



Department for  
Communities and  
Local Government

# Technical Reforms to Council Tax: national discount for annexes

Summary of responses

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# Background

## Introduction

The Government is committed to promoting local growth across the country and to support the housing construction industry in providing affordable housing. The Department for Communities and Local Government (DCLG) will support the increase of housing through a number of measures.

With both an ageing population and young people finding it difficult to get on the housing ladder, the Government wants to remove barriers to extended families living together. Many families benefit from living in properties with self-contained annexes, which allow families to care for and support family members. But in many cases, the current council tax system unfairly penalises those with family annexes through double taxation, when householders are billed a second time for the annexes in addition to their payment for their main property.

This is unfair and discourages extended families from living together and supporting each other.

## The Government Proposal

The Government therefore proposed a national council tax discount for annexes used by the owner or tenant of the main building or occupied by a member of his or her family. This will ensure that annexe owners are treated fairly and will support the Government's objectives around housing supply and affordability. Reducing this burden will save an average £485 a year on a typical £2,427 combined yearly bill.

The new discount will not be based on occupation/furniture, as the second/ empty homes discounts regimes are, but on use of the annexe 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 the discount will not apply.

The Government's preferred discount level is 50 per cent. This maintains the principle that properties with annexes should pay more than those without, while removing the unfairness of double taxation. It also better reflects the level of council tax that would be due on a property and annexe if it were banded as one property. The overall cost of a 50 per cent discount has been estimated at £5.3 million for 2014-15. This will be reimbursed to the relevant billing authorities by DCLG.

This tax cut will deliver against the Government's commitment to help more people live independently, and will also increase housing supply and support the construction trade.

## **Consultation Questions**

The questions on which the consultation sought views were as follows:

**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**

**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 discount and exemptions? If so, from what activities do those costs arise?**

# What respondents said & the Government's response

## Respondents

There were 63 respondents to this consultation.

Category	Respondents
Member of the public	8
Local authority	53
Association	2

## Responses to Question 1: What should the level of the discount be?

The results of the consultation demonstrated a high level of support for the introduction of a discount for annexes with 47 agreeing that there should be some form of a discount. In contrast eight respondents believed that there should be no change. There were eight respondents who made no comment to Question 1.

Category	Respondents
Support- 10%	2
Support- 25%	5
Support- 50%	33
Support- 100%	4
Support- Amount not specified	3
Support- Total	47
Against Proposal	8
No Comment	8

In terms of those respondents who supported the proposal, the majority of the respondents believed that the Government's preferred option of a 50 per cent discount rate for annexes should be implemented. There were five respondents who believed that a 25 per cent discount should be the rate. The 100 per cent discount rate was supported by four of the respondents. There were three respondents who supported the proposal, but did not specify the preferred discount amount. Finally, there were two respondents who expressed the view that a 10 per cent discount would be the better option.

## The Government's response

The Government has carefully considered the responses and has decided to take forward a 50 per cent discount.

## 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 discount and exemptions? If so, from what activities do those costs arise?

There were 36 respondents who stated that there would be additional costs to implement this policy, with 12 stating there would be no costs. Ten respondents did not answer this question, and five made generic comments but did not directly answer the question.

Category	Respondents
Yes	36
No	12
No Comment	10
Other	5

The majority of the respondents who expressed the view that there would be extra costs were from local authorities. They identified promotion, administration and IT as the main areas where they anticipated extra costs, along with the need to identify annexes which would be eligible for this discount. No respondent provided evidence to support this view or attempted to quantify the additional costs.

### The Government's response

Billing authorities are already under a statutory duty (Regulation 14 of the Council Tax (Administration and Enforcement) Regulations 1992) to take reasonable steps to ascertain whether a property is entitled to a discount. After careful consideration of the regulation 14 duty and the responses to consultation, the Government does not believe the administration of the discount constitutes a new burden.

### Other issues raised

Some respondents wished to have clarification on the definitions of 'annexe' and 'family member'. These terms will both be defined in the secondary legislation.