

## **Appendix F – Second Homes Council Tax Premium**

### **1. CONTEXT AND BACKGROUND**

- 1.1. The Levelling-Up and Regeneration Act 2023('the Act') received Royal Assent on 26 October 2023. Sections 79 and 80 of the Act are aimed at Council Tax to assist reducing the number of empty homes across the Country to aid housing shortages which are, along with rising mortgages for private landlords caused by high interest rates, causing record levels of rent increases, no fault evictions, etc. These sections of the Act make amendments to the existing Local Government Finance Act 1992 to enable changes to empty and second home premises.
- 1.2. The Act allows Councils to charge a 100% premium to the core Council Tax charged for a second home (dwelling occupied periodically) if the property does not have a resident and it is substantially furnished. The substantially furnished part is key as were it not to be substantially furnished it would be classed as an 'empty' property and potentially liable for the existing long term empty premium charged by Camden. To implement the new charge, the local authority must by law make its decision to do so at least 1 year before the beginning of the financial year it relates to. As a result, the new charge cannot come into effect before 1 April 2025.
- 1.3. The change in the Local Government Finance Act 1992 legislation will also be led by any guidance issued by the Secretary of State, to which the Council must have regard. There is currently no guidance issued on qualifying criteria for the 100% premium – largely around the 'no resident of the dwelling' condition. In August 2023 a consultation was started by the Department for Levelling Up, Housing and Communities regarding possible exemptions from this premium and long-term empty levies too. No results have been released despite closing at the end of August 2023. We expect the results of the consultation to form guidance on who may be exempted from the new premium in the lead up to 1 April 2025.
- 1.4. The Act also reduces the period in which properties become liable for the 100% empty property premium from the current 2 years to just 1 year. This does not amend the period in which they then become liable for the subsequent 200% (over 5 years) and 300% premiums (over 10 years).
- 1.5. The key reason for making these changes is to encourage property owners to get empty or unused properties back into circulation sooner which will help with tackling homelessness as well as attempting to reduce the current levels of rent increases being seen, particularly in the private rented sector, due to the lack of properties against demand. This issue has been compounded by private landlords needing to re-mortgage during the current cost of living crisis and the high interest rates which result in the increased costs being passed onto tenants or the landlords selling up and moving out of the rental market reducing availability which drives up demand for limited properties and therefore rental income charged.
- 1.6. The Council has a team that reviews empty council property data as well as other sources of information to attempt to contact the owners of those empty longer than 6 months. They offer grants for renovations, provide advice and support to them where they are looking to bring the home back into use independently and can even look at Empty Dwelling Management Orders, Compulsory Purchase Orders and other

sanctions where the owner is not willing to work towards the home being reoccupied. This work has historically resulted in some properties being bought back into use and to a good standard through that team working with the property owners. However, this is the tip of the iceberg and despite this work we have 661 properties that have been empty longer than 2 years alone and are being charged the empty property premium as a result. This number is consistent each year which means despite the above work and the financial penalties imposed through Council Tax, owners remain reluctant or able to get these properties back into use.

- 1.7. Second homes are a problem nationally. Whilst some are genuinely second homes (the owner lives elsewhere with family, etc. and classes that as their main home but uses the second home periodically for work or leisure), due to the financial penalties in place for properties classed as long-term empty, its likely a number of the residents in Camden claiming the property is a second home do not occupy in any form. Proving this when financial transactions, etc. would be linked to their main home and access issues to do visual inspections means there are a significant number of the current 7,257 second homes (figure taken from the CTB1 submitted by Camden in October 2023) are likely to actually be long term empty properties and claimed to be second homes to avoid the premium on those properties. Therefore, implementing the 100% premium will reduce the avoidance impact somewhat.
- 1.8. Furnished lettings empty less than 1 year or properties that are uninhabitable or being refurbished will not fall into scope of the new second home premium or the reduced qualifying timescale for the empty premium (unless the uninhabitable or refurbished property is then used as a second home or remains empty more than 1 year after the works are completed).

## 2. PROPOSAL AND REASONS

- 2.1 It is proposed that the 2 new flexibilities allowed by the Levelling-Up and Regeneration Act 2023 are implemented in full with the changes effective from 1 April 2025. Namely:
- 100% premium charge applied to ‘second home’ in Camden from 1 April 2025 which will, in effect, double their Council Tax bill.
  - Reduce the period from which the current long term empty 100% property premium is charged from 2 years to just 1 year from 1 April 2025. This will mean owners who leave properties empty long term will see Council Tax charges doubled in a shorter timeframe.
- 2.2 The increase in Council Tax charged for second homes is a national attempt to encourage lower levels of second home ownership to free up stock for growing population levels as demand continues to exceed supply. This is similar to when the long-term empty homes premium was introduced as where local authorities are unable to encourage home owners to free up properties to house local residents through internal mechanisms or levers such as Empty Dwelling Management Orders, Compulsory Purchase Orders, etc. those owners are expected to increase contributions to the local authority (through the premium charges) to help fund vital local services which will include housing Camden residents displaced from their homes locally, where possible, often at significant cost.
- 2.3 The Council is putting the proposal forward now to comply with the 1 years notice for the new levy which would start from 1 April 2025. We expect guidance to be supplied from the Department for Levelling Up, Housing & Communities (DLUHC) which will set out its definition of ‘no resident of the dwelling’ through specifying national exceptions to the premium as a result of the consultation and central government

policymaker decisions. Camden will ensure these exceptions to the premium are followed locally.

2.4 Our second homes currently receive a 0% discount as the Council reduced the discount from 10% to 0% previously. This means the second homeowners pay the standard Council Tax charge only. Whilst that currently means no premium is charged to the Council Tax due, it does leave the Council open to incorrectly claimed discounts as it is suspected some of our empty homeowners have claimed it's a second home to avoid the 100%; 200% or 300% levy once they have been empty for 2; 5 or 10 years. If the recommendation in this report is approved the current 0% discount would be replaced by the 100% premium charge.

2.5 The numbers of second homes by band and the current 2023/24 charges are listed in the table below:

<b>Council Tax Band</b>	<b>Number of Second Homes</b>	<b>Combined Council Tax due in 2023/24</b>
<b>A</b>	576	£729,665.28
<b>B</b>	1,637	£2,419,322.30
<b>C</b>	973	£1,643,426.19
<b>D</b>	1,329	£2,525,312.64
<b>E</b>	1,047	£2,431,573.74
<b>F</b>	842	£2,311,012.14
<b>G</b>	628	£1,998,832.04
<b>H</b>	225	£855,072
<b>Totals</b>	<b>7,257</b>	<b>£14,904,216.33</b>

2.6 It must be noted that it is unlikely that all 7,257 will be charged the 100% premium and therefore the amount of Council Tax billable would double to just over £29.8m as the change could see a number sell the property, engage with the internal team to get properties into use for Camden residents or they could decide to make the Camden property their main home and use their current main home as their second home / holiday home (we would require evidence of these claims as this could be used as an avoidance tactic to prevent them paying double, particularly if the Council their main home sits within does not charge the premium). However, we anticipate it will result in a rise in Council Tax income as demonstrated by the current long term empty premium where, for example, 8 properties are paying a 300% premium due to the property being empty more than 10 years despite the financial penalty. One of those properties is a band H which means instead of being liable for £3,800.32 in 2023/24 they are liable for a bill of £15,201.28.

2.7 An Equalities Impact Assessment of the recommended changes has not identified any areas of possible negative impact that would affect any particular protected group. Owners of second homes required to pay more Council Tax in Camden will not affect resident taxpayers. This also applies to those landlords or owners with empty homes in Camden who would now be liable for the existing empty homes 100% premium charge after 1 year rather than 2 years.

2.8 For clarity purposes the change to the empty property levy will only affect the existing initial 100% premium qualifying period from 2 years to 1 year. The 200% premium and 300% premium charge qualifying periods remain as 5 and 10 years respectively. So from 1 April 2025 the premiums will be as follows:

2.8.1 100% premium (double council tax charge) when empty for 1 year (instead of 2).

2.8.2 200% premium (triple council tax charge) if it remains empty for 5 years.

2.8.3 300% premium (quadruple council tax charge) if it remains empty for 10 years or more.

2.9 The Council must publish a notice in a local newspaper within 21 days of the decision date if Full Council agrees with the recommendation.

### 3. OPTIONS APPRAISAL

3.1 The Council could;

- Adopt the new second home 100% premium and reduce the qualifying period for the existing empty home 100% premium from 2 years to 1 year recommended in this report.

This would help Camden with its We Make Camden plan regarding affordable housing as it would add leverage to encourage both second homeowners and owners sitting on empty properties to either directly get the property back into use for our residents or engage with the internal team who can provide advice and support to aid them getting empty properties back into use. Where the owners of both second homes and long-term empty homes do not wish to help Camden achieve its objectives directly, the additional income from the premium can be used to help provide vital services including assisting our vulnerable residents source affordable homes to rent within Camden ideally.

This recommendation would see the current 0% discount for second homes replaced by the 100% premium from 1 April 2025 and empty properties attract the 100% premium 1 year from the date it became empty rather than 2 years.

- Adopt the new second home 100% premium and leave the qualifying period for the existing empty home 100% premium as 2 years.

This hybrid approach would still aid Camden target the significant number of second homes reducing potential housing stock for local residents. However, by leaving the empty homes premium levy as 2 years for the 100% additional charge to apply, it would lead to potential taxation avoidance as those with second homes may claim the property is empty instead (lack of access to properties would impact the council's ability to challenge the avoidance) knowing that they would pay the standard Council Tax charge for 2 years at least. The reduction of the qualifying time for the empty home premium charge aims to reduce that risk down to 1 year, particularly as once they claim its empty they are at risk of the 200% premium if it remains that way in 5 years and some of our second homes have been listed as such for significantly longer than that.

This recommendation would see the current 0% discount for second homes replaced by the 100% premium from 1 April 2025. Empty properties would continue to attract the 100% premium 2 years from the date it became empty only.

- Don't adopt either change.

This would mean no changes to the current discounts and qualifying period (in the case of the empty property 100% premium levy), in existence. This option reduce the ability of the Council to help free up properties in their locality to try meet demand for homes in the borough.

#### **4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?**

- 4.1 An impact of the recommendation being implemented is that the Council team looking to get properties back into use will have an additional lever to force discussions with landlords / owners to bring properties into use for our residents.
- 4.2 Camden still awaits guidance from the Department for Levelling Up, Housing & Communities (DLUHC) which will set out its definition of 'no resident of the dwelling' through specifying national exceptions to the premium for second homes. As these will be national guidelines, Camden will incorporate them locally once available and the years notice (as this will not be chargeable until 1 April 2025) means that Camden can communicate the change and the exceptions to the premium to allow those currently receiving the 0% discount to contact us to provide any required evidence to be excluded from the 100% premium before it starts.
- 4.3 Second homeowners may default in payment as a protest at the increased premium, as could the owners and landlords of the empty properties now liable for the premium a year earlier. However, Council Tax legislation and collection procedures are robust and full recovery action in line with that legislation would be available to the Council to obtain the amount due.
- 4.4 It is possible the liable parties for the second homes may claim the Camden address is their main home and their actual main home is now their second home if the Council that home sits under is not looking to also implement the new premium charge. They could also claim the property is empty knowing they will have 2 years of paying only the core Council Tax charge (reduced to 1 year if this recommendation is accepted) rather than the immediate 100% premium. The Council will make all attempts possible to prevent avoidance of correct Council Tax amounts due including using property inspectors (where access is possible) and liaising with other Council departments.

#### **5. CONSULTATION/ENGAGEMENT**

- 5.1 There is no statutory requirement to consult. The number of homes affected by the new second home premium is just 6.4% of the homes in Camden. The impact is not on direct full-time residents as it will impact property owners who state whilst they use the property for work or leisure purposes periodically, their main home is elsewhere. These same property owners were already affected by the previous Council decision to reduce the previous second homes discount on Council Tax from 10% to 0% and therefore is an additional change to that previous decision.

#### **6. LEGAL IMPLICATIONS**

- 6.1 The legal implications are included in the main body of the report.

#### **7. RESOURCE IMPLICATIONS**

- 7.1 The report is recommending the new second homes premium charge as is allowed by the Levelling-Up and Regeneration Act 2023 and subsequent amendments it has made to the Local Government Finance Act 1992 that governs the billing and collection of Council Tax.
- 7.2 If agreed, as set out in paragraph 2.4 of the report, up to 7,257 existing second homes in Camden would be eligible for the additional premium levy from 1 April 2025. As set out in the report, it is unlikely this would mean the amount of Council Tax collected would double as the volume of second homes is likely to change before the implementation date as homeowners become aware of the premium which could

result in them selling the properties, deciding the Camden address will be their main home and their existing main home becomes a second home or they may engage with the Council regarding steps to get the property into use to house local residents if they decide to no longer use it themselves but do not wish to sell the property. Based on the number of properties currently liable for the existing empty property levies this is likely to increase the potential Council Tax billable by 1 April 2025 as some homeowners will decide to accept the charge and keep it as a second home.

7.3 The reduction in the period before the 100% empty property levy starts from 2 years to 1 year will also result in additional income chargeable at an earlier point. The volume of households affected mean this is likely to have less of an income impact for the Council.

7.4 Both changes allow the Council leverage to work with property owners to release unused properties back into the borough for our residents to use amid the housing shortage which reduces the Council costs of housing residents in temporary accommodation in or out of borough, for example.

7.5 There are minimal cost associated with the proposal and would be covered within existing budgets. Costs would include things like our activity to prevent avoidance of the premiums or a potential increased pool of homeowners engaging with our internal team to get properties into use via things like grants, etc.

## **8. ENVIRONMENTAL IMPLICATIONS**

8.1 These proposals have no environmental impact

## **9. TIMETABLE FOR IMPLEMENTATION**

9.1 If agreed at the Council meeting on 4 March 2023, we will advertise the changes in a local paper within 21 days of the decision. The new second homes premium would then come into force from 1 April 2025 and included in annual bills for second homes for the 2025/26 financial year. The change in the period for the existing 100% empty property levy would also come into force from 1 April 2025 only for the 2025/26 financial year onwards and any existing properties before that date will have the calculation on the start date of the premium based on the existing 2-year qualifying period only,

## **10. APPENDICES**

APPENDIX F1 – Equality Impact Assessment

**REPORT ENDS**

