

Household Analysis Review Group (HARG)

Scottish Government Consultation on Council Tax Charges for Long-Term Empty Properties

1. Purpose

To inform Household Analysis Review Group (HARG) members that the Scottish Government (SG) has recently conducted a consultation on council tax charges for properties which are classed as long-term empty. The proposed changes may have an impact on National Records of Scotland's (NRS's) household estimates data.

2. Background

NRS's estimates of the number of households in Scotland use data taken from local authority council tax billing systems. Properties which are empty or are second homes receive specific council tax exemptions or discounts. It is therefore possible to use information on council tax discounts and exemptions to calculate the number of occupied dwellings in each local authority area. 'Occupied dwellings' are proxy for households. The methodology for household estimates was agreed with HARG members after a review was undertaken in 2004-2005. NRS also publishes information on numbers and proportions of vacant dwellings at local authority and data zone level.

3. Scottish Government Consultation on Council Tax Charges for Long-Term Empty Properties

In October 2011 the Scottish Government published a consultation document on council tax for long-term empty properties and housing support grant. A copy of the [consultation](#) document can be found on the Scottish Government website. The SG is keen to find ways of bringing empty housing back into use both to respond to housing shortages and to relieve the problems that can be associated with dwellings lying empty (e.g. vandalism, negative impact on perception of an area etc).

At the moment a dwelling which has been empty for more than six months receives a council tax discount of between 10 per cent and 50 per cent (the level of the discount is at the discretion of the local authority). To encourage owners to bring such properties back into use, the SG proposes removing the discount and charging an additional levy on top of the standard council tax charge for the property's band (of value up to 100 per cent of that standard charge). Local authorities will have the option to vary the charges for 'long-term empty' properties for different areas. Some changes to the definitions of 'long-term empty' were also consulted on, including removing the requirement for such properties to be unfurnished. The SG also propose giving some flexibility around the length of time a property will lie empty before being charged the extra levy.

The consultation closed on January 18, 2012 and the responses are published within the [Publications](#) section on the Scottish Government website. SG policy colleagues have informed us that they are in the process of drafting the legislation required to make their proposed changes to council tax charges. This should be laid before parliament in the near future. Some of the finer details, such as those around the definitions of 'long-term empty' have yet to be worked out fully. Although local authorities are offered flexibility in the removal of the discount and the charging of the levy, SG policy colleagues expect that most, if not all, will do both.

4. Potential Impact on NRS Household Estimates

As outlined above, to produce household estimates, NRS requires information on properties which are vacant or are second homes. Vacant properties include those which are 'long-term empty'. In 2010, 26,683 dwellings (around 1 per cent of all dwellings in Scotland) were classed as 'long-term empty' in NRS's estimates. The changes to council tax charges for 'long-term empty' properties could impact on the ability of council tax systems to record properties which are 'long-term empty' and NRS's ability to produce either estimates of the number of vacant dwellings or, in the worst case, households.

There are a number of possible scenarios, some of which are as follows:

- Local authorities choose to remove the discount but not to apply the levy. In light of this they decide that it is not worthwhile to collect or rigorously check information on whether a property is 'long-term empty' therefore NRS can no longer exclude such properties to produce household estimates.
- Local authorities opt to both remove the discount and apply the levy. They continue to collect and check the information they hold on such properties. However the charging of the levy acts as a disincentive for some owners to declare their property is 'long-term empty'. Although NRS would still be able to produce household estimates the quality of the estimates would deteriorate. The extent of the reduction in quality would depend on the level of avoidance of the levy.
- The charging of an additional levy acts as an incentive for owners to reclassify 'long-term' empty properties as 'second homes'. This would not affect NRS's estimates of the number of households as both long-term empty properties and second homes are removed in the calculation but it would reduce the quality of our statistics on vacant dwellings and second homes.
- The changes to the definition of a 'long-term empty' property, specifically the removal of the requirement for such properties to be unfurnished, blur the lines between them and second homes. This could make it difficult for local authorities to distinguish between the two types of property which again could reduce the quality of NRS's statistics on second homes and vacant dwellings although it shouldn't impact on estimates of the number of households.
- The charging of an additional levy leads to owners of 'long-term empty' properties re-classifying them as businesses (holiday lets) which would incur negligible non-domestic rates charges. This would remove them completely from council tax records therefore would not impede NRS's ability to estimate the number of households. However it would reduce the quality of our statistics on vacant dwellings.

The SG consultation recognised the possibility of the charging of a levy acting as a disincentive to owners declaring such properties and the possibility of them attempting to reclassify. To address these issues, the SG consultation proposes including a duty on owners to report their property is empty by the time it has been unoccupied for six months and the possibility of local authorities being able to issue fines for non-compliance with this duty. They have also proposed varying the time a property has to lie empty before being charged the additional levy to allow for circumstances which prevent owners from bring such properties back into use, such as difficult local housing markets.

SG policy colleagues have also pointed out that there will be no change in the requirements for councils to provide the information currently included in the Council Tax Base return (Ctaxbase). This return specifically asks for information on properties which are long-term empty (although currently the data that is requested is the number of properties subject to a long-term empty discount).

NRS also recognise that the distinction between properties which are 'long-term empty' and 'second homes' can be problematic at the moment, particularly in some local authority areas. In addition we are conscious of the fact that even without these changes to charges for long-term empty properties there may be issues with owners reporting the status of such properties. The SG are proposing that they will allow local authorities to use some of the additional revenue generated by the changes to council tax to cover additional administration costs that may be incurred. This could include costs associated with pursuing those who fail in their duty to report the status of their property.

SG policy colleagues have pointed out that the six month initial exemption from council tax for empty properties (which may be extended, at least in some cases) should act as an incentive for owners to at least initially report empty properties. The local authority should therefore have details of empty properties and be able to implement the additional charges after the six month period of exemption has ended unless an owner reports a change of status (or the authority decides to grant an additional period of exemption from the levy based on the owner's circumstances). This should hopefully mean that under-reporting of long-term empty properties isn't a massive problem. However the consultation responses from some local authorities pointed out that attempts to recover unpaid council tax are often not successful and are costly to implement.

5. Conclusion

HARG members are asked to note the SG consultation and the potential impact on NRS's household estimates data. Any comments on the consultation or the potential impact on NRS's data would be most welcome. We will continue to liaise with our colleagues in the SG to monitor the situation.

NRS: Household estimates and projections branch
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