

**Consultation on proposals to exempt categories of dwellings from the council tax premiums**

**Response from Propertymark**

**August 2023**

**Background**

1. Propertymark is the UK's leading professional body of property agents, with over 17,500 members representing over 12,500 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. Through the Levelling Up and Regeneration Bill, the UK Government will be introducing a new second homes council tax premium while strengthening the existing long-term empty homes premium. This is part of a long-standing strategy to reduce the number of long-term empty homes in England, which coincides with similar strategies that are taking place in Scotland and Wales. The proposed changes would mean that properties empty for one year from financial years 2024-25 would qualify for a 100% council tax premium, a decrease from two years which it is currently. Billing authorities would also have the power to charge a discretionary council tax premium of up to 100% for homes that are substantially furnished but are no one's main residence. Alongside the proposed changes, the Secretary of State will have the power to establish exemptions where the premiums will not apply. In order to fully understand when applying the council tax premium would be appropriate, the Department is seeking views on the scope of the exemptions.

**Summary**

3. Propertymark has long supported action to be taken to reduce the number of empty homes and to ensure that housing stock is used effectively, especially in recent years as supply issues continue to affect communities across the UK. We do however understand that raising council tax premiums on some long-term empty and second homes would be ineffective, as we have seen similar policies in Wales lead to an increase in the number of long-term empty properties<sup>1</sup>. When

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<sup>1</sup> [Welsh Government consultation on Local Taxes for Second Homes and Self-Catering Accommodation | Propertymark](#)

applying the council tax premiums, there are three key points that we would urge DLUHC to consider: Firstly, empty homes premiums must only be applied in cases where a property can be brought back into use. For owners of empty homes who cannot currently afford to make the property market-ready, the premium would only increase their costs, making refurbishment more difficult. Secondly, council tax premiums must be combined with alternative solutions to bring empty homes back into use. For example, grant programmes can provide the funding needed for homeowners to refurbish their empty properties so they can be made ready to be put on the market. Thirdly, the second homes premium should be prioritised in areas where it can be proven the supply of long-term housing is being negatively impacted by the number of second homes in a given area. This will encourage the growth of the housing sector while ensuring a balance of short-term and long-term housing. National guidance on when the premium would be appropriate should be provide to all local authorities to ensure the consistency of the premium's use.

### Questions

**Question 1 – Do you agree that properties that are unoccupied or have no resident following the death of the owner should be an exception to either or both of the council tax premiums following the grant of probate or letters of administration?**

4. We agree that properties that are unoccupied or have no permanent resident following the death of the owner should be an exception for both council tax premiums. As stated earlier, the objective of the empty homes premium is to discourage homes from remaining empty when they have no reason to be. We consider that the death of the owner to be a sufficient reason to keep the property empty until all legal matters and the ownership of the property's contents can be finalised.

**Question 2 – Do you agree that a period of 12 months after probate, or letters of administration have been granted, is an appropriate period?**

5. We disagree that 12 months is an appropriate period. We would encourage local authorities to have the discretion to apply both council tax premiums 12 months after it can be proven that there are no outstanding issues preventing access to the property, or for the removal of its contents, rather than 12 months after probate. For example, existing appeals or challenges to probate could prevent the beneficiary of the property from fully renovating or removing the

contents of the property. In these situations, where the owner fully intends to sell or move into the property, applying the council tax premium would add additional costs to the owner of the property, which would delay their ability to refurbish the property so that it is ready to be put on the market and brought back into use. Providing local authorities with the discretion of when to apply the additional premium will prevent individuals who inherit property from being taxed when the property owner is being delayed in making use of the property by no fault of their own.

**Question 3 – Do you agree that properties actively being marketed for sale or let should be an exception to either or both of the council tax premiums?**

6. Yes, we agree that properties actively being marketed for sale or let should be exempt. The purpose of additional council tax premiums is to bring long-term empty homes back onto the market and to ensure that local housing stock is meeting residents' needs. Therefore, if a property is being brought back onto the market, either to be sold or let, it should be exempt as charging additional tax would disincentivise investment in housing. Failing to exempt properties from council tax premiums while being actively marketed will encourage property owners to continue to keep property empty or for use in the short-term letting market. This is because there would be no benefit to them from bringing the property onto the market earlier as the premium would apply even when they were selling the property. They will therefore simply wait for a more opportune time to sell, which would defeat the purpose of the premium.

**Question 4 – Do you think an exception to the premiums for up to 6 months for properties being marketed for sale or let is a reasonable period?**

7. No, that is not a reasonable period. The premium will only be effective if homeowners are encouraged to sell or let their current empty homes. While we understand that a 6-month exception would typically be sufficient time to sell or let a property, there will be periods in time where demand to buy is low or where some properties will be more difficult to sell. In order to take these possibilities into account while ensuring the owner intends to sell or let the property, we would encourage the local authority to work closely with property agents after six months to confirm the owner's intention to sell or let. An agent will be able to highlight if offers to buy or become a tenant were made but were refused by the property owner, which could indicate that the seller is only putting the property on the market to be exempt from the premium.

**Question 5 – Do you agree that the evidence requested above would be appropriate to demonstrate that the property is actively being marketed for sale or let?**

8. Yes, we agree that the evidence requested would be appropriate, if steps are taken between local authorities, agents and other sites to confirm if property owners still intend to sell or let their property.

**Question 6 – Do you agree that properties undergoing major repair work is appropriate should be an exception to the empty homes premium?**

9. Yes, they should be exempt. When speaking with our members on the issue of empty homes, they regularly inform us that homes are often empty for a reason. The primary reason is to make properties ready to be put on the market, however a tax premium on a property may disincentivise this by reducing the available funds a property owner has to refurbish the property. This would especially impact people who have inherited properties but who do not have the funds to refurbish them to make them market ready. An alternative solution is to encourage the refurbishment of properties through grant funding that will enable homeowners to bring their properties on to the market. Propertymark has supported similar schemes in Wales which seek to incentivise empty homeowners to bring properties back to the market as an alternative to discouraging them from keeping empty homes<sup>2</sup>. We would encourage DLUHC to work with the Welsh Government to review the effectiveness of the grant programme with the view of implementing it in England.

**Question 7 – If so, do you agree that 6 months is a reasonable length of time for an exception to apply whilst major repairs or structural alterations are being undertaken?**

10. No, 6 months is not a reasonable length of time. We would encourage councils to exercise discretion to differentiate from properties where it would be unreasonable to suggest that they could be made market-ready in six months. Applying a premium on a property that requires substantial refurbishment will make them much more difficult to be brought back into use. These long-term empty homes which require substantial refurbishment require investors looking to refurbish these properties over time. However, removing the exception after six months will lead to these investors incurring substantial costs, to the point where few will be incentivised to invest

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<sup>2</sup> [Bringing empty homes back to life | Propertymark](#)

in these properties in the first place. This will potentially lead to a situation where the properties that have been empty the longest and those that require the most work to be brought back into use will continue to be empty. We would therefore encourage local authorities to set exception periods based on the estimated time to refurbish properties, based on the advice of a qualified professional. That way, a balance can be struck to encourage refurbishment projects to take place without discouraging investment.

**Question 8 – do you agree that this exception should only be applied to the empty homes premium?**

11. No, the exception should apply to both the empty homes premium and second home premium. Our concern is that if the exception does not apply for second homes, second homeowners could be disincentivised from undertaking works to improve the quality of the home especially if the owners would have to rely on short-term rents in order to cover the additional council tax premium. The consequences on discouraging important repair and refurbishment works would be poorer quality housing within the short-term lettings market at a time when the UK Government is looking to establish a short-term let register in England.

**Question 9 – Do you agree that furnished annexes which are being used as part of the sole or main residence should be an exception to the council tax premium on second homes?**

12. No, we do not agree that furnished annexes should be exempt from the council tax premium on second homes in all circumstances. As stated by DLUHC, the purpose of a second home tax premium is to encourage a more balanced housing market in areas where the supply of long-term housing is negatively impacted by the prevalence of second homes. Local authorities should have the discretion to provide an additional council tax premium based on the following three factors. Firstly, the percentage of homes within their local area that are second homes. Secondly, if the local authority is facing housing supply shortages for residents living in the area as their primary home. Thirdly, where it can be demonstrated that the annex is suitable for someone's long-term property. While we do not see that the council tax premium will be applied to the majority of annexes, if local authorities have the discretion to apply the second home premium, we could see more homes being put back into use as a resident's main home which would help ease supply issues where they are especially prevalent.

**Question 10 – Do you agree that the second homes premium should not apply to properties that are subject to the job-related dwelling discount?**

13. Yes, we agree that the second home premium should not apply since applying the premium would have no impact on the use of the property.

**Question 11 – Do you agree that pitches occupied by caravans and moorings occupied by boats should be an exception to the second homes premium?**

14. Yes, we agree that caravans and boats continue to receive council tax premium discounts. Our positions apply solely to houses and how taxation can be used to help mitigate existing supply issues. The ownership of boats and caravans falls outside this scope.

**Question 12 – Do you agree that seasonal homes, where year-round occupation is prohibited, should be an exception to the second homes premium?**

15. We agree that seasonal homes where year-round occupation is prohibited should be exempt from the second homes premium. This is because the primary function of the premium is to increase the supply of homes that are available year-round on a long-term basis. Seasonal homes by definition are not available year-round and should therefore be exempt from any premium.

**Question 13 – Are there any other circumstances in which property should be an exception to either of the council tax premiums and if so, why?**

16. Yes. To balance the economic and housing needs of residents, second home premiums should be prioritised in areas where local authorities can prove second homes are having a detrimental impact on the availability of long-term housing. This will ensure that taxes are used most effectively where their implementation will lead to an increase in long-term housing. Failing to prioritise where the second home tax premium is implemented could lead to a decrease in investment in housing. It is therefore important to establish guidelines and thresholds for local authorities to determine what would constitute as appropriate instances where the second home tax premium should be applied, such as a percentage of second homes within their local area.