EXPLANATORY MEMORANDUM TO

THE COUNCIL TAX (DISCOUNT DISREGARDS AND EXEMPT DWELLINGS) (AMENDMENT) (ENGLAND) REGULATIONS 2025

2025 No. 242

1. Introduction

1.1 This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Jim McMahon OBE MP, Minister for Local Government and English Devolution at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Michelle Warbis, Deputy Director for Local Taxation and Pensions, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Nick Littlewood at the Ministry of Housing, Communities and Local Government, Email: nick.littlewood@communities.gov.uk, can be contacted with any queries regarding this instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Council Tax (Additional Provisions for Discount Disregards) Regulations 1992 ("the Discount Disregards Regulations") and the Council Tax (Exempt Dwellings) Order 1992 ("the Exempt Dwellings Order"). This instrument ensures that households will not lose council tax discounts or exemptions by hosting a sponsored person with a Ukraine Permission Extension immigration permission (UPE) in connection with the Homes for Ukraine (HfU) scheme.[1] The Secretary of State announced the Homes for Ukraine scheme to Parliament on 14 March 2022.[2]

Where does the legislation extend to, and apply?

[1] Sponsored persons are defined by reference to another person being eligible for a thank you payment in connection with the Homes for Ukraine Scheme.

[2] https://hansard.parliament.uk/commons/2022-03-14/debates/8B28287A-F683-4F80-8A1F-AA1016D92B27/UkraineSponsorshipScheme.

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England only.

5. Policy Context

What is being done and why?

5.1 The instrument amends existing legislation to ensure that persons with a UPE immigration permission do not affect the council tax discount or exemption of a person hosting them in connection with the Homes for Ukraine scheme.

5.2 The UPE immigration permission was announced by the Home Office on 18 February 2024 and came into operation on 4 February 2025. It allows eligible Ukrainian nationals or their family members already in the UK to continue living here for up to a further 18 months. Eligible people will begin moving to UPE in late March 2025 as their original permissions begin to expire. From late March 2025 a cohort of HfU immigration permission holders will move to a UPE permission and remain in sponsorship, living in accommodation provided by a host.

5.3 A council tax bill is based on an assumption that two people live in a household. The bill can be reduced by the application of disregards, discounts and exemptions. A disregard refers to an instance when an individual is not counted when the council determines the number of people living in a property, potentially leading to a discount. A discount refers to the removal of a proportion of a household's bill where specific criteria are met, most notably the 25% discount which applies where there is only one occupant. A council tax exemption refers to a situation when a dwelling is not liable for council tax because of its characteristics or those of its occupants.

5.4 This instrument provides that where a host is eligible for a thank you payment under guidance published by the Ministry for Housing, Communities and Local Government, on 24 February 20253, their guest is to be disregarded. This means that the guest will not affect a host's single person discount, when they transition from a HfU immigration permission to a UPE immigration permission. The disregard also means that if guests form their own household in accommodation provided by the host, the council tax bill will be reduced by 50%. Finally, the instrument ensures that hosting the guest will not affect any council tax exemption applying to their accommodation.

5.5 Where the guest leaves the sponsorship arrangements part way through a calendar month, the disregard and protection of exemption will expire at the end of that month.

5.6 Local authorities are responsible for determining whether the eligibility criteria in the guidance are met, and for applying any disregard or exemption.

[3] Homes for Ukraine: Ukraine Permission Extension scheme - guidance for councils, published 24 February 2025, https://assets.publishing.service.gov.uk/media/67bc95a998ea2db44faddda6/UPE_guidance_for_councils_PDF.pdf.

5.7 The existing protection for the hosts of guests with a HfU immigration permission was put in place by the Council Tax (Discount Disregards and Exempt Dwellings) (Amendment) (England) Regulations 2022 ("the 2022 Regulations").4 This instrument does not alter this protection.

What was the previous policy, how is this different?

5.8 The underlying policy to ensure that households will not lose council tax discounts, exemptions or support by hosting a person in connection with the Homes for Ukraine scheme remains unchanged. The 2022 Regulations created a disregard and exemption protection for any person holding a HfU immigration permission. In addition, the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2023 provided that monthly thank you payments received by a host of sponsor should not affect any application they make for a council tax reduction.5

5.9 Further changes to the Discount Disregard Regulations and Exempt Dwellings Order are required to allow the hosts of persons with a UPE immigration permission to receive the same council tax discounts and exemptions as they would if their guest held a HfU immigration permission. No changes are required in relation to the operation of council tax reduction schemes.

6. Legislative and Legal Context

How has the law changed?

6.1 Under Part 1 of the Local Government Finance Act 1992 ("the 1992 Act") council tax is payable in respect of dwellings which are not exempt. The Exempt Dwellings Order prescribes classes of dwellings which are exempt from council tax. Section 11 of the 1992 Act makes provision for discount in the amount of council tax payable where there is only one resident of a dwelling or where all residents (or all but one) fall to be disregarded. Schedule 1 makes provision for persons who are to be disregarded. Regulation 3 of the Discount Disregards Regulations prescribes additional classes of person who are to be disregarded.

6.2 Regulation 2 amends the Discount Disregards Regulations to expand existing Class G in those Regulations to include persons who previously held permission under the Homes for Ukraine Scheme and in respect of whom a person is eligible to receive a thank you payment under the relevant Government guidance. Hard copies of the guidance may be obtained free of charge by writing to the Ministry of Housing, Communities and Local Government, Fry Building, 2 Marsham Street, London SW1P 4DF.

6.3 Regulation 3 amends the Exempt Dwellings Order to expand the definition of "relevant Ukrainian person" to ensure that a person in respect of whom a person is eligible for a government thank you payment being accommodated in an exempt dwelling does not affect the exempt status of the dwelling.

[4] S.I. 2022/439. The Explanatory Memorandum provides the background to those provisions.
[5] S.I. 2023/16: https://www.legislation.gov.uk/uksi/2023/16/regulation/5/made.

Why was this approach taken to change the law?

6.4 The 2022 Regulations ensured that guests provided with accommodation in connection with the HfU scheme did not affect a host/ sponsor's council tax or exemption. Ensuring these protections mere maintained where a guest moved to a UPE immigration permission could not be done without amending legislation. Making minor changes to the existing provisions using Secretary of State's powers is the most straightforward way of doing this.

6.5 Linking the disregard or exemption to eligibility for a thank you payment as determined by a local authority on the basis of fixed dated guidance provided by the Ministry allows the protection to be targeted on the hosts or sponsors of UPE immigration permission holders who continue to be in sponsorship arrangements entered into under the HfU scheme, rather than on UPE immigration permission holders in general.

7. Consultation

Summary of consultation outcome and methodology

7.1 This instrument maintains the existing policy and the approach of the previous regulations and has not been subject to specific consultation.

7.2 However, representations about the need to continue to disregard guests during UPE were heard through the Ministry of Housing, Communities and Local Government's (MHCLG) standing resettlement engagement forums. The Department heard widespread support for ensuring those sponsor/hosts who open up their homes to Ukrainians seeking sanctuary in the UK are not put at a financial disadvantage.

7.3 MHCLG's engagement with local authorities has also shown that disregarding guests for the purposes of council tax discounts has constituted a significant element in our package of incentives for sponsors/hosts to come forward and support local authorities with homelessness prevention. Local authorities were keen for the disregard to continue once guests transitioned to UPE to avoid the need to provide temporary or emergency accommodation due to sponsorship breakdown. Overall, the Ministry understands that the disregard has contributed to the wider success of the scheme. The concept and delivery of council tax disregards and exemptions in relation to HfU sponsorship is well understood by local authorities and the sector will welcome the clarity provided by this instrument.

8. Applicable Guidance

8.1 The Ministry will write to billing authorities confirming the changes made by this instrument. The Ministry has already published guidance relating to the operation of the HfU scheme and the introduction of the UPE immigration permissions. It also undertakes regular engagement with local authorities about the operation of the scheme.[6]

[6] https://www.gov.uk/government/collections/homes-for-ukraine-council-guides.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because there will be no impact of business.

Impact on businesses, charities and voluntary bodies

9.1 There is no, or no significant, impact on business, charities or voluntary bodies.

9.2 The legislation does not impact small or micro businesses.

9.3 The impact on the public sector is minimal. This instrument will maintain existing policy and ensure that sponsor households' discounts and exemptions are not affected by hosting a guest with a UPE immigration permission in connection with the HfU scheme. This will require billing authorities to determine whether the host or sponsor is eligible for a thank you payment. They already do this as part of their responsibilities for administering the HfU scheme. There will be no other impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the Government will keep the Regulations under review to ensure that sponsor households do not experience any impact on their council tax discounts and exemptions. It is intended that these provisions will have effect for the duration of the Ukraine Permission Extension scheme.

10.2 This instrument does not include a statutory review clause under section 28 of the Small Business, Enterprise and Employment Act 2015 because the Regulations do not make a regulatory provision in relation to a qualifying activity carried out by businesses, charities, or voluntary bodies.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister for Local Government and English Devolution has made the following statement regarding Human Rights:

"In my view the provisions of The Council Tax (Discount Disregards and Exempt Dwellings) (Amendment) (England) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").