

Scottish Government consultation on council tax for second and empty homes, and thresholds for non-domestic rates

Response from Propertymark

July 2023

Background

1. Propertymark is the UK's leading professional body of property agents, with over 17,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.

Overview

2. As part of the Scottish Government's Housing to 2040 Strategy, the Scottish Government is aiming to address population needs through a variety of methods. Part of this is to ensure local areas can make the best use of their existing housing stock. The Scottish Government believes that empty and second homes may be preventing local authorities from making best use of available stock, especially as the number of empty homes has been rising since 2010. The Scottish Government is therefore looking at how taxation could be used to prevent rising house prices and ensure more homes are available to be lived in.

Summary

3. Propertymark welcomes the opportunity to respond to the Scottish Government and the Convention of Scottish Local Authorities' (COSLA) consultation on council tax for second and empty homes, and thresholds for non-domestic rates. Propertymark has long called for action to be taken against empty homes as they can lower land values, make it harder to sell other properties nearby and reduce available housing stock. In the past has responded to similar consultations before on raising council tax premiums as it is vital policy tackling an increase in empty and second homes does not lead to unintended consequences. Propertymark has long called for action on empty homes, however in order for local governments to do so effectively, they require dedicated resources to incentivise people to bring empty homes back into use, rather than disincentivising people to keep homes empty.

4. In order to effectively respond to this consultation, Propertymark issued a series of questions to members in Scotland to understand how proposals would impact property agents. The majority of members who responded to the survey expressed strong opinions against the introduction of an additional council tax premium on second homes, and while a smaller percentage disagreed with premiums on long-term empty homes, the majority were still not in favour of the Scottish Government's proposals. This reflects similar responses from property agents when the Welsh Government proposed similar council tax premiums in 2021. Ultimately, Propertymark and its members support greater research into the causes behind second home ownership and what leads to homes being empty in the long-term as we disagree that an increase in council tax premiums will have the impact the Scottish Government desires.

Question 1: Do you think the current definition of a second home should continue to apply? ('A dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12 month period of the council tax charge')

5. Yes, we agree that the current definition of a second home should continue to apply.

Question 2: Do you think the discount eligibility for job related dwellings and purpose-built holiday accommodation is appropriate? (Eligible job-related dwellings and purpose-built holiday accommodation are entitled to a council tax discount of 50%.)

6. Yes, we do think in part that the discount for eligibility for job related dwellings in particular is appropriate. Our understanding is that the purpose of the tax discount is to ensure second homes that deliver a specific benefit receive the tax discount to encourage a greater use of available property. However, we would recommend that local authorities should be able to use discretion when applying the council tax discount for holiday accommodation. This will enable taxation to be used to discourage greater supply of short-term lettings in areas where there is high demand and low supply of long-term housing.

Question 3: Do you think councils should be able to charge a council tax premium on top of regular council tax rates for second homes?

7. No. 75% of respondents to Propertymark's survey of Scottish property agents either disagreed or strongly disagreed with this proposal. Additionally, only 10% agreed or strongly agreed with the proposal. While there was disagreement among respondents as to the impact the proposals would have, the three most agreed upon impacts were that it will not increase the sale of second

homes, it would not lead to an increase in home ownership and landlords would move out of the short-term lettings industry and there would be a reduction in demand for buying homes to rent.

8. Propertymark also questions the effectiveness of raising council tax premiums on second homes. Similar legislation has been enacted in Wales where, from 1 April 2023, local authorities have had the ability to increase council tax premiums on second homes and long-term empty properties by 300%. This is despite how 79% of respondents to the Welsh Government’s consultation felt that doing so would have little or no effect in tackling housing issues¹. We have seen the legislation have a limited impact on Wales since then, with a minority of local authorities choosing to adopt higher premiums and the supply of second homes being impacted very little. We recommend that the Scottish Government take the lessons learnt from the decisions made by the Welsh Government and to consider alternative ways to incentivise the reduction of second homes.

Question 4: If you have answered yes to question 3, what do you think the maximum premium councils could charge should be?

9. A majority of Propertymark members disagree that higher tax premiums should be applied. Counting those who agreed, 50% stated that the tax premium should be 50%, 37.5% stated the premium should be 100% and 12.5% stated the tax premium should be 200%.

Question 5: What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for second homes?

10. Ultimately, premiums on second homes should be decided based on the impact it would have on improving the supply of long-term housing which would be assessed against the benefits of a strong short-term lettings industry. While many Propertymark members disagreed with many factors as they did not wish for premiums to be in place, the four factors that received the most support are:

- Where there are reasons why the home could not be lived in as a permanent residence.
- Where there are reasons why a home could not be sold or let.
- The potential impact on local economies and the tourism industry.
- Where charging a premium might cause hardship.

Question 6: If you do, or were to, own a second home please tell us what you would do if the applicable rate of council tax were to increase, and the ‘thresholds’ to be classed as self-catering

¹ [New legislation to increase council tax premiums on second homes | Propertymark](#)

holiday accommodation for non-domestic rates purposes stayed the same? *The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.*

11. Propertymark does not have sufficient data to answer this question since this question is targeted at homeowners.

Question 7: Do you think councils should be able to charge a higher premium than the current 100% (double the full rate) of council tax on homes empty for longer than 12 months?

12. No. When asked if our members thought that increasing council tax would reduce the number of long-term empty homes, 57% of survey respondents disagreed or strongly disagreed and only 21% agreed or strongly agreed. Key messages from Propertymark members focused on how there is often a reason why homes are empty for long periods of time, such as extensive renovation works or that the owners are struggling to sell. Increasing tax premiums in cases where there is a legitimate reason that a home is empty will only penalise these homeowners without reducing the number of empty homes.

Question 8: If you have answered yes to question 7, what do you think the maximum premium councils could charge should be?

13. Members who said that a higher tax premium should be applied mainly agreed that a premium of 150% should be applied, with 50% respondents choosing this option. A premium of 50% was also suggested by 25% of respondents with only one respondent suggesting a tax premium higher than 150%. However, our position remains that this should only be used in very rare circumstances.

Question 9: Do you think there should be a stepped approach to charging higher rates of council tax on long-term empty homes?

14. Yes. If tax premiums were to be introduced for long-term empty homes, a stepped approach would prevent penalising owners of empty homes who are working towards filling the home.

Question 10: Are there any exceptions that are not already taken into account, that should be, when charging a premium of council tax on homes empty for longer than 12 months?

15. We would propose that homes undergoing repair work or that are being actively marketed for sale or let should be mandatory rather than discretionary, with no limit on the period of exemption. This would reduce the negative consequences of raising council tax premiums, such as penalising homeowners who cannot find someone to sell their property to or discouraging people from taking on large refurbishment projects.

Question 11: What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for homes empty for longer than 12 months?

16. We agree with all factors that were suggested in the consultation document, including:

- Numbers, percentages and distribution of long-term empty homes throughout a local area
- Potential impact on local economies and the community
- Patterns of demand for, and availability of, affordable homes
- Potential impact on local public services
- Impact on neighbours and local resident
- Where there are reasons why a home could not be sold or let
- Where an offer has been accepted on a home but the sale has not yet been completed and the exception period has run out
- If the home has been empty for longer than 12 months but has been recently purchased by a new owner that is actively taking steps to bring the home back into use
- If an owner has submitted a timely planning application or is undergoing a planning appeal that is under consideration by the council or Scottish Government. This means they cannot undertake work to bring the home back into use until that process is concluded
- Where charging a premium might cause hardship or act as a disincentive to bringing the home back into use e.g. where extensive repairs are actively being carried out

Question 12: If you do, or were to, own a home that has been empty for longer than 12 months, please tell us what you would do if your council decided to increase the maximum council tax charge above 100% premium?

17. Propertymark does not have sufficient data to answer this question since this question is targeted at homeowners.

Question 13: Do you think that the letting thresholds for self-catering accommodation for non-domestic rates should be changed?

18. No. Propertymark remains concerned that an unregulated rise in short-term lets does risk reducing the availability of long-term privately rented accommodation. However, we do not consider the thresholds to be a leading factor in the rising supply of short-term lettings.

Question 14: If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must actually be let for should be?

19. Propertymark does not consider there is a need to alter the threshold.

Question 15: If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must be available to let should be?

20. Propertymark does not consider there is a need to alter the threshold.

Question 16: Do you think councils should have discretion to change the self-catering accommodation 'days actually let' threshold, for their local area?

21. Yes. We support local authorities taking action to reduce the number of short-term lettings within their jurisdiction to support longer term renting options for local residents. However, this should be discretionary and balanced between the economic needs of the area with the availability of long-term rented and homeowner property. However, we should make it clear that the delivery of new homes would be a more effective solution to the housing crisis.

Question 17: If you answered yes to question 16 do you think that councils should have discretion to:

- **Increase the number of days actually let only**
- **Decrease the number of days actually let only**
- **Increase or decrease the number of days actually let**

22. We would support local authorities to have the discretion to increase or decrease the number of days actually let. This would ensure that policies can be targeted at a local level depending on the circumstances of the holiday let market.

Question 18: Do you have any other comments on the non-domestic rates system in respect of self-catering accommodation?

23. We have no further comments to make.

Question 19: If you do, or were to, own a second home please tell us what you would do in the event that the applicable rate of council tax and non-domestic rate thresholds both increased

24. Propertymark does not have sufficient data to answer this question since this question is targeted at homeowners.

Question 20: If you do, or were to, own a second home please tell us what you would do in the event that:

a) council tax powers remained as they are for second homes (i.e. no provision for councils to charge a premium), but

b) the 'thresholds' to be classed as self-catering holiday accommodation for Non-domestic rates purposes increased?

25. Since this question is targeted at homeowners, Propertymark does not have sufficient data to answer this question.

Question 21: Please tell us how you think changes to council tax and/or non-domestic rates thresholds for self-catering accommodation might affect businesses in your area.

26. When responding to our survey, some of our members suggested that changes to council tax may lead to some landlords to exit the short-term lettings industry, increase rent or that they would be unable to make improvements on their homes. However, less than half members believed each would occur, with the most likely being that landlords would move out of the short-term lettings industry.

Question 22: Please tell us how you think changes to the maximum council tax rate for second and/or empty homes and non-domestic rates thresholds might affect your local area or Scotland as a whole (social, economic, environment, community, cultural, enterprise)

27. While similar premiums in Wales have failed to have much of an impact on the number of empty homes, there are clear implications for the owners of second and empty homes. When our members responded to our survey, most common outcome of increasing council tax rate for second homes was the reduction in demand for buying homes to let. When presented with a range of options on the potential outcome for increasing council tax rate for long-term empty properties, the most commonly cited response from our members was that homeowners will be less incentivised to conduct large refurbishments on empty homes. These are clear negative

consequences, which is why Propertymark recommends not increasing council tax premiums on these properties.

Question 23: Please tell us how you think the changes identified might affect island communities.

28. Propertymark has no comments to make on island communities.

Question 24: Do you think there are any equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation?

29. Propertymark has no comments to make on impacts related to equality, human rights or wellbeing impacts.

Question 25: Is there anything else you would like to tell us in relation to this consultation?

30. It should also be noted that, while council premiums in Wales failed to reduce the number of empty homes, the Welsh Government has since announced the National Empty Homes Grant Scheme which aims to bring up to 2000 long-term empty properties back into use over two years². We would support similar action to be taken in Scotland as a more effective approach to reducing the number of long-term empty homes.

² [Apply for an empty homes grant | GOV.WALES](#)