

Response from the Poverty and Inequality Commission to consultation on council tax for second and empty homes and non-domestic rates

July 2023

The Commission submitted this response to the joint Scottish Government and COSLA [consultation](#) on council tax for second and empty homes. The consultation sought views on giving local authorities powers to apply further council tax premiums to second and empty homes and making related changes to non-domestic rates.

Questionnaire

Question 1

Do you think the current definition of a second home should continue to apply?:

More information:

For council tax purposes, the current definition of a second home is, 'a dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12 month period of the council tax charge'.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

The Poverty and Inequality Commission does not have a view on this specific definition and believes it is better for housing specialists to advise on.

Question 2

Do you think the discount eligibility for job related dwellings and purpose built holiday accommodation is appropriate?:

More information:

Eligible job related dwellings and purpose built holiday accommodation are entitled to a council tax discount of 50%.

Purpose built holiday accommodation is defined as a dwelling that is used for holiday purposes and has a licence or planning permission limiting its use for human habitation throughout the whole year. An example might be chalets or other types of holiday accommodation that are either unsuitable to be occupied all year round (their construction may mean they are only suitable to be lived in during the warmer months) or are not allowed to be lived in all year due to planning, licensing or other restrictions.

Job-related dwellings are defined as homes owned by someone who has to live elsewhere for most or all of the time as part of their job, or the home the person occupies to undertake their job if the person has another home that is their main residence.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

The Poverty and Inequality Commission does not have a view on this specific definition and believes it is better for housing specialists to advise on.

Question 3

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

More information:

A premium is charging more than the full rate of council tax.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

There is an extensive and uncontested evidence base demonstrating that council tax is an outdated and regressive tax. This is only getting worse as the years pass, and council tax as a whole is long overdue for more substantial reform. The Commission will make further recommendations on the need for more fundamental changes to council tax later in the year.

In the meantime, the Commission supports this amendment to the existing system, which has the potential to allow councils to flexibly raise additional revenue in a way that (depending on how the revenue raised is spent) can contribute modestly to reducing poverty and inequality.

As the consultation document notes, Scottish Government statistics show that second-home owners are on average wealthier and also have higher incomes compared to those without second homes and those with no property wealth. In the Commission's [cost of living advice](#) to the Scottish Government, we noted that owners of second or further homes were likely to benefit twice (or more) from the UK Government's £400 Energy Bill Support Scheme, receiving at least twice as much support as those who do not own a second home. This was the reason that the Commission originally recommended the Scottish Government should allow councils to charge up to double the normal rate of council tax on second homes.

But this was just one, relatively minor, financial advantage that second home owners enjoy. There are multiple other advantages that come from ownership of an asset like a second home, which provides the owners with the opportunity to supplement their incomes through a variety of means. As stated in the consultation document, while some of these purposes (such as holiday letting) can contribute to local economies, they can also distort the local housing market in a way that disadvantages those on lower incomes.

Because striking the right balance between local housing supply and, for example, the availability of short-term holiday accommodation, is something that depends on a range of variables, the Commission recommends that councils should have the maximum degree of flexibility in raising revenue from a council tax premium on second homes, depending on their circumstances. However, these enhanced powers should also come with enhanced accountability to use them responsibly, discussed at the end of this response.

Question 4

If you have answered yes to question 3, what do you think the maximum premium councils could charge should be?

More information:

50% premium is the same as one and a half times the normal rate of council tax.

100% premium is double the normal rate of council tax

150% premium is two and a half times the normal rate of council tax

200% premium is three times the normal rate of council tax

250% premium is three and a half times the normal rate of council tax

300% premium is four times the normal rate of council tax

Answer:

- 50%
- 100%
- 150%
- 200%
- 250%
- 300%
- Other (specify)

There should be a minimum 100% premium and the maximum premium should not be set nationally. Instead councils should have the discretion to set any value of premium they determine appropriate.

Please give reasons for your answer.

As per the response to Q3, finding the right balance between leveraging any benefit of second homes for local economies, housing supply, and revenue raising, is something that is best determined by local authorities themselves. It is not clear to the Commission that evidence exists that allows an accurate setting of an “optimal” maximum premium at the national level with the level of precision as per the options offered to respond to this question (or even if such evidence could ever be gathered, given the degree to which local circumstances vary, and also change over time).

Because of this the Commission believes there is not a compelling reason to set a maximum level of premium nationally, as this is something that is best determined locally. Councils that have housing markets that are extremely distorted by second-home ownership may wish to set very high premiums; they should be free to weigh up the costs and benefits and do this if they are so minded. This is in line with the Commission’s understanding of what the Scottish Government and COSLA’s aims are around a “new deal” for local government, providing maximum flexibility for local funding. It should also come with accountability for delivering the shared priority of poverty reduction, and councils must be responsible in terms of their approach to pursuing and managing council tax and other forms of public debt. We will return to this issue in response to later questions.

While the Commission believes there should be no maximum level set nationally, there are reasons to set a minimum premium. To limit the likelihood of incentivising a “race to the bottom” in terms of competition to lower premiums across council areas – which could particularly affect some local authorities more than others depending on their demographics and geography – the minimum second home premium should be set at 100%, with the flexibility to go higher as covered above.

Question 5

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

More information:

A non-exhaustive list of potential factors is set out below:

- numbers and percentages of second homes in the local area
- distribution of second homes and other housing throughout the council area and an assessment of their impact on residential accommodation values in particular areas
- potential impact on local economies and the tourism industry
- patterns of demand for, and availability of, affordable homes
- potential impact on local public services and the local community
- other existing measures or policies that are aimed at increasing housing supply and the availability of affordable housing

Councils may also decide not to use the powers or to disapply a premium for a specific period of time.

A non-exhaustive list of examples of where a council might consider doing this include:

- where there are reasons why the home could not be lived in as a permanent residence
- where there are reasons why a home could not be sold or let
- where the owner's use of their accommodation is restricted by circumstances not covered by an exception from the premium
- where charging a premium might cause hardship

Answer:

Please list the factors and provide reasons for your answer:

The Commission largely welcomes the list of factors set out in the consultation question, particularly in terms of the impact on the patterns of demand for and availability of affordable homes. It is well established that a reason for poverty rates in Scotland being lower than in many other parts of the UK is that housing costs are lower in Scotland, so it is important that this is acknowledged and considered by councils when deciding whether to introduce a premium.

The Commission also recommends two additional factors be taken into account by councils when deciding whether to introduce a premium:

1). The level and geographic distribution of poverty in their area, and how any premium on council tax for second homes is anticipated to effect this. This should include both the effects as a result of expected changes to the local housing market as a result of any premium change, and also as a result of how any additional revenue raised will be spent by councils to reduce poverty and inequality. This is in alignment with what the Commission understands of the "new deal" to be jointly agreed by COSLA and the Scottish Government. This has been presented to date as promoting flexibility over local funding accompanied with accountability for delivery of shared priorities – which the Commission believes must include the reduction of poverty and inequality.

2). A robust assessment of unintended consequences of any changes to the council tax premium for second homes, and how they may be mitigated. This should consider relevant economic and social evidence around how existing second home owners are likely to respond to changes to the premiums and how policy objectives may be undermined by these responses. For example, a legitimate objective for councils in raising the council tax premium on second homes could be to disincentivise holiday homes or lets, and encourage the home to be used in the private rented sector instead. In some circumstances in particularly high demand/high wealth locations with a high concentration of second homes, this might result in setting the premium at a level where slightly less wealthy second home owners sell their second home, but even more wealthy owners (who can better absorb the increased premium costs) purchase it. This scenario would result in limited or no net benefit for local housing supply. These kind of effects must be carefully considered by councils when setting premium rates using the best evidence they have combined with their knowledge about the local context.

Question 6

If you do, or were to, own a second home please tell us what you would do if the applicable rate of council tax were to increase, and the 'thresholds' to be classed as self-catering holiday accommodation for non-domestic rates purposes stayed the same?

More information:

The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A private residential tenancy is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer: n/a

- The home is (or would be) already used as self-catering accommodation and liable for non-domestic rates
- The home is (or would be) already used as a private residential tenancy and the tenant is liable for council tax
- I would continue to use it purely for personal use and pay the higher rate of council tax
- I would continue with split use between self-catering accommodation (below the non-domestic rates threshold) and personal use, and pay council tax
- My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds
- My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation for 140 days or more and actually let it for 70 days or more in order to be liable for non-domestic rates
- I use my second home purely for personal use but I would change its use to a private residential tenancy
- I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy
- I will seek reclassification as an empty home and pay council tax
- I will sell the second home

Question 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?

More information:

Councils currently have the discretion to charge up to 100% premium on council tax on homes empty for longer than 12 months.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

Similarly to the response for an additional council tax premiums previously, the Commission supports the principle of councils having greater flexibility to use increased council tax premiums as an incentive to bring currently empty homes into more productive use to the benefit of their local communities.

Question 8

If you have answered yes to question 7, what do you think the maximum premium councils could charge should be?

More information:

This question is asking what the maximum premium should be for homes that have been empty for longer than 12 months.

The current maximum is 100% premium, which is double the normal rate of council tax.

Answer:

- 150%
- 200%
- 250%
- 300%
- Other (specify)

While retaining a stepped approach and relevant exemptions (such as for deceased owners), the Commission believes that the premium rates between second and empty homes should be broadly aligned in order to limit the incentives for asset owners to switch between the two for the purposes of reducing council tax liability. This implies a minimum (after working through the stepped approach to its conclusions and after relevant exemptions have been considered) of 100%, but with no maximum set at the national level, permitting councils to set an empty home premium at a level that best suits their circumstances and objectives to bring more homes in to productive usage.

Please give reasons for your answer.

As above, while the policy considerations relating to second and empty homes differ and for the latter it is more appropriate to have a stepped approach with a broader range of exemptions on practical (e.g. habitability) and compassionate (e.g. deceased owner) grounds, in order to limit incentives for asset owners to reclassify homes between second and empty classifications to avoid higher premiums, these should be broadly similar within each local authority. This means a minimum 100% empty homes premium at the end “step”, and after relevant exemptions have been applied. As with second homes, there is no evidence that points towards an optimum maximum at the national level, and so this should be for councils to determine.

Question 9

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

More information:

By 'stepped approach' we mean only giving councils powers to charge higher rates of council tax the longer the home is empty. For example, 100% premium at 12 months, 200% premium at 2 years, 300% premium at 5 years.

100% premium is the same as double the normal amount of council tax.

200% premium is the same as three times the normal amount of council tax

300% premium is the same as four times the normal amount of council tax.

Answer:

- Yes
 No
 Don't know

Please give reasons for your answer.

The Commission recognises that a stepped approach is appropriate for empty homes council tax premiums (as distinct from second homes) in order to best incentivise the properties being brought back into the market and productive use. We do not have detailed comment on the various combinations of status and timescale and consider this is best addressed by input from housing specialists.

Question 10

Are there any exceptions that are not already taken into account, that should be, when charging a premium of council tax on homes empty for longer than 12 months?

More information:

Current discretionary powers for councils to change council tax liability for empty homes

Status of empty home	Up to 6 months	6-12 months	12 months +	2 years +
No work underway and not for sale or let	Owner may apply for an unoccupied and unfurnished exemption	Discount can be varied between 50 and 10%	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied
If undergoing repair work to make them habitable	50% discount cannot be changed	Owner may apply for a major repairs or structural alterations exemption. Discount can be varied between 50 and 10%.	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied.	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied.
If being actively marketed for sale or let	50% discount cannot be changed	50% discount cannot be changed	50% discount cannot be changed	a premium of up to 100% can be charged

The current list of exemptions to council tax are:

Exemption	Period of Exemption
Dwellings last occupied by charitable bodies	Up to 6 months
Dwellings last occupied by persons living or detained elsewhere	Unlimited
Deceased owners	Unlimited up to grant of confirmation

	6 months after grant of confirmation
Dwellings empty under statute	Unlimited
Dwellings awaiting demolition	Unlimited
Dwellings for occupation by ministers	Unlimited
Dwellings occupied by students, etc.	Unlimited
Repossessed dwellings	Unlimited
Agricultural dwellings	Unlimited
Dwellings for old or disabled persons	Unlimited
Halls of residence	Unlimited
Barracks, etc.	Unlimited
Dwellings occupied by young people	Unlimited
Difficult to let dwellings	Unlimited
Garages and storage premises	Unlimited
Dwellings of persons made bankrupt	Unlimited
Visiting forces	Unlimited
Dwellings occupied by severely mentally impaired persons	Unlimited
Prisons	Unlimited
Prescribed housing support services accommodation	Unlimited

Answer:

Please tell us about exemptions that you feel should apply and give reasons for your answer. Do not include exemptions that are already provided for.

The Commission does not have a comment on other exemptions that should apply.

Question 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?

More information:

A non-exhaustive list of potential factors might be:

- numbers, percentages and distribution of long-term empty homes throughout a local area
- potential impact on local economies and the community
- patterns of demand for, and availability of, affordable homes
- potential impact on local public services
- impact on neighbours and local residents

Councils may also decide not to use the powers or to disapply a premium for a specific period of time. A non-exhaustive list of examples of where a council might do this include:

- where there are reasons why a home could not be sold or let
- where an offer has been accepted on a home but the sale has not yet been completed and the exception period has run out
- if the home has been empty for longer than 12 months but has been recently purchased by a new owner that is actively taking steps to bring the home back into use
- if an owner has submitted a timely planning application or is undergoing a planning appeal that is under consideration by the council or Scottish Government. This means they cannot undertake work to bring the home back into use until that process is concluded
- where charging a premium might cause hardship or act as a disincentive to bringing the home back into use e.g. where extensive repairs are actively being carried out

Answer:

Please list factors and give reasons for your answer.

Similarly to our response to question 5 on second homes, the Commission broadly welcomes these factors, but also emphasises that it is important for councils to also consider: 1) The level and geographic distribution of poverty in their area and how any premium on council tax for empty homes is anticipated to affect this; and 2) an assessment of the unintended consequences of any changes to the empty homes premium.

Question 12

If you do, or were to, own a home that has been empty for longer than 12 months, please tell us what you would do if your council decided to increase the maximum council tax charge above 100% premium?

More information:

Council tax premium:

- 100% premium is the same as double the normal rate of council tax. This is the current maximum councils can decide to charge. This question asks what you would do if councils are given powers to charge more than this e.g. up to 300% premium/ four times the normal rate and the council where your empty home is located decided to apply an increase.
- You may find it helpful to view what we mean by some of the options given e.g. short-term lets and private residential tenancies.

Short-term lets:

- In this consultation, short-term lets is a term used to refer to the whole or part of accommodation provided to one or more guests on a commercial basis that does not become the main residence of the guest/s. Self-catering accommodation is a type of short-term let and may be liable for council tax or non-domestic rates depending on the number of days they are available to let and actually let in the financial year.
- Self-catering accommodation must be available for let for 140 days or more and actually let for 70 days or more in the financial year, to be exempt from council tax and liable for non-domestic rates

Private residential tenancies:

- A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- Leave the home empty and pay the higher council tax
- Sell the empty home
- Use the home as a private residential tenancy
- Use the home as a short-Term Let

Other (specify)

See reason below.

The Commission is not an entity that would or could own an empty home.

However, in relation to this question and also questions 6, 19 and 20, the Commission wants to offer strong caution around how the data gathered from this question is interpreted and used by the Scottish Government and COSLA.

The information gathered for these questions should not be used to make strong inferences about likely real-world behavioural change by empty or second home owners in response to any premium changes or changes to the non-domestic rates threshold. This is because:

1). The Commission is aware from its broader work on tax that responses to self-selecting consultation on reforms to council tax tend to attract negative responses (i.e. against reform) from those who are concerned they will lose out from any changes. These individuals have a right to put forward these arguments to the Scottish Government and COSLA, however it is important to put these concerns in context as they will not be representative of the broader population.

2). Behaviours stated in advance about what individuals are likely to do (as seems to be the intent behind these questions) in a consultation response that seek to advocate for a particular position (for example, against reform) are very likely to differ significantly from actual behaviours, should the proposals actually come into effect. Hence aggregate results from these questions should be interpreted with extreme caution.

The Commission recommends that the best way to get answers to the intent behind the kinds of questions is through the economic evidence based on observed (not just stated) changes from other jurisdictions that have implemented similar policies, potentially supplemented by modelling based on economic theory.

Please give reasons for your answer.

Question 13

Do you think that the letting thresholds for self-catering accommodation for non-domestic rates should be changed?

More information:

The owners, tenants or occupiers of self-catering accommodation (who may be businesses, the public or the third sectors) may be liable for either council tax or non-domestic rates. This includes owners of second homes who use them for self-catering accommodation.

The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

The Poverty and Inequality Commission does not have a view on this specific definition.

Question 14

If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must actually be let for should be?

More information:

The current threshold is self-catering accommodation must actually be let for 70 days in the financial year.

Answer:

- 50 days
- 100 days
- 140 days
- 180 days
- Other (specify)

n/a

Please give reasons for your answer.

n/a

Question 15

If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must be available to let should be?

More information:

The current threshold is self-catering accommodation must available to let for 140 days in the financial year.

Answer:

- 120 days

- 160 days
- 200 days
- 250 days
- Other (specify)

n/a

Please give reasons for your answer.

n/a

Question 16

Do you think councils should have discretion to change the self-catering accommodation 'days actually let' threshold, for their local area?

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.

As per responses to previous questions, the Commission believes that the nature of the issues of the interactions between non-domestic rate classification and potentially increasing council tax premiums for second and empty homes are complex and driven by a range of local circumstances. For this reason the Commission considers that most of these kind of decisions would be difficult to optimally determine at the national level. This maximises local flexibility, but this must also be part of an offer that increases accountability for delivery of priorities such as poverty reduction, and responsibility when using these enhanced powers.

Question 17

If you answered yes to question 16 do you think that councils should have discretion to:

Answer:

- Increase the number of days actually let only
- Decrease the number of days actually let only
- Increase or decrease the number of days actually let

Please specify if you think councils should have discretion to do something else

Please give reasons for your answer

As per the responses to previous questions, the Commission does not see a good reason and has not seen any evidence on why there should be national level constraint on the number of days let threshold, particularly in only one direction. This would limit the ability of councils to take decisions based on their circumstances and so they should have discretion to raise or lower the threshold.

Question 18

Do you have any other comments on the non-domestic rates system in respect of self-catering accommodation?

Answer:

Please provide your views

The consultation document and the questions asked in this consultation highlight the issue of behavioural responses to rises in council tax premiums for second and empty homes and their interactions with non-domestic rates and associated reliefs.

The Commission considers this a concern that has the potential to undermine the policy objectives that councils might seek to fulfil in raising premiums on second or empty homes. To address this concern, the Commission makes an additional proposal of a minimum tax liability to address the interaction between council tax and non-domestic rates.

This minimum tax would operate in the following way: where a property classed as self-catering accommodation for the purposes of non-domestic rates, they must be liable for a minimum tax equivalent to the total council tax liability (including premiums) they would otherwise be subject to.

This would remove the incentive for switching classifications from council tax to non-domestic rates (and associated reliefs) in order to avoid higher council tax liabilities. While this issue is important under arrangements as they stand at present, it will become increasingly so if councils look to set higher council tax premiums for second and empty homes such as those discussed under these consultation proposals. If such a change is not made, the potential revenue raising and flexibility benefits to councils will be significantly undermined, as they will be actively incentivising tax avoidance in a way that is only available to those who own and let multiple property assets.

Question 19

If you do, or were to, own a second home please tell us what you would do in the event that the applicable rate of council tax and non-domestic rate thresholds both increased?

More information:

The current threshold for defining premises as self-catering holiday accommodation

n/a

liable for [non-domestic rates](#) is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- The home is already used as a private residential tenancy
- I would continue to use it purely for personal use and pay the higher rate of council tax
- I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax
- My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds
- My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. Rather than revert to paying council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds
- My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation and let it for the number of days I needed to in order to be liable for non-domestic rates
- I use my second home purely for personal use but I would change its use to a private residential tenancy
- I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy
- I would seek reclassification as an empty home and pay council tax
- I would sell the second home
- Other (specify)

See response to question 12.

Please give reasons for your answer.

Question 20

n/a

If you do, or were to, own a second home please tell us what you would do in the event that:

- a) council tax powers remained as they are for second homes (i.e. no provision for councils to charge a premium), but
- b) the 'thresholds' to be classed as self-catering holiday accommodation for Non-domestic rates purposes increased?

More information:

The current threshold for defining premises as self-catering holiday accommodation liable for [non-domestic rates](#) is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- The home is already used as a private residential tenancy
- I would continue to use it purely for personal use and pay council tax
- I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax
- My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds
- I use my second home as self-catering accommodation (above the current non-domestic rates threshold). If I was not able to meet the new thresholds, I would change its use to a private residential tenancy
- I would seek reclassification as an empty home and pay council tax
- I would sell the second home
- Other (specify)

See response to question 12.

Please give reasons for your answer:

Question 21

Please tell us how you think changes to council tax and/or non-domestic rates thresholds for self-catering accommodation might affect businesses in your area.

Answer:

Please provide your views

n/a – The Commission provides advice and scrutiny at a national level

Question 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).

More information:

We have prepared a partial Business Regulatory Impact Assessment and undertaken screenings to initially consider other impacts. We would welcome your views and comments to help us expand on these assessments.

Answer:

Please provide your views

As previously stated, the Commission considers council tax to be outdated and regressive, and requiring of more fundamental reform beyond the scope of the proposals currently being consulted on. Allowing councils flexibility in setting premiums for second and empty homes, combined with the other reforms suggested in this consultation response, is likely to raise modest revenue for local authorities and given the profile of those who own second homes, is likely to be progressive.

However, this fiscal empowerment also needs to come with greater accountability for local authorities to use these enhanced powers responsibility on their priorities. This is particularly the case for council tax debt, see response to question 24.

Question 23

Please tell us how you think the changes identified might affect island communities.

More information:

We have prepared a partial Island Communities Impact Assessment and undertaken screenings to initially consider other impacts. We would welcome your views and comments to help us expand on these assessments.

Answer:

Please provide your views

n/a

Question 24

Do you think there are any equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation?

- Yes
- No
- Don't know

Please give reasons for your answer.

The Commission makes two further points on equality, human rights and wellbeing impacts. These are related to the principles that have run through this consultation response: that councils should have greater fiscal empowerment and flexibility, but also greater accountability and responsibility when exercising these powers.

1). It is important to the Commission that increasing premiums and reforming council tax for second and empty homes (and related action on non-domestic rates) are progressive in themselves, and also that any revenues raised are used in a way that maximises the impact on reducing poverty and inequality. Based on what is known about the ownership of second homes, the Commission is reassured that actions to increase these premiums are likely to be progressive – providing unintended consequences, some of which have been discussed in this response, are thoroughly assessed by councils before implementing change.

The Commission remains to be assured that revenues raised will be used in a way that maximises the impact on poverty and inequality, as the wider fiscal environment raises serious challenges to this aim. The Commission has noted in its recent [statutory scrutiny](#) of the Scottish Government's progress on child poverty that a substantial implementation gap between aspiration and delivery exists, and that this gap in large part arises due to funding challenges. While this scrutiny is of Scottish Government rather than local authorities themselves, the Commission has related concerns around the fiscal position of local authorities (who have responsibilities for delivering large parts of the Scottish Government's agenda on poverty reduction). There will be no shortage of areas within and across councils in Scotland that can make a reasonable and justified case to receive a share of any revenues raised from premium increases. In order to have the most positive equality impact in the current fiscal environment, councils will still need to make difficult decisions and focus on the best evidenced and best value interventions to reduce poverty and inequality, and should be able to demonstrate this to the citizens that are liable for such taxes.

2). The Commission and members of our Experts by Experience Panel are concerned over the punitive way public debt is pursued, in particular council tax debt. The Robertson Trust have recently documented [the scale of this in Scotland](#) and recent qualitative [research published by Aberlour](#) tells us about the profound impact council tax debt and the way it is managed can have on low income families.

The Commission has [previously recommended](#) that the public sector should be held to the same standard as the private sector on debt management and recovery. A [pilot from Gateshead](#) suggests what reform could look like in practice and what some of the benefits could be.

The greater fiscal empowerment for councils that could arise from the proposals in this consultation should go hand-in-hand with reform of the way public debt, including council tax debt, is managed. As it stands there is evidence that the status quo is having serious adverse impacts on low income households, and rectifying this must be a priority that goes along with greater empowerment.

Much of the work that has been done on Scotland on council tax and public debt has been done by the third sector, including work that has been led by one of our Commissioners, Professor Morag Treanor. Reform of debt management practices would be aided by the Scottish Government and COSLA developing the evidence base and implementing a process for councils to report, in a consistent fashion, on their approach to the management and pursuance of debt. This should include data on the chosen council tax premiums for empty and second homes; on comparative payments under non-domestic rates; bringing this together with data on homelessness and housing availability and prevalence of short-term letting; and on the extent of enforcement measures for council tax, disaggregated by council tax band and premium type, and on the prevalence of different demographic groups by council tax band/premium. This would allow a better understanding of the equality impacts of the changes being consulted on, and also have wider benefits for improved public understanding and transparency of local taxation on Scotland.

Question 25

Is there anything else you would like to tell us in relation to this consultation?

Answer:

Please provide any further comments on the proposals set out in this consultation in the box below.

n/a

About you

Please tell us which of the following categories best describe you (select all that apply):

- Owner of a Second Home
- Owner of a Long-term Empty Home
- Short-Term Let/Self-Catering accommodation operator
- Council or Assessor
- Organisation e.g. third sector or industry body
- Member of the Public

- Other, please specify

- Organisation e.g. third sector or industry body

Please tick whichever council areas apply to you (or select all of Scotland)?:

- Aberdeen City
- Aberdeenshire Council
- All of Scotland
- Angus Council
- Argyll and Bute Council
- City of Edinburgh Council
- Clackmannanshire Council
- Dumfries and Galloway
- Dundee City Council
- East Ayrshire Council
- East Dunbartonshire Council
- East Lothian Council
- East Renfrewshire Council
- Falkirk Council
- Fife Council
- Glasgow City Council
- Highland Council
- Inverclyde Council
- Midlothian Council
- Moray Council
- Na h-Eileanan Siar Council
- North Ayrshire Council
- North Lanarkshire Council
- Orkney Council
- Perth and Kinross Council
- Renfrewshire Council
- Scottish Borders Council
- Shetland Council
- South Ayrshire Council
- South Lanarkshire Council
- Stirling Council
- West Dunbartonshire Council
- West Lothian Council

- All of Scotland