

COUNCIL TAX PREMIUMS - PRESCRIBED CLASSES OF EXCEPTED DWELLINGS

Sections 12(A) and 12(B) of the 1992 Act provide Welsh Ministers with powers to make regulations to prescribe one or more classes of dwellings in relation to which a billing authority may not make a determination to apply a premium. The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 are made under these powers – a premium may not be charged on a dwelling that falls within an exception. A Local authority also has the ability to vary / introduce additional exceptions that are appropriate to its area.

A local authority must have regard to these exceptions before deciding to implement a premium.

The regulations prescribe seven classes of exempt dwellings. Classes 1, 2, 3, 4 and 8 apply to both long-term empty homes and second homes.

Classes 5, 6, and 7 only apply to second homes. The classes of dwelling are outlined in the following table and are detailed further below:

Classes of Dwellings Definition Application

Classes of Dwellings	Definition	Application
Class 1	Dwellings being marketed for sale – time-limited for one year	Long-Term Empty Homes 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	
Class 8	Local Exception (New Owner / Composite Properties)	Long-Term Empty Homes and Second Homes
Class 9	Local Exception (Ongoing Renovation – up to 6 months)	Long-Term Empty Homes

Each exception is described further in the next section. Additional guidance will be provided in relation to assist local authorities in the application of the exceptions for:

- dwellings being marketed for sale;
- dwellings being marketed for let; and
- job-related dwellings.

Class 1: Exception for dwellings being marketed for sale

This exception applies to both the premium on long-term empty homes and the premium on second homes. It excepts dwellings that are being marketed for sale. It also covers dwellings where an offer to buy the dwelling has been accepted but the sale has not yet been completed.

In order to qualify for this exception a dwelling must be on the market for sale at a reasonable price. In considering whether a price is reasonable, regard should be given to the sale price of comparable dwellings in the area.

The exception period runs for up to one year from the granting of the exception. After an exception has ended, a dwelling being marketed for sale will not be eligible for a further exception period unless it has been sold.

Class 2: Exception for dwellings being marketed for let

This exception applies to both the premium on long-term empty homes and the premium on second homes. It excepts dwellings that are being marketed for let. It also covers dwellings where an offer to rent has been accepted but the tenant is not yet entitled to occupy the property because the tenancy has not yet started.

In order to be eligible for this exception, a dwelling must be on the market for let at a reasonable rent, that is, the rent the property would be expected to fetch having regard to the rent raised on comparable dwellings.

The exception period runs for up to one year from the granting of the exception. After the end of the exception period, a dwelling being marketed for let will not be eligible for a further exception period unless it has been subject to a tenancy that was granted for a term or six months or more.

Class 3: Exception for Annexes forming part of, or being treated as part of, the main dwelling

This exception applies to both the long-term empty homes premium and to the second homes premium. This exception applies where an owner has adapted their dwelling to provide an annexe and the annexe is now being used as part of the main dwelling.

Class 4: Exception for Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation.

This exception applies to both the long-term empty homes premium and to the second homes premium.

This exception applies to dwellings that would be a person's sole or main residence, but which is unoccupied because that person resides in armed forces accommodation. This exception is also intended to cover armed forces personnel whose homes are unoccupied because they are living in armed forces accommodation overseas.

Class 5: Exception for Occupied caravan pitches and boat moorings

This exception applies to the second homes premium. It covers dwellings that consist of a pitch occupied by a caravan, or a mooring occupied by a boat where the boat or caravan currently has no resident, but when next in use will be a person's sole or main residence.

Class 6: Exception for Seasonal homes where year-round occupation is prohibited.

This exception applies to the second homes premium. It is applicable to dwellings that are subject to planning conditions that prevent occupancy for a continuous period of at least 28 days in any 12-month period.

This exception is intended to cover purpose-built holiday homes or chalets which are subject to planning conditions restricting year-round occupancy.

The exception is based on the definition of the existing discretionary discount for seasonal homes (Class A) in The Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998.

Class 7: Exception for job-related dwellings

This exception applies only in relation to the second homes premium and applies to dwellings occupied by a person who is:

- a qualifying person in relation to the dwelling, but who is resident in another dwelling which is job-related (as defined in Schedule 1 to the Regulations); or
- a qualifying person in relation to a job-related dwelling.

A qualifying person is defined as:

- a person who is liable for council tax in respect of a dwelling on a particular day, whether or not jointly with another person; and
- a person who would be liable for the council tax in respect of a dwelling on a particular day, whether or not jointly with another person if that dwelling did not fall within:
 - i. Class O of the Council Tax (Exempt Dwellings) Order 1992; or
 - ii. Class E of the Council Tax (Liability for Owners) Regulations 1992.

This exception applies where a person is required to reside in a job-related dwelling. It applies to a second home that is occupied periodically because a person is required to live in job-related accommodation elsewhere. It also applies where the job-related accommodation is a person's second home.

The definition of a job-related dwelling is given in the Schedule to the Regulations. Although this exception is similar to the job-related discount under the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998, it differs because the discount only applies if the job-related dwelling is a person's sole or main residence.

SI 1998 No 105 (<https://www.legislation.gov.uk/ukSI/1998/105/regulation/1/made>)

Another difference from the job-related dwelling discount is that there is no requirement for the taxpayer to be liable for council tax in respect of two dwellings, meaning that a person who has either a main home abroad or a job-related dwelling abroad can also benefit from the exception. Additional guidance will be provided to assist local authorities in the application of this exception.

Class 8: Local Exception (New Owner / Composite Properties)

New Owner

This exception under Section 12(A) will only apply to new owners of long-term empty properties, where the statutory exemption has already been applied to property and a council tax premium is chargeable.

The qualifying criteria is defined as:

- a person who is liable for council tax in respect of a dwelling on a particular day, whether or not jointly with another person; and
- The property is undergoing renovation to bring it back into use.

The exception would be to not charge the council tax premium charge to a new property owner, for a period of 12 months after the purchase date or upon the expiration of the statutory exemption (see Exemption Classes in appendix 2).

The new owner would still be required to pay the standard council tax charge for the property due. If the property still remains vacant after the above period then it will become liable for a council tax premium charge.

Composite Properties

These properties would fall within both Section 12(A) and Section 12(B) of the Act.

- The intention would be to not charge a council tax premium where access to a domestic property can only be made directly through a commercial premises, and
- It cannot be let or sold separately to the commercial element of the property.
- The same person is liable for the commercial (Business Rates) and domestic (Council Tax) elements of the composite property, and;
- The liable party is not in residence of the domestic part of the property, and;
- The liable party is in residence and liable for council tax at a separate dwelling to that of the composite property.

The award of this will be by application and visit by the Local Authorities Inspector and if separate access to the domestic element of the property is identified, this exception will not apply.

The intention would be to not charge a council tax premium on qualifying properties, but to continue charging the full standard council tax.

Class 9: Local Exception (Ongoing Renovation – Up to 6 Months)

This exception under Section 12(A) is to introduce a Class 9 - Local Council Tax Exception (Ongoing Renovation – Up to 6 Months) and will only apply to existing council taxpayers where the property is currently exempt under Class A (a property undergoing renovation), and the exemption has elapsed with the work being still incomplete. Upon application / Officer visit to said property and it can be demonstrated that the renovation works are still ongoing the council tax premium will not be charged for a period of up to 6 months. However, the property will be charged a standard rate of council tax for this period.

Please note: It is the responsibility of the ratepayer to confirm if the works have become complete or the property occupied within this period. If the property is still vacant after this time the property will become liable for a premium charge.

FAQ's

A resident buying a property requiring major repair (assuming exemptions available) would not have a Premium charge for 18 months.

- *Month 1 to 12 – Class A Council Tax exemption for property undergoing or requiring major repair – 0% Council Tax charge.*
- *Month 13 to 18 – Class 9 Exception to Premium – if renovation ongoing and verified – 100% Standard Council Tax charge.*
- *Month 19 – onwards if still empty and unoccupied – 100% Standard Council Tax charge plus 100% Council Tax Premium charge*

And, for a resident buying a property requiring major repair with the intention of selling or renting would not have a Premium charge for 30 months.

- *Month 1 to 12 – Class A Council Tax exemption for property undergoing or requiring major repair – 0% Council Tax charge*
- *Month 13 to 18 – Class 9 Exception to Premium – if renovation ongoing and verified – 100% Standard Council Tax charge.*
- *Month 19 to 30 – Class 1 or 2 Council Tax Exception to Premium if marketed for sale or rent – 100% Standard Council Tax charge.*
- *Month 31 onwards – if property is still empty and unoccupied – 100% Standard Council Tax charge plus 100% Council Tax Premium charge*

There is also the additional support of Local exception Class 8 where no exemption available to new homeowner and “composite” properties.

Where a customer falls into the Premium and there are no exemptions or exceptions available or the exemptions and exceptions have expired, we will always work with customers who engage with us.