

Explanatory Memorandum on the Council Tax (Amendments Relating to Discount Disregards and Exempt Dwellings) (Wales) Regulations 2022

This Explanatory Memorandum has been prepared by the Local Government Finance Reform Division of the Welsh Government and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Council Tax (Amendments Relating to Discount Disregards and Exempt Dwellings) (Wales) Regulations 2022.

Rebecca Evans MS
Minister for Finance and Local Government
30 June 2022

PART 1

1. Description

- 1.1 The Council Tax (Amendments Relating to Discount Disregards and Exempt Dwellings) (Wales) Regulations 2022 (the Regulations) ensure that host households who offer accommodation to people from Ukraine under the 'Homes for Ukraine Scheme' do not incur any additional council tax costs.

2. Matters of special interest to the Legislation, Justice and Constitution Committee

- 2.1 None.

3. Legislative background

- 3.1 Under section 4 of the Local Government Finance Act 1992 ('the 1992 Act') council tax is payable in respect of dwellings which are not exempt. The Council Tax (Exempt Dwellings) Order 1992 (SI 1992/558, 'the Exempt Dwellings Order') prescribes classes of dwellings which are exempt from council tax.
- 3.2 Section 11 of the 1992 Act makes provision for a discount to be applied to the amount of council tax payable equal to the appropriate percentage when there is only one resident of a dwelling or where all residents (or all but one) are to be disregarded. Where there is no resident of the dwelling or where there are one or more residents of the dwelling and each of them falls to be disregarded for the purposes of discount, the amount of council tax payable is subject to a discount of twice the appropriate percentage. The appropriate percentage is set out in section 11(3) of the 1992 Act and is 25%.
- 3.3 Schedule 1 to the 1992 Act makes provision for persons who are to be disregarded for the purpose of calculating entitlement to a council tax discount. Paragraph 11 of Schedule 1 provides a power to the Welsh Ministers to prescribe further persons who may be disregarded. Regulations 4 and 5 of the Council Tax (Additional Provisions for Discount Disregards) Regulations 1992 (SI 1992/552, 'the Discount Disregards Regulations') prescribes additional classes of person who are to be disregarded for the purpose of calculating entitlement to a council tax discount in Wales.
- 3.4 Regulation 2 of the Regulations amends the Discount Disregards Regulations to prescribe persons sponsored under the Homes for Ukraine scheme as a class of persons to be disregarded.
- 3.5 Regulation 3 amends the Exempt Dwellings Order to ensure that a person being accommodated in an exempt dwelling under the Homes for Ukraine scheme does not affect the exempt status of the dwelling.

4. Purpose and intended effect of the legislation

- 4.1 The Welsh Government has committed to ensure that the council tax bills of households who host people under the Homes for Ukraine scheme are not affected by their offer to provide support to people seeking safety from the war.
- 4.2 Council tax bills are based on an assumption that the dwelling is occupied by two adults. The amount charged can be affected by the application of exemptions, discounts and premiums relating to the condition and occupancy of the dwelling. Disregards – which exclude a person with specified characteristics from consideration when discounts are calculated or exemptions applied – are also available.
- 4.3 Examples of exempt dwellings include homes occupied only by students, and empty properties previously occupied by a person now residing in a care home, hospital or hostel. The most commonly provided discount is the 25% ‘single person discount’. Disregards are applied to a range of people, for example students sharing a home with non-students and people with a severe mental impairment.
- 4.4 A sponsored individual or family arriving via the Homes for Ukraine scheme may affect the bill of the household sponsoring them. For example, the single person discount or an exemption could be lost.
- 4.5 The Regulations amend the Discount Disregards Regulations so that a person who has secured a visa under the Homes for Ukraine sponsorship scheme is disregarded for the purpose of calculating a council tax discount. This will protect the sponsor’s single person discount, where relevant, and the 50% discount received by a sponsor household where all the occupants are already disregarded.
- 4.6 They also amend the Exempt Dwellings Order so that there is no loss of an existing exemption where a household hosts a person who has secured a visa under the Homes for Ukraine sponsorship scheme.

5. Consultation

- 5.1 No time was available for formal consultation. The Welsh Government had previously received representations from local authorities highlighting the possibility of sponsor households losing discounts and exemptions as a result of taking part in the Homes for Ukraine scheme and requesting that we take action to prevent this. On 13 April 2022, the Minister for Finance and Local Government wrote to local authorities confirming the Welsh Government’s intention to make these Regulations.

6. Regulatory Impact Assessment (RIA)

6.1 This Regulatory Impact Assessment presents two options with all costs and benefits quantified based on information and data available to the Welsh Government leading up to publication.

Option 1: Business as usual

Under this option, households who host people under the Homes for Ukraine scheme would risk losing existing exemptions and discounts on their council tax bill.

Option 2: Legislate to ensure existing exemptions and discounts are maintained

This option will ensure there is no change to the council tax bill of households who host people under the Homes for Ukraine scheme.

Costs and benefits

Option 1: Business as usual

6.2 This is the baseline option and as such there are no additional costs or benefits associated with this option. There is a risk however that households who choose to host people from Ukraine may be required to pay more in council tax than would otherwise have been the case.

Option 2: Legislate to ensure existing exemptions and discounts are maintained

6.3 Under this option, the amount of council tax revenue collected by local authorities in Wales would be lower than under the baseline scenario. However, council tax revenues are not expected to be any different compared to a scenario in which no people were accommodated as a result of the war in Ukraine.

6.4 The number of households in Wales hosting people from Ukraine as part of the scheme is approximately 1,630 as of 17 June 2022, based on the number of unique sponsors located in Wales. There is no information currently available on the number of sponsor households who would be eligible for an exemption or discount on their council tax bill. Nearly 40% of all households across Wales are currently eligible. The impact on council tax revenue in any given local authority is expected to be neutral.

6.5 This option ensures there are no financial penalties or disincentives in the operation of council tax which might discourage households from hosting people who are fleeing from the war in Ukraine.

6.6 Option 2 is the preferred option.

Competition Assessment

6.7 The Regulations are not expected to impact on levels of competition in Wales or the competitiveness of Welsh firms.