



Ministry of Housing,
Communities &
Local Government

Factsheets - The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill



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Factsheet: Hereditaments occupied or owned by the same person - Clause 1

What is the 'Business rates in multi-occupied properties' measure?

In 2015, following a Supreme Court ruling, the Valuation Office Agency (VOA) amended the way it valued business properties located in multi-occupancy buildings. Previously, where property units in the same occupation were touching (via a wall or floor/ceiling), but were not directly accessible from each other, they received one rates bill. After the Supreme Court ruling, the VOA had to change its practice so that such units are treated as separate rating assessments and therefore each receive their own rates bill, irrespective of whether they are in the same occupation and are contiguous. This has led to increased total bills for some occupiers, with some backdated to 2010.

At Autumn Budget 2017, the Chancellor announced plans to legislate to reinstate the relevant elements of the Valuation Office Agency's practice prior to the Supreme Court decision.

What is the policy hoping to achieve and where are we now?

In having their units separated and rated individually, some ratepayers have seen increased bills due to the loss of Small Business Rate Relief or the loss of a quantum discount on their valuation (where an increased area attracts a lower rating value per m²). The changes were due to the change in VOA practice following the 2015 Supreme Court ruling and not a change in Government policy. This legislation intends to reinstate the previous widely accepted and understood practice of the VOA assessing as one property units in the same occupation which were touching. This will be backdated to cover the 2010 list retrospectively.

With this legislation, the Government is not intending to make any reforms to the business rates systems other than to reinstate previous practice in accordance with government policy.

Why is legislation needed?

Primary legislation is required to retrospectively change the law.

How do we see this working in practice?

Once legislation is passed, ratepayers who believe they have been affected by the decision will be able to ask the VOA to review their case. This review can be against the 2010 list, 2017 list, or both. If the VOA identifies that the ratepayer should have their previous rating reinstated, the ratepayer's units will be rated in line with the legislation and their valuation recalculated. Bills will then be amended accordingly.

How can I find out more?

A consultation on the draft legislation was published on 29 December. This can be found at: <https://www.gov.uk/government/consultations/business-rates-in-multi-occupied-properties>.

Key questions & answers:

Will all ratepayers who lost Small Business Rate Relief get it back if they request a review of their bill?

- Ratepayers who lost Small Business Rate Relief (SBRR) directly as a result of the judgment will be able to have the relief reinstated to their bills retrospectively. Those who lost SBRR for a reason not directly related to the judgement will not be eligible to have the relief reinstated.

Why are pre-judgement bills not being reinstated automatically?

- Some ratepayers may have benefited from the change in practice. To protect ratepayers from unwanted backdated bills on the 2010 rating list we will allow them to choose if they want their bill changed from before 1 April 2017. Having to request a review means ratepayers will not see their bills before 1 April 2017 go back up.

Can a ratepayer have their 2017 valuation reviewed if they were impacted by the Supreme Court ruling?

- The VOA will update the 2017 list as they become aware of assessments which are impacted by the change in the legislation through ratepayers and local authorities. Keeping an accurate rating list in this way is a normal part of the valuation system.
- Ratepayers will be able to request amendments to the 2010 list if they wish. They will also be able to request a prioritised check of their 2017 rateable value if they believe it has been affected by the ruling.

How quickly will bills be reinstated?

- This is a complex area of rating and we wanted to ensure the require legislation is correct. We therefore published draft legislation for consultation and took account of responses.
- After Royal Assent and the passage of the necessary regulations, the VOA will prioritise the reviews requested by ratepayers.

Factsheet: Higher amount for long-term empty dwellings - Clause 2

What is the Council Tax (Empty Homes) Premium?

Since 2013, local authorities in England have had the discretion to charge a premium of up to 50% on 'long-term empty dwellings' – that is, homes that have been unoccupied and substantially unfurnished for at least two years. The premium is in addition to the usual council tax charge that applies to the property.

This Bill increases the premium's maximum level to 100%. Decisions on whether to apply a premium, and the exact rates to be charged, will remain a matter for individual local authorities, which will take into account local circumstances.

What is the policy hoping to achieve and where are we now?

There is no silver bullet to fix our broken housing market – we need action on all fronts. There is a serious shortage of decent, affordable housing in this country, and tackling the issue of empty homes, while also seeking to ensure that we respect the rights of property-owners, is part of the solution. There are currently more than 200,000 properties standing empty in England. As well as being a blight on the local community and attracting squatters, vandalism and anti-social behaviour, long-term empty properties are a wasted resource when 1.16 million households are on social housing waiting lists. Doubling the cap on the premium will allow local authorities to strengthen the incentive for owners of empty homes to bring them back into use.

The Government recognises that a one-size-fits-all approach is inappropriate, given that different areas will have different housing needs and different numbers of long-term empty homes. That is why we are keeping the premium as a *discretionary* discount, allowing local authorities to decide whether it is appropriate for their areas, and what level of premium should be charged.

We also recognise that local authorities will wish to reflect carefully on the local housing market in deciding whether to issue a determination – for example, where a home-owner is struggling to rent or sell a property in a challenging market. That is why we published guidance in 2013 that reminds local authorities to take into account the reasons why a property is empty. The guidance makes clear that the premium should not be used to penalise owners of homes that are genuinely on the market for rent or sale.

Why is legislation needed?

The level of premium available to local authorities is set down in primary legislation and can be changed only through primary legislation. A Legislative Reform Order (LRO) would not be appropriate since the measure relates to changing the level of taxation. LROs are applicable to remove burdens on private individuals or bodies, whereas the effect of this measure would be to make adjustments to the level of council tax that local authorities could apply in certain circumstances.

How do we see this working in practice?

Local authorities will continue to be required to make a determination setting out their policy. However, the Bill would not bring any additional properties within scope of an empty homes premium. Only properties that would already have been potentially liable for a premium would be affected. In such cases, the only change is that these properties could be subject to a premium of up to 100%, rather than 50%. The qualifying period will remain two years.

How can I find out more?

The *Empty homes premium: Guidance for properties for sale and letting* (2013) is at www.gov.uk/government/uploads/system/uploads/attachment_data/file/194389/Empty_homes_premium_guidance_-_May.pdf

Key questions & answers:

Q. It is unfair to charge a premium on empty homes because they do not consume local services.

Empty homes benefit from services such as police and fire services, street lighting and road maintenance, and the Government believes that owners of such properties should contribute towards these costs through council tax. Furthermore, we need action on all fronts to fix our dysfunctional housing market, and that includes working to reduce the number of long-term empty homes.

Q. Why is the qualifying period two years?

We are not proposing to change this period because we believe it strikes a balance between providing a strong incentive for bringing empty homes back into use and giving home-owners sufficient opportunity to sell or rent out their properties, or to complete any major renovations that might be required.

Q. Why is the premium discretionary, not mandatory?

It is right that decisions on whether to apply a premium, and the exact rate to be charged, remain a matter for individual local authorities. They are best placed to judge whether a premium would be appropriate, taking into account local circumstances, such as the number of empty properties and housing supply and demand.

Q. Are there any exemptions?

The premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property. Furthermore, the council tax system provides specific statutory exemptions for properties left empty for a specific purpose – for example, when a person goes into care. Councils also have powers to apply discretionary discounts in cases where homes are empty due to special circumstances – for example, hardship, fire or flooding.