

# Policy and Sustainability Committee

10:00am, Tuesday, 10 November 2020

## Council Tax Empty Properties – Procedure Review

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note that Council procedures detailed in this report have been reviewed and are considered to reflect current legislative requirements and best practice and therefore remain fit for purpose.

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## Council Tax Empty Properties – Procedure review

### 2. Executive Summary

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- 2.1 The Scottish Government and the City of Edinburgh Council are committed to encouraging owners to return long term empty properties back to the market and increase the supply of affordable housing.

On 21 March 2013 the Finance and Budget Committee approved a revised charging procedure designed to reduce the number of empty properties in the city. This included a 50% Council Tax reduction, for up to 24 months, for properties that are actively being marketed for sale or let. Empty properties that do not fall in to this category are subject to a 100% Council Tax surcharge on homes unoccupied for a period of 12 months or more. The procedure was implemented on 1 January 2014 and remains unchanged with the exception of a temporary amendment to the policy as a result of Covid19 set out in appendix 1.

### 3. Background

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- 3.1 In 2005 the Scottish Government introduced legislation in an attempt to return long term empty properties to the market and increase the supply of housing in Scotland. The legislation enabled councils to modify the 50% council tax discount available on empty and unfurnished properties to between 10% and 50%. This modification only applied where a property had been empty for 12 months, with any additional revenue ring fenced for affordable housing. As a result, in July 2005 the Council reduced the discount available for properties that had been empty and unfurnished for 12 months to 10%.
- 3.2 The Scottish Government then implemented the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 that allowed councils to further vary the discount and, in some cases, increase the level of council tax payable on unoccupied properties.
- 3.3 On 21 March 2013 the Finance and Budget Committee approved a new empty property procedure that included a 50% Council Tax reduction, for up to 24 months, for unoccupied properties actively being marketed for sale or let. Properties that do not fall in to this category are subject to a 100% Council Tax surcharge, if the property has been unoccupied for a period of 12 months or more.

These arrangements are consistent with the Council's commitment to encourage owners to return long term empty properties back to the market and increase the supply of affordable housing in Edinburgh.

- 3.4 Due to Covid19, the Minister for Public Finance wrote to all council leaders (copied to Chief Executives and Directors of Finance) in May 2020 on the issue of Council Tax and unoccupied properties. The Government encouraged local authorities to use existing powers to defer the payment of Council Tax where a property is unoccupied due to the impact of the pandemic, and the property owner is struggling to meet their Council Tax liability (Regulation 21 of the Council Tax (Administration and Enforcement) (Scotland) Regulations 1992). Additionally, the Coronavirus (No.2) (Scotland) Act 2020 came into force on 27 May 2020 also included provision for Council Tax. Details of this temporary amendment is in appendix 1.

## 4. Main report

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- 4.1 The existing procedure has successfully reduced the number of empty/ unoccupied properties within Edinburgh. At the same time, it has offered a significant benefit to empty property owners in Edinburgh by way of a 50% reduction, for up to 24 months, for properties that are being marketed for sale or let. There is evidence that those benefiting from this incentive are owners whose properties are empty for a relatively short space of time e.g. between tenancies. Since the introduction of the discount until July 2015, Council data highlights that the average length of discount is 37 days, and that half of all discounts are awarded for two weeks or less. This supports the conclusion that discounts are being awarded for short periods.
- 4.2 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 provides Scottish councils with flexibility over the Council Tax charges that can be raised on empty dwellings. This gave scope for the Council to reduce the 50% discount for actively marketed properties to 10%. This level of discount brings it in line with the previous discounts offered for empty properties, while still providing an incentive to market the property and also delaying the implementation of the 100% surcharge for a maximum of 24 months.
- 4.3 The Minister for Public Finance wrote to all council leaders (copied to Chief Executives and Directors of Finance) in May 2020 on the issue of Council Tax and unoccupied properties. The Government encouraged local authorities to use existing powers to defer the payment of Council Tax where a property is unoccupied due to the impact of the pandemic, and the property owner is struggling to meet their Council Tax liability (Regulation 21 of the Council Tax (Administration and Enforcement) (Scotland) Regulations 1992). This regulation allows local authorities and individual Council Tax payers to agree a specific payment plan and the Council Tax could then be paid once a person's income increases, for example when an unoccupied property is rented to tenants or is sold. The Coronavirus (No.2) (Scotland) Act 2020 which came into force on 27 May

2020 also included provision for Council Tax. Details of this temporary amendment is in appendix 1.

## **5. Next Steps**

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- 5.1 The Customer Team will continue to administer the Council Tax Empty Procedures in line with government legislation and guidance.

## **6. Financial impact**

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- 6.1 The charges for empty properties are accounted for in the Council Tax revenue budget. The impact of Covid19 on revenue is being monitored corporately.

## **7. Stakeholder/Community Impact**

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- 7.1 The existing empty homes policy was developed in consultation with the Council's Empty Homes Task Force.

## **8. Background reading/external references**

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- 8.1 Corporate Debt Policy - Policy and Sustainability Committee, Tuesday, 10 November 2020.  
  
Empty Properties – Council Tax Changes – Finance and Budget, Tuesday 21 March 2013.  
  
Council Tax Empty Properties Procedure Review – Finance and Resources Committee, Thursday 29 October 2015.

## **9. Appendices**

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Appendix 1 Covid19 Council Tax Empty Property

## Appendix 1 - Covid19 Council Tax Empty Property

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### Council Tax and Unoccupied Properties – Scottish Government Request May 2020

Where a customer contacts to challenge a premium charge (PREM100) which has come into effect on or after 1 March 2020, due to the current circumstances this can be withdrawn for the period 1 March 2020 to 31 August 2020. A 10% empty property discount (PCLC10) can then be applied for this period followed by the premium charge (PREM100) open-ended from 1 September 2020.

For customers who contact where the premium charge was in place before 1 March 2020, and if a customer claims they were working on the property and work has had to stop or the property removed from market for sale / let due to COVID19, the premium will end on 29 February 2020 for a maximum period of 6 months or when the customer confirms a change in the properties circumstance. A 10% empty property discount (PCLC10) can then be applied for this period followed by the premium charge (PREM100) open-ended from 1 September 2020.

### The Coronavirus (No.2) (Scotland) Act 2020

The above 2020 Act came into force on 27 May 2020 which includes provision for Council Tax. The Act grants an exemption to a property that was exempt due to being occupied by the groups below, and which then became unoccupied on or after 17 March 2020 for a reason relating to coronavirus.

From (and including) the 27 May 2020 such a property will be exempt from paying council tax until it is occupied or the provisions in the Act come to an end. The Act is in force initially until 30 September this year, with the option for Parliament to agree two 6-month extensions.

Under the Council Tax (Exempt Dwellings) (Scotland) Order 1997 properties that are occupied solely by:

- students;
- a student's spouse or dependant(s);
- school leavers; or
- people under the age of 18;

are exempt from having to pay council tax.

For example, if a property was occupied by students and became unoccupied on 17 March 2020, the landlord will be entitled to an exemption so long as:

- The empty period does not exceed **four months**
- The **last person(s)** occupying the property **were students** for Council Tax purposes, or a student's foreign spouse or dependant; and
- Remains unoccupied

The 2020 Act adds a new paragraph (paragraph 12A) into the schedule 1 list of exempt dwellings in the 1997 Order. Under this paragraph a property is exempt if it is:

“12A. A dwelling which—

(a) became unoccupied for a reason relating to coronavirus on or after 17 March 2020,

(b) was, immediately prior to becoming unoccupied, an exempt dwelling under paragraph 10 or 12 above, and

(c) remains unoccupied.”

The measure is in schedule 4 part 9 of the 2020 Act. It is currently available on the Scottish Parliament website at:

<https://beta.parliament.scot/-/media/files/legislation/bills/current-bills/coronavirus-scotland-no2-bill/stage-3/coronavirus-scotland-no2-bill-as-passed.pdf>.

This measure does not apply retrospectively. However almost all properties in this group will already have been covered by the 4-month exemption already in place and set out in paragraph 11 of schedule 1 of the Council Tax (Exempt Dwellings) (Scotland) Order 1997. Once the Act ceases to be in force the usual exemption rules under paragraphs 10, 11 and 12 of the 1997 Order will apply.