to respond	<p>For enquiries and to respond to this consultation. Please e-mail council.tax@communities.gsi.gov.uk</p> <p>When responding, please ensure you have the words "Council Tax - National Discount for annexes" in the email subject line.</p> <p>Alternatively you can write to: Council Tax Team Department of Communities and Local Government 5/H1 Eland House Bressenden Place LONDON SW1E 5DU</p>
Compliance with the Code of Practice on Consultation:	In this consultation we are seeking views from billing authorities and council taxpayers

Background

Getting to this stage:	The Department consulted on the treatment of annexes for council tax purposes in the Technical Reforms to Council tax consultation in late 2011. The consultation and summary of responses are available at https://www.gov.uk/government/consultations/technical-reforms-of-council-tax
Previous engagement:	See above

How to respond

1. Responses to this consultation must be received by 8th October 2013.

2. You can respond by email to council.tax@communities.gsi.gov.uk or write to:

Council Tax Team
Department for Communities and Local Government
5/H1 Eland House
Bressenden Place
London SW1E 5DU

3. When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

Additional copies

4. This consultation paper is available on the Department for Communities and Local Government website at www.gov.uk/dclg

Confidentiality and data protection

6. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

7. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the department.

8. DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

Help with queries

10. Questions about the policy issues raised in the document can be sent to the address given at paragraph 2 above.

11. A copy of the consultation criteria from the Code of Practice on Consultation is at <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>. Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please email: consultationcoordinator@communities.gsi.gov.uk

or write to:

DCLG Consultation Co-ordinator
Zone 8/J6
Eland House, Bressenden Place
London
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Introduction

1. The Government is committed to promoting local growth across the country and to support the housing construction industry in providing affordable housing.
2. The Government is helping local councils and developers work with communities to plan and build better places to live for everyone. This includes building affordable housing, improving the quality of rented housing, helping more people to buy a home, and providing housing support for vulnerable people.
3. The government wants builders, investors and local councils to increase the supply of both new-builds and repurposed empty homes. The Department for Communities and Local Government (DCLG) will support the increase of housing supply by:
 - removing unnecessarily complex regulations
 - providing finance for projects that can't proceed without it
 - helping buyers who cannot afford to buy a home because they cannot afford the deposit.
4. Extended families living together are becoming increasingly common within our society, for example children saving for a their first home or in order to care for elderly parents. In order to support these families and to contribute towards the Government's policy of increasing affordable housing a national council tax discount for annexes is to be introduced. The current council tax system unfairly penalises owners of properties with annexes through double taxation as owners are receiving council tax demands for annexes in addition to demands for their main building.
5. Many families benefit from living in properties with annexes by being able to care for both immediate and extended families members, particularly the elderly or those who require support. More families that are able to support dependant relatives living in family annexes will deliver against the Government's commitment to help people live independently. The Coalition Agreement contains a commitment to help the elderly to live independently at home, a commitment that is developed further in the "new deal for older people's housing" set out in the Housing Strategy. Changing the present treatment of annexes for council tax offers practical support to that commitment.

6. This consultation paper invites views on the level of council tax discount that should apply to annexes.

Background

7. Parts of a hereditament that have been constructed or adapted for separate occupation must be separately banded for council tax. The rule is the basis for the banding of self-contained units, but it takes no account of the facts of occupation. The Government sought to explore this issue in its consultation paper, *Technical Reforms to Council Tax* (October 2011)¹.
8. Generally, if parts of a building are in separate occupation, each part is a separate hereditament, and each is a dwelling liable to council tax (unless its use is non-domestic) and will receive its own banding in the normal way. Where one occupier has paramount control of the whole, which makes the property a single hereditament, self-contained units of accommodation within the property must each be treated as separate dwellings for council tax purposes. The test for a 'self-contained unit' is whether a part is physically constructed or adapted for use as separate living accommodation. This relates entirely to the physical state of the building – not to the intentions of the owner, nor to the actual use to which the accommodation is put. It is not an issue over which the Valuation Office Agency, or the billing authority, has discretion: it all turns on the facts of the case. These rules are applied frequently to define separately banded dwellings in hostels, flatlet houses etc., and the Government does not intend to change their general application. An example is where part of a house has been physically adapted as a 'granny annexe', and been separately banded for council tax purposes as a consequence, but is no longer occupied as a separate unit of accommodation. The law requires that it should continue to be separately banded for council tax unless the physical adaptations are undone – which can be expensive and inconvenient.

¹ <https://www.gov.uk/government/consultations/technical-reforms-of-council-tax>

9. There are two statutory exemptions, which can apply specifically to annexes in certain circumstances, these are
10. Class T – A dwelling which forms part of a single property which includes another dwelling and may not be let separately from that dwelling, without a breach of planning control.
11. Class W – A dwelling which forms part of a single property, including at least one or other dwelling, and which is the sole or main residence of a dependent relative of a person who is resident in the other dwelling.
12. However, where neither exemption applies council tax will be chargeable, leading to double taxation for the owner of a property with an annexe.
13. An annexe occupied by full-time students or by anyone under 18 years old will be exempt from council tax. In addition, a single person not disregarded for the purpose of council tax, occupying an annexe that is not eligible for a statutory exemption, will be eligible for a single person discount.
14. In its published response, *Council Tax Technical Reforms Summary of Responses Report*, on 28th May 2012², the Government made a commitment to review how annexes are treated for council tax purposes. In addition, to address the anomaly between how annexes and extensions are treated for council tax, the Government is keen to:
- remove obstacles to families having a live-in annex for immediate relatives – such as teenagers or elderly grandparents.
 - help increase housing supply and ensure the elderly have dignity and security in retirement.

² <https://www.gov.uk/government/consultations/technical-reforms-of-council-tax>

Government's proposal

15. The Government intends to introduce a national council tax discount for annexes used by the occupier of the main building or a member of his or her family. A national discount will ensure that owners of properties with annexes are treated fairly. In addition, reducing or removing the council tax from all annexes used by the main occupier or their family, not just dependant relatives, will support the government's objectives around housing supply and affordability.
16. The new discount will not be based on occupation/furniture, as the second/empty homes discounts regimes are, but on use by the resident of the main building or occupation by a member of his or her family. Where a non-family member occupies an annexe then he or she will be liable for council tax.
17. The new family annex discount would be in addition to any discount applicable under sections 11 and 11A of the Local Government Finance Act 1992 (including the existing single person discount, which already applies to standalone dwellings occupied by single adults).
18. Using information from the valuation office and data collected on the Council Tax Base 2012 return the Government has estimated the costs different levels of discount will have in terms of reduced council tax receipts. Due to the lack of detailed information around the number and council tax banding of annexes in 2013 these costs should be seen as indicative estimates.
19. The number of annexes not receiving a council tax exemption under Class T or W in 2013 has been estimated. This has been done by projecting forward the total number of annexes reported by the Valuation Office Agency in 2010 by assuming the same rate of growth exhibited in council tax exemptions under Class T or W between 2010 and 2013. From this estimate of the total number of annexes the number of dwellings receiving an exemption under Class T and W has been subtracted. These estimates are shown in table 1.

Table 1: Number of additional annexes eligible for a national council tax discount for annexes

	Number of Family Annexes ¹ 2010	Estimated number of Family Annexes ² 2013	Number of annexes currently exempt 2013	No. of Additional Exemptions
England	20,740	24,150	13,160	10,990
<i>Class of Authority</i>				
Shire District	14,470	17,030	9,250	7,780
London Borough	970	1,140	180	960
Metropolitan District	870	1,120	760	360
Unitary Authority	4,430	4,860	2,970	1,890

1. Figures sourced from Valuation Office Agency Council Tax Property Attributes (Sept 2010)

http://webarchive.nationalarchives.gov.uk/20110320170052/http://www.voa.gov.uk/publications/statistical_releases/CT-property-attributes-september-2010/documents/20100913_Property_Attribute_Data_Rounded_group-linked.xls

2. Projected from the 2010 figures using the growth rate at a local authority level in the number of Class T and W exemptions

20. The indicative cost of providing these additional exemptions has then been estimated by assuming that each of these dwellings was paying the average Band D rate of council tax in 2012-13. Table 2 summarises the estimated costs for different classes of local authority and for England for discounts at four different levels: 10, 25, 50 or 100 per cent.

Table 2: Indicative costs for a national council tax discount for annexes

	Estimated Annual Cost of Different Discount Rate ¹			
	10%	25%	50%	100%
England	£1,693,000	£4,232,000	£8,465,000	£16,930,000
<i>Class of Authority</i>				
Shire District	£1,197,000	£2,992,000	£5,985,000	£11,969,000
London Borough	£137,000	£343,000	£687,000	£1,373,000
Metropolitan District	£66,000	£165,000	£331,000	£661,000
Unitary Authority	£293,000	£731,000	£1,463,000	£2,925,000

1. Estimated by multiplying the number of additional exemptions in 2013 in each Local Authority by the Average Band D council tax level for each authority

Level of discount

21. The Government proposes to introduce a single level of discount. However, four options for that level may be 10, 25, 50 or 100 per cent. The Government's preferred option is to introduce a 50 per cent discount as it believes this would better reflect the level of council tax that would be due on a property and annexe if it were banded as one property. It is only fair that owners of properties with annexes should pay more council tax than those owners of a property without an annexe. This is in keeping with the council tax banding system where higher banded property is charged more council tax than those with lower bands.
22. To help illustrate the point, the average Band D council tax bill, in England, is £1,456 so the equivalent Band A bill would be £971. Without any discount, a taxpayer with a Band D property and Band A annexe would get two bills totalling £2,427 (£1456 + £971). A 50 per cent discount on the Band A annex would reduce that bill to £485, thereby producing a saving for the taxpayer.

Question 1 - What should the level of the discount be?

- A – 10 per cent**
- B – 25 per cent**
- C – 50 per cent or**
- D – 100 per cent**

New Burdens

23. A New Burdens Assessment will be carried out and the Government will compensate billing authorities for any revenue lost because of the discount.
24. At present, someone occupying an annex may be exempt from paying council tax because of his or her personal circumstances. However, when this personal exemption no longer applies – for example, as the result of the death of the occupant – council tax will be payable for the annex once more. Billing authorities already have the task of administering changes to council tax in these circumstances, and have systems in place for doing so. The Government does not,

therefore, consider that this proposal will represent significant new implementation costs for billing authorities – indeed, replacing a personal exemption with a discount applying to the property may reduce the burden of administration. We would welcome views on this assumption.

Question 2 – Are there additional costs for administering a new discount for annexes, over and above those already incurred in administering the existing system of discounts and exemptions? If so, from what activities do those costs arise?

Impact assessment

25. The proposed policy is not within the scope of the Reducing Regulation Committee and so does not need an Impact Assessment for this purpose.