



HFS response to Council Tax on Long-Term Empty Properties consultation

Homes for Scotland is the authoritative voice for the home building industry. With a membership of 160 organisations together providing 95% of all new homes built for sale in Scotland each year, we are committed to improving living in Scotland by providing this and future generations with smart and sustainable homes where people want to live.

Recognising the acute shortage of homes in Scotland, Homes for Scotland is supportive of the Scottish Government's aspiration to bring long-term empty homes back into use. We are particularly supportive of the proposal within this consultation for the revenue raised from the changes in council tax charging to be ring-fenced within authorities to fund new housing supply.

We welcome the opportunity to comment on this paper and any other proposals coming forward in pursuit of this aim. It is crucial that any new policies or regulation is targeted correctly to avoid any wider unintended and unfavourable outcomes. For this reason our response is focused on the introduction of appropriate, Scotland wide exemptions.

We appreciate that it will be up to the Council whether or not to implement a Council Tax levy and/or reduced discount as soon as a property has been empty for six months, but this response has been drafted on the basis that the Local Authority is likely to exercise this power and that it is crucial that appropriate exemptions are agreed on a national basis.

We should first point out that we are pleased that the status quo is being retained in that all empty homes which are unfurnished should continue to be exempt from council tax for the first six months. The six month exemption should protect our members in *most* cases from exposure of council tax bills when new homes are being sold.

We support your proposal to introduce exemptions to extend the period that the home is exempt for properties that are currently being marketed for sale. We note that the proposal is for an additional 12 months but would suggest that this proposed time is lengthened for an exemption for new build homes for up to an additional 18 months (therefore 24 months in total). This extension is crucial for new builds as in large developments, particularly when apartments are built, homes can be 'stock' for a considerable period of time before they are sold. There is also evidence of a number of sales that have fallen through due to mortgage declines at the last minute

- this unavoidably extends the period of time a new build home may lay empty through no fault of the developer. It is hoped that an exemption offering an additional 18 months would offer adequate protection covering all eventualities.

We appreciate that you are proposing that the Council has the discretion to decide whether the current owner has reasonable grounds to receive the exemption on an individual basis i.e. are they genuinely trying to sell and marketing the property at a realistic price based on home report valuation? We understand the reasons for this approach in the second hand market. We would, however urge the Scottish Government to introduce a specific exemption across Scotland for new build homes.

Home builders are in the business of building homes for sale. The downturn in the market and the introduction of new funding arrangements/incentives has demonstrated starkly how hard the home building industry works to achieve house sales. The downturn has also shown that in extreme circumstances external forces have meant that completed housing units can be left 'on the shelf' for long durations of time. During these times the home builder will already be struggling to manage costs with a limited cash flow. The introduction of a council tax charge for these properties could have a significant detrimental effect and make a specific exemption important.

More recently, as a further consequence of market circumstances, home builders have been building homes for occupancy rather than assuming sale whether that be through the National Housing Trust, Rent-to-buy or other rental models. Again financial appraisals will have been modelled on an assumed income from the properties and any sustained period of un-occupancy will have significant impact on the home builders financial position. For that reason the home builder will inevitably be doing what they can to remarket the property, whether for a new tenancy or for sale. It is crucial that the home builder is not exposed to further loses through the introduction of a council tax levy on these units.

In proposing the specific exemption for new build homes, we would also urge the Scottish Government to impose the exemption Scotland wide and to remove Local Authorities power to assert flexibility in this case. If this is not possible, at the very least we would strongly encourage the Scottish Government to issue clear guidance to Local Authorities on the use of a new build home exemption.

In closing, it is important to remember that the home building industry is a significant employer in the Scottish economy - keeping a work force gainfully employed. It is important that the Scottish Government continue to support the financial health of the industry and not impose any additional costs at this time. Any policy decision should take a longer term, wider view and not merely focus on revenue from short term council tax gains on unoccupied new homes.

If further information is required in support of this response we would be happy to meet with Scottish Government. Similarly we would be happy to assist with the drafting of the definition of the exemption for new build homes.