

# Chichester District Council

THE CABINET

6 February 2024

## Council Tax Second Home Premium

### 1. Contacts

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### 2. Recommendations

**That Cabinet recommends to the Council:**

- 2.1. For 2025-2026 a premium of 100% be charged on all eligible residential properties that are not occupied as a main residence and are substantially furnished.**
- 2.2. Subject to the outcome of the Government's consultation concerning the exceptions to the premium, the criteria for the second home premium policy, be delegated to the Director of Housing and Communities in consultation with the Cabinet member for Housing, Revenues and Benefits.**

### 3. Background

- 3.1. Section 80 (1)(b) of The Levelling- Up and Regeneration Act 2023 (The Act) provides councils the discretion to charge a council tax premium of up to 100% on all residential dwellings which are substantially furnished and are not occupied as a main residence for council tax purposes i.e., second homes.
- 3.2. Under Section 80 (3) of the Act any decision to increase the council tax on second homes must be made at least one year prior to the beginning of the financial year for which it relates. Therefore, for a council tax second home premium to be charged from the 1 April 2025, a decision by Council must be made no later than the 31 March 2024.
- 3.3. The Government has recognised that there will be circumstances where it would not be appropriate for the premium to apply. Therefore, the Government have indicated they intend to legislate to create 'exceptions' to the premium. These exceptions are expected to be advised to councils' shortly. Where a property is exempt from council tax already, it will also be exempt from the second home premium. For example, a property left empty which was previously the sole or main residence of a person who has moved into hospital or care home.
- 3.4. Currently proposed exceptions being considered by the Government are shown below.

<b>Category of Property</b>	<b>Length of Exception from Premium</b>
Property undergoing probate	12 months from grant of probate
Property marketed for sale or let	6 months from date active marketing commenced.
Occupied caravan pitches and boat moorings	Permanent exception from Premium
Annexes forming part of main property	Permanent exception from Premium
Properties subject to planning conditions that prevent occupation for 28-day period every 12 months.	Permanent exception from Premium
Property left empty by liable person who is required to live elsewhere for job related purpose. (Conditions apply)	Permanent exception from Premium

- 3.5. The Council Tax Base (CTB1) return that was submitted to the Government in October 2023 provides a snapshot of the number of properties classed as second homes within the district, as shown in the table below, by council tax band.

Band	A	B	C	D	E	F	G	H	Total
No	635	219	469	508	452	351	384	163	3,181

- 3.5 Data provided by the Department for Levelling Up Housing and Communities shows that as a percentage of total dwellings, Chichester District Council has the ninth highest proportion of second homes in England.
- 3.6 Currently a full council tax is charged on second homes and therefore their status is only monitored via a self- declaration review form. We expect that following any decision to impose a second home premium, owners of second homes, will start to report changes in their circumstances.
- 3.7 The introduction of a premium on second homes might also encourage council tax payers to consider transferring their property into business rates to benefit from small business rate relief. However, from the 1 April 2023 the Valuation Office Agency (VOA) who are responsible for compiling the business rate list will only rate domestic properties for business rates if they are actually let for 70 days and are available for let for at least 140 days each year. This should ensure that only genuine short term lets are transferred from council tax to business rates.

#### **4. Outcomes to be achieved.**

- 4.1. The approval of the recommendation in this report, will in accordance with the requirements set out in the Levelling Up and Regeneration Act 2023, give the Council certainty in maximising the council tax base for 2025-2026.

#### **5. Proposal**

- 5.1. For 2025-2026 a second homes premium of 100% is charged on all eligible properties that are no one's sole or main residence and are substantially furnished.
- 5.2. Subject to the outcome of the Government's consultation concerning the exceptions to the premium, that the criteria for the second home premium policy be delegated

to the Director of Housing and Communities in consultation with the Cabinet member for Housing, Revenues and Benefits.

## **6. Alternatives that have been considered**

- 6.1. No alternatives have been considered. However, should the Council not accept the recommendations, the taxbase for 2025-2026 will not be maximised.

## **7. Resource and legal implications**

- 7.1. Should a second home premium be approved by Council, the 2025-2026 taxbase will be maximised, this will mean, before exceptions, an estimated 3,500 band D equivalent properties could be added to the 2025-2026 taxbase.
- 7.2. As set out in paragraph 3.3 above, the Government are currently considering which properties they consider should be excluded from the second home premium. At this stage it is difficult to accurately calculate the impact of these exceptions on the Council's taxbase. However, based on the proposals set out by the Government in the consultation paper, we should expect to see around 300 Band D equivalent properties being excepted from the premium. This will mean an increase in the 2025-2026 taxbase, as a direct result of the second home premium, net of exceptions, of 3,200 band D equivalent properties. This increase in the taxbase equates to an additional income for Chichester District Council (based on a current average band D charge of £2,130.28) of £580,000.
- 7.3. The proposal to charge a second home premium may generate significant additional work for the revenues team in dealing with customers who may consider their main residence is now within the Chichester District and thus avoiding the premium. As such resource implications are being considered for 2025-2026.
- 7.4. Should a premium be approved by full Council the decision will need to be published in at least one local newspaper within 21 days.
- 7.5. The Act requires the Council to be mindful of any regulations and guidance issued by the Secretary of State.

## **8. Consultation**

- 8.1. There is no statutory requirement to consult on any matters contained within this report.

## **9. Community impact and corporate risks**

- 9.1. Charging a second home premium is expected to encourage more owners to use their property as a main residence rather than as a second home.
- 9.2. The main risk of implementing a second home premium will be an increase in some taxpayers actively trying to avoid a premium. New procedures will be put in place to ensure that the premium is applied in accordance with the legislation, Government guidance and the Council's laid down policy.

## **10. Other Implications**

	Yes	No
<b>Crime and Disorder</b>		No
<b>Climate Change and Biodiversity</b>		No
<b>Human Rights and Equality Impact</b>		No
<b>Safeguarding and Early Help</b>		No
<b>General Data Protection Regulations (GDPR)</b>		No
<b>Health and Wellbeing</b>		No
<b>Other (please specify)</b>		No

## 11. Appendices

None

## 12. Background papers

None