



The Scottish Parliament
Pàrlamaid na h-Alba

Published 7 December 2023
SP Paper 488
9th Report 2023 (Session 6)

Local Government, Housing and Planning Committee

Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 considered by the Local Government, Housing and Planning Committee on 5 December 2023

Published in Scotland by the Scottish Parliamentary Corporate Body.

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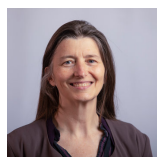
Local Government, Housing and Planning Committee

To consider and report on matters relating to local government and planning falling within the responsibility of the Cabinet Secretary for Finance and matters relating to housing and tenants' rights within the responsibility of the Cabinet Secretary for Social Justice and matters relating to the Local Government Boundary Commission and local governance review and democratic renewal within the responsibility of the Deputy First Minister.



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Introduction

1. At its meetings on the 21 November 2023 and 5 December 2023 the Committee considered the following affirmative instrument:

Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023

The Regulations

2. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 ("the Regulations") propose to give councils discretionary powers to charge an increase in council tax (a 'premium') on second homes of up to 100%. Council tax statistics show that at September 2022 there were 24,287 second homes in Scotland, about 1% of all homes.
3. The Regulations amend the existing Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. Those Regulations defined a second home as a property which is no-one's main residence but is furnished and lived in for at least 25 days in any twelve-month period. This does not include any second homes that are used for holiday lets that are classed as businesses and which therefore pay non-domestic rates rather than council tax.
4. The Regulations also provide for a grace-period from the application of a premium of up to 100%, that is payable on an empty property, when it is purchased by a new owner. This grace-period will apply where the property has been purchased by a new owner within the past six months, and renovations or repairs are being undertaken. Councils will have discretion to extend the period for which the exclusion applies, where they consider that it is appropriate to do so in order to enable works to be completed.
5. The Scottish Government's policy objective of providing a 'grace-period' from a council tax premium is to ensure that the premium on empty homes is not a disincentive for a prospective purchaser that intends to bring the property back into use. The Scottish Government plans to work in partnership with local government to produce joint guidance on the circumstances in which the grace period will apply and the types of work that will be included under "repairs or renovations". It will, however, be left to the discretion of local authorities to determine whether work falls into this category. Local authorities may also choose to extend the period for which the exclusion applies, where they consider that it is appropriate to do so in order to enable works to be completed.

Committee Consideration

6. At its meeting on 14 November 2023 the Delegated Powers and Law Reform Committee considered the Regulations and was content with them.
7. The Local Government, Housing and Planning Committee took evidence on the Regulations from the following organisations at its meeting on 21 November 2023:
 - Argyll and Bute Council
 - Highlands Council
 - Orkney Islands Council
 - Living Rent
 - Propertymark
8. At its meeting on the 5 December 2023 the Local Government, Housing and Planning Committee then took evidence from the Minister for Community Wealth and Public Finance and Scottish Government officials.
9. The local authorities represented at the evidence session on the 21 November have some of the highest proportions of second home ownership. Whilst recognising the importance of second homes as tourist destinations in their areas they were supportive of the Regulations, believing they will help improve the availability of housing in their areas and increase council revenue. They argued that local authorities should be able to use that additional revenue to address local needs and that the funds should not be ring-fenced, in keeping with the aspirations of the Verity House Agreement between the Scottish Government and COSLA.
10. Living Rent, which represents tenants, similarly welcomed the Regulations, highlighting its concerns about the current shortage of housing. It also noted that to improve the availability of properties for rent it is quicker to re-purpose existing housing stock (such as second homes) than to build new homes.
11. Propertymark did not support the Regulations, telling the Committee that there has been a decline in second home ownership and that there are already existing taxes on second homes such as the Additional Dwelling Supplement which is added to Land and Buildings Transaction Tax. It believes there is a need to review all taxes on private landlords in order to better understand their impact.
12. Witnesses at the Committee's meeting on 21 November also explained they believe there could be unintended consequences from the Regulations, in particular that second home owners may instead increase the availability of their properties for holiday letting in order to become eligible for non-domestic rates (NDR) instead of paying council tax. The small business bonus scheme provides relief from NDR of up to 100%, meaning that in practice many holiday let owners currently pay neither council tax nor NDR.
13. The Committee would therefore request that the Scottish Government ensures

the ongoing impact of the Regulations is monitored so that the consequences can be fully understood in future years.

14. The local authorities at the evidence session on 21 November supported the regulations' proposed grace-period for properties requiring renovation, and explained that local discretion will be needed as to how long to provide a grace-period. More rural and island communities in particular experience long waits for building contractors, and there is a shortage of Planners in many local authorities.
15. In his evidence to the Committee on 5 December, the Minister explained that the Regulations were developed in partnership with local government through COSLA, and provide local government with the flexibility to decide how to achieve a balance of housing in order to meet local needs. Similarly, in line with the Verity House Agreement it will be for local authorities to decide how to use the revenue raised.
16. The Minister also set out how the grace period provided for properties requiring renovation seeks to avoid disincentivising the purchase of properties which could be brought back into use. He explained this is in line with the Scottish Government's commitment to progress the ambitions set out in 'Housing to 2040'.

Conclusion

17. After taking evidence, the Committee was invited to consider motion S6M-11186— That the Local Government, Housing and Planning Committee recommends that the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 [draft] be approved.
18. The Committee agreed by division (For 3, Abstentions 2) to recommend approval of the draft Regulations.
19. The Committee will continue to explore the issues raised by these Regulations during its consideration of the Scottish Government's Housing to 2040 strategy.

