

Consultation on increasing the additional Council Tax charge (“Council Tax Premium”) on second homes and long term empty properties

Introduction

We are consulting in order to gather the views of Gwynedd taxpayers, homeowners and others on how the Council should respond to the change in legislation that increases the maximum Council Tax Premium it can raise from the current 100% to up to 300%.

The Council can decide to reduce the current Premium, keep it at the current rate of 100%, or can increase the Premium to a figure above 100% but no more than 300%.

Background

Council Tax is a local tax on domestic properties and is billed and collected by the Council. The money raised through Council Tax is used to support and fund local services.

The Local Government Finance Act 1992 gives the Council discretion to charge full Council Tax, or allow a discount of 25% or 50% to **second homes**, and to allow a 50% discount, or a smaller rate, or no discount at all, to **long-term empty properties**.

For several years, Gwynedd Council has decided not to allow any discount for long-term empty homes or second homes. In December 2016, the Council resolved not to allow a discount and to raise an additional Premium of 50% on the Council Tax of long-term empty homes and second homes for the year starting 1 April 2018. After making similar decisions for the 2019/20 and 2020/21 financial years, the Council resolved on 4 March 2021 to increase the Premium to 100%, which was the maximum allowed at the time.

Up to the 2022/23 financial year, Sections 12A and 12B of the Local Government Finance Act 1992 included a right for Councils to raise an additional premium of **no more than 100%** on long-term empty homes (Section 12A) and second homes (Section 12B). The Welsh Government, through *The Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022*, has amended Sections 12A and 12B of the 1992 Act, and from 1 April 2023 councils will be able to raise an additional Premium of **no more than 300%** on long-term empty homes and second homes.

Since introducing the Premium, the Council has raised the same rate of Premium on long term empty homes and second homes, which was 50% from 1 April 2018 and 100% since 1 April 2021. In the light of these extended powers the Council intends to review the level at which the premium should be set.

The Council is expected to make its decision on the Premium level for 2023/24 at its meeting on 1 December 2022. The Council’s decision will be in response to a recommendation from the Cabinet. The results of this consultation will be considered as part of the process of forming the recommendation and in coming to a final decision on the level of the premium to be set. The report to Cabinet setting out the background and context to this consultation can be found on this link: [Item 12 - Council Tax Premium on Second Homes and Long-term Empty Properties.pdf \(llyw.cymru\)](#)

What do we mean by “second homes” and “long-term empty properties”?

A **long-term empty property** is defined as a dwelling which is unoccupied and substantially unfurnished for a continuous period of at least one year. A **second home** is defined as a dwelling which is not a person's sole or main home and is substantially furnished. The 1992 Act refers to these dwellings as dwellings occupied periodically, but they are commonly referred to as “second homes”. This can include properties used for short term holiday lets which are subject to Council Tax and don’t qualify for the statutory exemptions.

Exceptions

By law, some long-term empty properties and second homes are eligible for exemption from paying the Premium. The following table shows the exceptions that exist, and which properties are eligible for these exemptions:

Classes of Dwellings	Definition	Type of property that is eligible for an exemption from paying the premium
Class 1	Dwellings being marketed for sale – time-limited for one year	Long-term Empty Properties and Second Homes
Class 2	Dwellings being marketed for let – time-limited for one year	
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

In addition, it should be noted that the Council cannot charge a premium on any property where basic Council Tax cannot currently be charged.

The Council also has power to create local exemptions and is also interested in obtaining an opinion if any local exemptions should be introduced in addition to the above, and what they may be.

Key points for consideration

The Welsh Government has produced statutory guidance, *Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales*. Paragraph 22 of the Statutory Guidance sets out the factors that will need to be weighed up as the Council reaches a final decision if it is to increase the Premium level or not for 2023/24.

22. There are a range of factors which could help inform local authorities in deciding whether to charge a premium. Whilst some factors will be specific to either long-term empty homes or second homes, others will be common to both. A list of these factors is set out below to assist local authorities. It is not intended to be exhaustive.

- **Numbers and percentages of long-term empty homes or second homes in the area;**
- **Distribution of long-term empty homes or second homes and other housing throughout the authority and an assessment of their impact on property values in particular areas;**
- **Potential impact on local economies and the tourism industry;**
- **Patterns of demand for, and availability of, affordable homes;**
- **Potential impact on local public services;**
- **Potential impact on the local community;**
- **Other measures that are available to authorities to increase housing supply;**
- **Other measures that are available to authorities to help bring empty properties back into use.**

A key consideration by the Council when it voted to charge the maximum Premium since 2021/22 was the detailed research *Managing the use of dwellings as holiday homes*. This report showed that the total number of holiday homes (second homes and self-catering holiday units) within Gwynedd continues to increase, and seeks the Cabinet's commitment to take decisive action to address the situation. [A copy of the research is found here.](#)

The study is the result of detailed research that was undertaken in 2020, and highlights that there are a number of factors influencing Gwynedd's housing stock. It builds on studies that have been undertaken in the past and highlights that there are pressing issues that continue to need to be addressed, and that the situation within Gwynedd's communities, particularly those that attract visitors, is intensifying.

While the scope of the study also extends to planning issues, prominent attention is given to the financial incentive that exists from being a holiday home owner as well as the taxation advantage that exists from meeting the legal thresholds for transferring properties to non-domestic rates.

From 1 April 2023 the legislation in relation to self-catering holiday units will also change. Up to and including the current financial year (2022/23), Section 66 of the Local Government Finance Act 1988 states that any property in Wales that has been available for letting as a self-catering holiday unit for 140 days in the previous year, has been actually let for 70 days and is planned to be available for 140 days in the following year, is non-domestic property. Such properties are subject to non-domestic rates rather than Council Tax. The vast majority are eligible for small business rate relief.

From 1 April 2023, the thresholds in Section 66 will change. Properties will have to have been available for letting for 252 days in the previous year, actually let for 182 days in the year, and planned to be let for 252 days in the coming year, before they can be considered non-domestic property.

Around 2,700 properties in Gwynedd are on the non-domestic list as self-catering holiday units. It is expected that many of these will transfer back to being subject to Council Tax, and if they continue to be without a resident living there, they will also be subject to the Premium.

One of the tools available to the Council to deal with the scarcity of affordable homes as well as the high number of second homes, which is among the Council's main priorities, is the Council Tax Premium. Paragraphs 20 and 21 of the statutory guidance state:

20. The discretion given to local authorities to charge a premium is intended to be a tool to help local authorities to:

- **bring long-term empty homes back into use to provide safe, secure and affordable homes; and**
- **support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.**

21. In considering whether or not to charge a premium, regard should be given to these aims. Authorities should take into account the particular housing need and circumstances in their area.

The Council's *Housing Action Plan* which was adopted in December 2020 sets out five objectives that must be addressed if the Council is to achieve the vision of ensuring that the people of Gwynedd have access to a suitable, quality home, which is affordable and improves their quality of life. These are:

- Ensuring no one is homeless in Gwynedd
- Increase the opportunities for Gwynedd residents to get a social housing tenancy
- Support Gwynedd residents to own a home in their community
- Gwynedd homes that are environmentally friendly
- Gwynedd homes having a positive influence on the health and wellbeing of people in the County

The Plan includes suggestions for a comprehensive work programme, which fulfils the Council's expectation that a significant proportion of Premium income is used to achieve the vision. This is evidence of the Council using Premium income in accordance with statutory guidance.

[A copy of the Housing Action Plan is found here.](#)