

Briefing for the Citizen Participation and Public Petitions Committee on petition PE2026: Eliminate Council Tax discounts for second homes and vacant properties

Brief overview of issues raised by the petition

The petitioner would like to see the elimination of Council Tax discounts for second homes and vacant properties. The petitioner also calls for the current law to be changed to make the property owner (rather than the occupier) liable for the payment of Council Tax.

PE2026: [Eliminate Council Tax discounts for second homes and vacant properties](#)

Background – Council Tax and who pays it

Council Tax is a domestic property tax. It is the only *local* tax in Scotland, in the sense that Council Tax band D rates are set annually by councils (albeit the ratio between band D and the other bands is set in national legislation), the tax is collected by local authorities, retained by them and spent entirely on local services.

Powers over local taxation have been devolved to the Scottish Parliament since 1998, and since then there has been talk about reforming or replacing Council Tax. Most recently, the [Bute House agreement](#) between the Scottish Government and the Scottish Green Party includes a commitment to explore ideas to “develop a fairer, more inclusive and fiscally sustainable form of local taxation”.

Who pays Council Tax?

Part 2, Section 75 of the 1992 Local Government Finance Act sets out who is liable to pay council tax. As [explained by Citizens Advice Scotland](#), it is usually the person living in the dwelling who is liable to pay, regardless of whether or not he or she owns the property. A non-resident owner may be liable, however, if the occupancy situation meets certain criteria (for example, if the house is shared by a number of different households, or if all people living in it are under 18).

People on low incomes may be eligible for help through [Council Tax Reduction](#), administered by local councils.

Empty Homes and Council Tax

A [recent SPICe blog](#) shows that local authorities in Scotland already have discretion over the levels of Council Tax discount available on unoccupied properties in their areas.

For example, the [Council Tax \(Exempt Dwellings\) \(Scotland\) Order 1997](#) provides council tax exemptions (some of which are time limited) for certain types of empty homes. For example, empty homes that are unoccupied and unfurnished are exempt from Council Tax for six months. If an empty home does not qualify for an exemption, council tax will be payable on it.

As at 30 September 2022, there were around 43,000 homes liable for Council Tax that had been empty for six months or more. This equates to around 2% of all homes in Scotland, [although there are geographical variations with higher concentrations in some rural areas](#).

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 ([as amended in 2016](#)) set a 50% Council Tax discount as the default charge for empty homes. However, councils can alter the level of discount, to provide a discount of between 50% and 10% subject to certain restrictions (as set out in schedule 1 of the 2013 Regulations).

For homes that have been unoccupied for 1 year or more councils can also:

- offer no discount and charge the standard council tax rate
- charge a council tax increase of up to double the standard council tax rate for certain empty homes, subject to certain restrictions.

[In 2022-23, 29 of 32 councils made use of the ability to charge up to double council tax for long-term empty properties in some way](#). Three councils did not make use of the power, two of these offered discounts while one removed the discount charging the standard rate.

Second homes and Council Tax

For Council Tax purposes a second home is 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. However, this won't include any second homes that are used for holiday lets that are classed as businesses, and therefore pay non-domestic rates rather than Council Tax¹. It also won't include any second homes that are rented out to other people for long term residential use.

¹ It [is worth noting](#) that as at 1 July 2022, 88% (16,130) of self-catering accommodation units on the valuation roll were in receipt of Small Business Bonus Scheme relief at a cost of over £21 million. The vast majority of these (96%) benefited from 100% relief and therefore paid no local tax.

[Council tax statistics show](#) that at September 2022, there were 24,287 second homes in Scotland. Overall, [this is a low proportion](#), only 1% of all homes in Scotland. But there are [wide variations across council areas](#) with clear concentrations in rural areas.

Councils have discretion to apply a Council Tax discount of between 10% and 50% on second homes. Since April 2017, as a result of the [Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Amendment Regulations 2016](#), councils have also been able to choose to apply no discount at all.

[For 2022-23](#), 25 of Scotland's 32 councils have removed the Council Tax discount for second homes while six councils have retained a 10% discount and one council has a variable policy.

Scottish Government's current consultation

The Scottish Government is [currently consulting](#) on potential changes to the Council Tax system with the aim of ensuring local areas can make the best use of existing housing stock. The consultation, which closes on 11 July 2023, seeks views on whether to provide councils with additional powers allowing them discretion to:

- charge up to 100% premium (double the full rate) on Council Tax for second homes
- charge more than 100% premium on Council Tax for second homes and long-term empty homes

The [consultation document](#) contains a thorough summary of current legislation and statistics on a number of issues raised by the petitioner.

However, issue raise of who is eligible for Council Tax (i.e the resident or the owner, if it's rented accommodation) is not being consulted on.

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The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of petition briefings with petitioners or other members of the public. However, if you have any comments on any petition briefing you can email us at spice@parliament.scot

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