

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 16 January 2025

Subject: Imposition of a 100% Council Tax premium on empty, furnished properties

Report of: Head of Corporate Revenues

Summary

The Levelling Up and Regeneration Act 2023 gave Council's the power to increase the Council Tax on empty properties with the aim of increasing the supply of residential properties and maximise occupation in Manchester. In response, the Council has agreed:

- Empty, unfurnished properties are paying the 100% long term empty premium after one year instead of two years. This was introduced from 1 April 2024.
- Empty, furnished properties will pay up to a 100% premium from the date that they became empty. This could not be introduced until 1 April 2025 in line with the legislation.

The Council's Executive agreed to adopt these powers on 17 January 2024. This report is to confirm this decision and review exemptions to a blanket imposition introduced by the Government on 1 November 2024.

Recommendations

The Committee is requested to:

- Consider the content of this report and comment on the proposed approach.
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Wards Affected:

All Wards

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city	None
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	There is no specific impact on different protected or disadvantaged groups. The impact will affect those who own a second property, a group that is randomly spread across the city's population and are less disadvantaged due to property ownership.

Manchester Strategy outcomes	Summary of how this report aligns to the Our Manchester Strategy/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Increase in Council Tax revenue generated by the Second Home Premium will support the Council in delivering the full range of services to people who live in, work in or visit the city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	n/a
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	n/a
A liveable and low carbon city: a destination of choice to live, visit, work	Increasing the supply of accommodation for sale and to rent will provide greater choice of, and access to, places to live in Manchester, supporting the aim of making the city a destination of choice to live in.
A connected city: world class infrastructure and connectivity to drive growth	n/a

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Adopting the recommendations of the report will, based on current figures and assuming there are no changes to the numbers of empty properties and the periods they have been empty, generate additional Council Tax revenue of up to £3.7 million of which Manchester's share is £3.1 million with the rest going to the major preceptors (assuming a 5% increase in Council Tax from 1 April 2025). This also assumes that there is no widespread behavioural change generated by the increased Council Tax on these properties.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

Report to the Executive Committee on 17 January 2024 - Increasing Council Tax Premiums on empty properties

Report to the Executive Committee on 15 February 2023 - Changes to Council Tax discounts for empty properties

1.0 Introduction

1.1 This report reminds the Committee of changes that Central Government introduced in 2023 that allowed the Council to charge an additional Council Tax premium of up to 100% on empty and furnished properties from 1 April 2025. It reviews the exemptions to the premium that are the subject of Central Government guidance.

2.0 Background

2.1 From 1 April 2013, the Council used powers made available by Central Government to charge a 50% Council Tax premium on properties that had been empty and unfurnished for more than two years. The stated aim was to encourage landlords to bring empty properties back into use by making it more expensive to keep it empty.

2.2 From 1 April 2019, these powers were extended to allow the Council to charge a 100% premium after two years on empty and unfurnished properties, 200% after five years and 300% after ten years. This appears to have had the desired effect as the number of long-term empty and unfurnished properties reduced from 1,300 in September 2012 to 535 in February 2023.

2.3 The Levelling Up and Regeneration Act 2023 gave Councils the power to charge the 100% premium on empty and unfurnished properties after one year instead of two. This was adopted by the Council from 1 April 2024.

2.4 The Act also gave Councils the power to charge a 100% premium on empty and furnished properties from the day they became empty from 1 April 2025. The Council has already confirmed in principle that this power would be adopted.

3.0 Main issues

3.1 The Council has already taken the decision to use the power to apply a premium of up to 100% of Council Tax on properties that are empty and furnished. This is expected to raise additional Council Tax of up to £3.7 million of which Manchester's share is £3.1 million with the rest going to the major preceptors (assuming a 5% increase in Council Tax from 1 April 2025).

3.2 Recent Central Government guidance has outlined a number of specific exemptions. The most common exemptions are limited to up to 12 months:

- Dwellings being actively marketed for sale
- Dwellings being actively marketed for let
- Empty dwellings requiring or undergoing major repairs or structural alterations.

There are a number of factors which councils may take into consideration when assessing whether a dwelling is being actively marketed for sale or let.

These may include:

- whether the dwelling is clearly advertised for sale or let;
- whether the dwelling is being marketed at a fair market value;
- whether there are any artificial barriers on the dwelling preventing sale/let;
- whether the dwelling has an Energy Performance Certificate (EPC);
- whether the owner is taking any other reasonable steps to market the dwelling for sale or let.

3.3 Other, open-ended exemptions include:

- Dwellings which are, or would, be someone's sole or main residence if they were not residing in job-related armed forces accommodation.
- Annexes forming part of, or being treated as part of, the main dwelling.
- Job-related dwellings.
- Occupied caravan pitches and boat moorings.
- Seasonal homes where permanent occupation is prohibited.

Generally these are quite straightforward and not common in Manchester.

4.0 Behavioural change and liability amendments

4.1 Expected revenue from the introduction of the premium on empty, furnished homes may be reduced due to behavioural change on the part of owners when faced with a doubling of their Council Tax. This could be by genuinely renting the property out, selling the property, arguing that the exemptions apply or creating a phantom tenancy.

4.2 It may also be the case that numerous properties that are occupied as Houses in Multiple Occupation (HMOs) appear in our records as empty. This would not affect the amount of Council Tax due from the landlord, but faced with the additional premiums, landlords will correct the classification.

5.0 Impact on Residents

5.1 Additional revenue generated from empty, furnished properties will support the Council in delivering essential services to people who live in, work in or visit Manchester.

5.2 The additional Council Tax charged on empty furnished properties may encourage owners to rent it out or sell them, increasing the supply and variety of available housing in the city.

6.0 Recommendations

The Committee is requested to:

- Consider the content of this report and comment on the proposed approach.