

REPORT

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Council Tax for Extended dwellings, Second Homes and Annexes

1. Report Summary:

1.1 This report is prepared at the request of the Chairman of the Western Area Committee, Councillor Mrs Spencer and Councillor Mr E Draper in relation to two aspects:

- What is the process for banding dwellings that have been extended.
- What is the process for banding annexes.

2. Banding dwellings that have been extended:

2.1 Section 24 of the Local Government Finance Act provides the regulations for dealing with the alteration of the lists. (“Lists” refer to the listings held by the Valuation Officer for all property bands). No alteration of a valuation band may be made in respect of a dwelling unless there has been a “material increase/decrease” in the value of the dwelling and a “relevant transaction” has subsequently been carried out in relation to the whole or any part of the dwelling.

2.2 A “material increase” is defined as any increase that is caused by any building, engineering or other operation carried out in relation to a dwelling, regardless of planning permission.

2.3 A “material decrease” means any reduction that is caused by demolition of any part of the dwelling, any change in the physical state of the dwellings locality or any adaptation of the dwelling to make it suitable for use by a physically disabled person.

2.4 A relevant transaction means a transfer of sale or a grant of a lease for a term of 7 years or more.

2.5 Local Authorities have a duty to report dwelling alterations to the Valuation Officer. However, these alterations will only impact on the Council Tax band if there is a change of ownership and the alterations are such that they warrant a banding change. All property values for Council Tax purposes are based on property valuations from 1991. It must be borne in mind that the property bands are fairly wide, this was purposely so in order to avoid changes to the bands. (The table below sets out current bands and value ranges)

Range of Values	Valuation Band
Up to £40 000	A
Over £40 000 up to £52 000	B
Over £52 000 up to £68 000	C
Over £68 000 up to £88 000	D
Over £88 000 up to £120 000	E
Over £120 000 up to £160 000	F
Over £160 000 up to £320 000	G
Over £320 000	H

3. Banding dwellings with annexes:

- 3.1** Where alterations are carried out to a dwelling, and as a result of those alterations, an annex is created (i.e. a separate dwelling), that annex will be given an individual band by the Valuation Officer, normally a band A category.
- 3.2** With effect from 1997, an annex is exempt from payment of Council Tax if it forms part of a single property and is the sole or main residence of a dependant relative of a person who is resident in the other dwelling. A dependant relative for this purpose is someone who is aged 65 years or more, or is severely mentally impaired or is substantially and permanently disabled.
- 3.3** Any other annex or separate dwelling would be subject to payment of Council Tax, either in the form of a second home, which attracts a 10% discount, or full payment if the property is let or does not fit the criteria for an exemption. The definition of a second home is one that is not used as the owner's sole or main residence and the owner pays Council Tax elsewhere.
- 3.4** The Local Authority again has a duty to report all changes to dwellings to the Valuation Officer. The Valuation Officer determines at the point of his visit as to whether the annex should be separately banded. Upon receipt of his information relating to the banding, the Local Authority can then apply the exemption or issue the bill. These exemptions are reviewed annually by the Local Authority and where it is apparent that the exemption is no longer appropriate, the exemption will be terminated and a bill will be issued.

4. Recommendation: To note the report for information only

5. Background Papers: None

6. Implications:

- Financial: None
- Legal: None
- Personnel: None
- Community Safety: None
- Council's Core Values: Fairness & Equality.
- Ward(s) Affected: All
- Consultation Undertaken: None