Changes to Council Tax Discounts and Exemptions effective from 01 April 2013

The Local Government Finance Act 2012 (The Act) gave billing authorities powers, amongst other things, to grant new Council Tax discounts. Following a full public consultation, at a meeting of the full Council of Eastbourne Borough Council on 16th January 2013 it was agreed to adopt a county wide approach to the introduction of the new powers which comprised of:-

1. Setting the current discount for all second homes at 0%;
2. Setting the new discount for dwellings undergoing major structural repair at 50%;
3. Setting the new discount for empty homes at 100% for a maximum period of one month;
4. Setting the new discount for repossessed homes at 0%; and
5. Setting a premium of 50% for dwellings that have been empty and unfurnished for more than two years which are not being actively marketed for sale or rent.

The powers granted under the Act have been formalised through subsequent Regulations, namely The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 and The Council Tax (Exempt Properties) (Amendment) Order 2012, which has necessitated clarification of the detailed operation, implementation and administration of the decisions of full Council.

1. Second Homes

The power to adjust the level of discount on second homes was originally granted to billing authorities in 2004. Eastbourne Borough Council set discounts for prescribed class A dwellings at 10% and for prescribed Classes B dwellings at 0%, being the lowest discounts permissible under the legislation. As from 01 April 2013 billing authorities have been granted powers to reduce the discount to zero per cent for both prescribed classes of dwelling. Eastbourne Borough Council resolved to do so without exception from 01 April 2013.

The Regulations have not been amended with regard to the characteristics or qualifying criteria of these classes of dwelling and, as
such, the administrative implications are minimal. A dwelling which was receiving a 10% discount as a second home has had the discount reduced to zero per cent from 01 April 2013. Those liable to pay Council Tax for second homes will have received a bill for the full charge for the 2013/14 financial year.

Changes to a dwelling’s status post 01 April 2013 whereby it becomes classified as a prescribed class A or B will result in the dwelling receiving a zero per cent discount from the day that it meets the criteria of that class. There are no time limits on the granting of this discount.

### 2. Dwellings undergoing major structural repair

The Regulations removed the Class A exemption as at 31 March 2013. The Act introduced a new discount with the same characteristics and qualifying criteria as the Class A exemption, defined as a prescribed class D in the Regulations.

A Class A exemption applied to a vacant dwelling that needs structural or major repair to make it habitable. The maximum period of exemption was 12 months after which the full Council Tax became payable. If the work took less than 12 months but the dwelling remained empty, then it remained exempt up to a maximum of 6 months, providing the total exemption period does not exceed 12 months.

The Council has the option to vary only the discount percentage of the new discount and not the time period. Eastbourne Borough Council has set the discount at 50% for the full duration of the discount.

**Dwellings currently receiving a Class A exemption**

All dwellings that attracted a Class A exemption have had the exemption terminated as at 31 March 2013. Given the shared qualifying criteria for the old Class A exemption and the new prescribed Class D discount these accounts were automatically transferred to the new discount. In determining the latest date to which the 50% discount can be applied, the first anniversary of the start date of the terminated Class A exemption was used.

**Example**

01 January 2013 – Class A exemption granted (no Council Tax to pay for this period)

31 March 2013 – Class A terminated as required by law

01 April 2013 – prescribed Class D discount applied automatically (50% discount applied for this period)

01 January 2014 – The latest date to which the discount can be applied (subject to the dwelling continuing to meet the criteria). The dwelling will be subject to the full Council Tax charge for the period after this date.
3. Empty and Unfurnished dwellings

Dwellings left empty and unfurnished were entitled to a maximum six months Council Tax exemption (Class C). The Regulations removed the Class C exemption as at 31 March 2013. The Act introduced a new discount to be applied to every chargeable dwelling in England which is unoccupied and substantially unfurnished. Eastbourne Borough Council resolved that the discount will apply where the dwelling which has been unoccupied and substantially unfurnished for a continuous period of less than six months ending immediately before the day in question.

The Council has the discretion to vary both the new discount percentage and the time period to which that discount applies.

Eastbourne Borough Council resolved to set the discount at 100% for a maximum of one month and to zero per cent discount for the remainder of the period (up to a maximum of six months in total).

Those dwellings that were in receipt of a Class C exemption as at 31 March 2013 had the exemption removed on 31 March 2013. All such accounts were automatically transferred to the new prescribed Class C discount. The date of commencement of the terminated Class C exemption was used in these cases to determine the level of prescribed Class C discount that is applicable. Those dwellings that had been in receipt of a Class C Exemption for less than one month on 31 March 2013 received 100% discount one month after the date of commencement of the Class C exemption, subject to remaining unoccupied and substantially unfurnished throughout that period.

**Example one**

15 March 2013 – Class C exemption granted (no Council Tax to pay for this period)

31 March 2013 – Class C terminated as required by law

01 April 2013 – prescribed Class C discount applied automatically at 100% until one month from the start of the Class C exemption.

15 April 2013 – the level of discount is reduced from 100% to 0%.

15 September 2013 – The latest date to which the discount can be applied (subject to the dwelling continuing to meet the criteria). The dwelling will be subject to the full Council Tax charge for the period after this date.

All other dwellings in receipt of the Class C exemption will be classified as a prescribed Class C dwelling and receive a zero per cent discount until a maximum of six months after the commencement of the Class C Exemption.

**Example two**

01 January 2013 – Class C exemption granted (no Council Tax to pay for this period)

31 March 2013 – Class C terminated as required by law
01 April 2013 – prescribed Class C discount applied automatically at 0% as greater than one month since the start of the Class C exemption.

01 July 2013 – The latest date to which the discount can be applied (subject to the dwelling continuing to meet the criteria). The dwelling will be subject to the full Council Tax charge for the period after this date.

At the conclusion of the six month period all such dwellings will be reclassified as Long Term Empty, should they remain unoccupied and substantially unfurnished on the day in question.

Other qualifying criteria
The Council resolved that a dwelling will not qualify for the Class C discount until such time as it has been furnished or occupied for a continuous period of at least six weeks. In considering whether a dwelling has been in this Class C for any period, any one period, not exceeding six weeks, during which it was not in this Class C shall be disregarded.

4. Repossessed dwellings
Whilst the law has been amended to support the removal of the Class L exemption, no date has been set by the government for its removal as it is undergoing further consultation with key stakeholders. In accord with the decision at full Council on 16th January 2013 it remains the Council’s intention to pass the Council Tax charge for repossessed dwellings to the organisation that repossesses it by virtue of granting a zero per cent discount. It is not possible to give detailed proposals until Regulations have been passed by central government. There is currently no indication of the timeframe for such changes.
Consequently Class L exemptions will continue to be granted to qualifying dwellings until further notice.

5. Long Term Empty dwellings
A long term empty dwelling is a dwelling that has been unoccupied and substantially unfurnished for a continuous period of at least six months. If a dwelling retains that status for a continuous period of two years the Council has resolved to charge a 50% premium on the Council Tax bill.
The new premium came into existence on 01 April 2013. On that day all dwellings that have been unoccupied and substantially unfurnished for at least two years automatically attracted the premium until such time as they are no longer classified as such. There is no time limit on the application of the premium.
All other existing and newly unoccupied and substantially unfurnished dwellings will attract the 50% premium on the second anniversary of the first day that they became unoccupied and substantially unfurnished so long as they remain so classified throughout the entire period.
Dwellings exempt from the premium

Central government had initially indicated that dwellings that were for sale or actively being sought for rent would be exempted, in law, from the premium. Regulations since passed have indicated that this is no longer the case. Consequently long term empty dwellings that fall within this category will also attract the 50% premium.

Regulations did, however, introduce three new prescribed classes of dwelling that are exempt from the premium as follows:

- the dwelling is the main residence of a member of the armed forces who is absent from the dwelling because of their service OR
- the dwelling is the main residence of someone who has to live elsewhere because of their job OR
- the dwelling is a substantially unfurnished annex which is being treated by the occupier of the main dwelling as part of that dwelling

Any long term empty dwelling that meets any of the above criteria will be exempt from the 50% premium regardless of the period for which it has been unoccupied and unfurnished.

In determining the start date for the status of “unoccupied and substantially unfurnished” the Council will use the first known date that the dwelling was unoccupied and substantially unfurnished regardless of what discount or exemption that dwelling attracted at that point in time. All dwellings that have remained unoccupied and substantially unfurnished for a period no less than two years will attract a premium of 50% of the relevant council tax charge for the period thereafter until such time as the dwelling becomes occupied or furnished.

6. Payment by Instalments

The Act also imposed a duty on billing authorities to allow Council Tax payers the option to pay by twelve instalments. The right to pay by ten instalments remains the statutory default. As such the Council can only transfer an account to twelve months’ instalments at the request of the taxpayer in writing or by email.

These measures provide tax payers greater flexibility to pay their Council Tax.