



Council tax on second and empty homes/non-domestic rates: consultation

Evidence submitted to the Scottish Government 11 July 2023

This is a response to the Scottish Government consultation on [council tax on second and empty homes/non-domestic rates](#).

Introduction

The Scottish Government and COSLA are currently consulting on changes to [council tax on second and empty homes/non-domestic rates](#). The consultation forms part of a number of actions set out in [Housing to 2040](#) and the [Bute House Agreement](#) with the Scottish Green Party to address the issue of empty homes and to prioritise the availability of housing for people to live in.

It asks whether councils should have additional powers giving them discretion to:

- charge up to 100 per cent premium (double the full rate) on council tax for second homes
- charge more than 100 per cent premium on council tax for second homes and long-term empty homes

We are supportive of measures outlined in this consultation which aim to address the issue of long-term empty and second homes and increase the availability of housing to meet local needs. Where used appropriately, taxation can be a useful tool as a disincentive for second and long-term empty homes to be left unoccupied indefinitely.

However, there must also be a greater focus on innovative ways to bring long-term empty homes back into use to help tackle the housing crisis and provide more affordable homes throughout Scotland's communities, alongside appropriate advice, information and support to assist and encourage owners of empty/second homes to use these in a different way.

It is also essential that the Scottish Government continues to invest in the delivery of new affordable homes through the Affordable Housing Supply Programme.



Consultation questions

3. Do you think councils should be able to charge a council tax premium on top of regular council tax rates for second homes?

Yes

No

Don't know

Latest figures show there were 24,287 second homes in Scotland¹. While this represents a decrease from 39,842 in 2005, concerns remain that second homes can lead to increases in house prices, particularly in areas where these are in high concentration, making it more difficult for local people and those on lower incomes to find homes to live in.

Research into the impact of second homes in Wales, carried out in 2021, concluded that there is evidence to suggest that second homes can raise demand for houses and subsequently local house prices.²

Low occupancy of second homes may also minimise the economic contribution to local communities that is important to sustain public services and can have a negative impact on social cohesion.³

Where used appropriately, we believe that charging a council tax premium for second homes could be a useful disincentive to deter people from purchasing second homes in areas where there may be existing pressures on local housing stock, freeing up more available housing for local people, as well as generating additional revenue that could be used to benefit the local community and contribute to affordable housing schemes.

However, we also recognise that there will be instances where the charging of a premium is not the most appropriate course of action, for example where there are good reasons why the home could not be lived in as a permanent residence, or where charging a premium may cause financial hardship, so it is important that there is flexibility to allow local authorities to consider a range of factors before deciding whether or not to impose a premium.

¹ <https://www.gov.scot/publications/housing-statistics-empty-properties-and-second-homes/>

² <https://www.gov.wales/sites/default/files/pdf-versions/2021/9/4/1632395243/research-second-homes-evidence-review-summary.pdf>

³ <https://spice-spotlight.scot/2022/09/07/second-homes-in-scotland-facts-figures-and-policy/>

Second homes which are used as holiday lets can also be an essential part of local tourism, so it is important that the right balance is struck between protecting the rights of local people and ensuring that an area's tourism economy does not adversely suffer as a result of any changes to taxation. We therefore welcome the fact that local authorities should have the flexibility and discretion to be able to decide how best to use these powers to meet the needs of their local communities.

We would also like to see more encouragement and support for second home owners to consider using their properties differently when they are not in use. For example, in addition to holiday lets, second homes that are vacant could also be used as accommodation for seasonal workers, helping to support local businesses and economies. This is something which could be incentivised by a variation in council tax applied for willing second homes owners.

5. What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for second homes?

There are a number of factors which we believe could be taken into account by councils when deciding whether to introduce a premium on council tax for second homes, including:

- The numbers and percentages of second homes in the local area
- Levels of unmet housing need in the area
- Availability of affordable homes for local people/workers
- An assessment of their impact on residential accommodation values/affordability
- Impact on local economies and the tourism industry
- Potential impact on local public services and the local community

As outlined above, second homes can be an important part of an area's tourism industry, providing a valuable source of income for local communities and businesses. However, a saturation of second homes in an area also has the potential to cause problems if it leads to a lack of housing for local people or those looking to work in an area.

It is therefore important that all of these factors are taken into account by councils when deciding whether to introduce a premium so that the right balance is struck which protects the interests of all parties as far as possible.



7. Do you think councils should be able to charge a higher premium than the current 100% (double the full rate) of council tax on homes empty for longer than 12 months?

Yes

No

Don't know

Latest figures show there were 42,865 long-term empty homes in Scotland.⁴

Long-term empty properties are a wasted resource at a time when there is a shortage of affordable homes, and they can also have wider social and economic implications for a community. For example, a loss of rental income, council tax revenue and spending may result in less money being reinvested back into an area, which in turn may lead to a loss of essential public services. Empty homes in poor condition can also have a negative impact on local neighbourhoods risking complications such as maintenance issues and antisocial behaviour.⁵

Where used appropriately, we believe taxation can act as a disincentive for long-term empty homes to be left unoccupied indefinitely, encouraging more residential accommodation to be used as homes for living in and for these to be occupied for more of the time.

However, as is the case with second homes, this will be based on a range of factors and should be considered alongside appropriate support, advice and engagement to encourage owners to bring empty homes back into use.

Existing support is available through schemes such as the Scottish Empty Homes Partnership (SEHP), which has helped to bring over 9,000 empty homes back into use since its inception in 2010.⁶ The SEHP provides advice and support to owners of private properties which have been empty for more than six months and both local authorities and owners of empty properties should be encouraged to take advantage of the advice and support that is available through the scheme to help free up more properties for use as residential accommodation.

9. Do you think there should be a stepped approach to charging higher rates of council tax on long-term empty homes?

⁴ <https://www.gov.scot/publications/housing-statistics-empty-properties-and-second-homes/>

⁵ <https://spice-spotlight.scot/2023/03/08/empty-homes-in-scotland-facts-figures-and-policy/>

⁶ <https://emptyhomespartnership.scot/annual-report-2023/>

Yes

No

Don't know

A stepped approach to charging higher rates would be sensible, as we believe the aim of these measures should be to disincentivise empty properties and not to punish owners who may be struggling financially to maintain their property or to bring it back into use. This would allow some breathing space and time for appropriate actions to be taken by the owner, with the maximum charges only being applied as a last resort or where this is deemed a necessary course of action.

Owners of long-term empty properties should also be given appropriate advice, information and support as part of this process to help them make the required changes to their properties and the Scottish Government must ensure that there is an effective awareness raising campaign to advise of any financial changes which will impact on empty home owners at the end of this consultation process.

There also needs to be flexibility so that local authorities can get the balance right in their own areas and also support/flexibility for owners of empty homes who may be struggling/don't have the financial means to pay a premium or bring their property back into use. The benefits of a flexible approach to the charging of premiums is highlighted in this [case study](#) by the Scottish Empty Homes Partnership.

11. What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for homes empty for longer than 12 months?

We believe that the following factors should be taken into consideration by local authorities when deciding whether or not to introduce a premium on council tax for empty homes:

- Length of time the property has been empty - according to the SEHP, over 27,000 of Scotland's empty homes have been empty for longer than twelve months, and the longer that properties remain empty, the more difficult it becomes to bring them back into use.⁷
- Potential impact on local public services and the local community, for example, anti-social behaviour.

⁷ <https://emptyhomespartnership.scot/annual-report-2023/page/3/>



- Any exceptional circumstances preventing the home being brought into use, for example, the owner being hospitalised or taken into care.
- Instances where charging a premium might cause financial hardship (see earlier case study highlighted above).

22. Please tell us how you think changes to the maximum council tax rate for second and/or empty homes and non-domestic rates thresholds might affect your local area or Scotland as a whole (social, economic, environment, community, cultural, enterprise).

As outlined above, long-term empty properties are a wasted resource and can also have wider social and economic implications for a community.

The changes outlined in this consultation have the potential to help to minimise some of these impacts, making it more expensive for homes to remain empty, therefore potentially increasing the availability of homes for people to live in.

However, as we have outlined earlier in our response, the charging of council tax premiums for empty/second homes should be at the discretion of local authorities based on local need and any funds raised through an additional premium should be reinvested to benefit the local community and contribute to affordable housing schemes, including support for empty home owners to bring their properties back into use as affordable or social housing.

23. Please tell us how you think the changes identified might affect Island Communities.

As outlined above, demand for second homes, particularly in rural and/or island areas, can result in an increase in house prices, reducing access to affordable housing to meet local needs, and making it more difficult for young people and those on lower incomes to find homes to live in.

A lack of affordable homes can also have a negative impact on areas looking to attract workers to settle there. Research published in July 2022 revealed that between 1,300 and 1,700 job vacancies in the Isle of Skye are being left unfilled due to a lack of housing for workers, with a lack of affordable housing being reported as the biggest barrier to recruitment and retention. It is also seen as restricting services and commercial activity.⁸

⁸ <https://www.56degreeinsight.com/our-latest-blogs/skye-housing-impacts>



The proposed changes outlined in this consultation aim to encourage second home owners to use their properties differently to benefit the local community, potentially freeing up more accommodation for people in the private rented sector and positively contributing to local businesses and economies.

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