

**THE COUNCIL TAX REGIME**

- 1 The Council Tax regime, introduced by the Local Government Finance Act 1992, is primarily a tax on domestic property but the number of residents in a given property is a factor in determining how much a household pays. All domestic properties in the borough have been assigned by the Valuation Office Agency of HMRC to one of eight value bands, with properties in the lowest band (A) being liable for the lowest bills and those in the highest band (H) for the highest. The difference in the proportion of tax paid at each band level is fixed by statute in broadly the following ratios.

<b>Band A</b> 0.7	<b>Band B</b> 0.8	<b>Band C</b> 0.9	<b>Band D</b> 1.0
<b>Band E</b> 1.2	<b>Band F</b> 1.4	<b>Band G</b> 1.7	<b>Band H</b> 2.0

- 2 The Council is required to determine the tax at the Band D level, by reference to the previously agreed tax base which expresses all domestic properties in the borough in terms of Band D equivalents adjusted for estimated losses on collection. The basic tax for each property is then determined by applying the appropriate ratio to the Band D tax figure. However, overlaying this is a complex system of discounts. In addition, there is a hierarchy of persons liable to pay the tax on any property, so that liability is not always easy to determine.
- 3 Properties were valued for Council Tax purposes by reference to their market value on 1<sup>st</sup> April 1991 and the movement in market values since that date should have no impact on relative valuations and hence on the bills facing individual households. The market values determining the band to which each property has been assigned are as follows:

	<b>Property Band Value (£000)</b>
A	40 or under
B	40 – 52
C	52 – 68
D	68 – 88
E	88 – 120
F	120 – 160
G	160 – 320
H	Over 320

4. Bills are discounted by 25% if there is only one adult resident in the property, and between 0% and 100% if the property is unoccupied, or a second home. Local Authorities have discretion to reduce the discounts awarded for long term empty properties and second homes. With effect from 1 April 2012 Hackney decided to withdraw the discount for long term empty properties where any appropriate exemption has expired and reduce the discount to 10% for second homes. Further discretion was allowed from 1 April 2013 and it was agreed at Council on 30 January 2013 that Hackney reduced the discount to 0%. Further changes came into effect from 1 April 2013 giving authorities discretion to charge Council Tax on other empty property types and it was also agreed at Council on 30 January 2013 that Hackney replaced the exemption period of 12 months available to owners of vacant properties which are either uninhabitable or undergoing structural alteration with a discount of 25% for 12 months and replaced the exemption period of 6 months available to owners of vacant, habitable property with a discount of 100% for the first month with the full charge payable after that. A further change agreed by Council was that with effect from 1 April 2013 a premium of 50% in addition to the Council Tax be charged to owners of homes which have been empty for two years or more. From 1 April 2019 further discretion was allowed to increase the premium to 100% and the Council adopted this at the meeting on 21 January 2019; and this was extended by the Government to 200% for properties empty for 5 years, effective from 1 April 2020, which the Council adopted in January 2020. Finally, the Council also applies a discount for Care Leavers under 25, reducing bills to zero where qualifying conditions have been met.
  
5. The number of resident adults in a property will in many instances be a notional figure since there are several categories of residents who are disregarded for this purpose. Persons in these categories of disregarded adults include those who are severely mentally impaired, schoolchildren aged 18 or over, apprentices, trainees and student nurses, resident care workers provided by a charitable body, and persons in detention or in long-term residential care. Many low-income families will nevertheless benefit significantly from eligibility for the Council Tax reduction scheme, with reductions of up to 85% of the tax. Joint and several liability for the payment of the Council Tax applies to any person falling into the same category in the hierarchy of liability as the liable person to whom the bill is sent. This hierarchy of liability is:
  - Resident freeholder
  - Resident leaseholder
  - Resident statutory or secure tenant
  - Resident with a contractual licence to occupy
  - Other resident
  - Owner