POLICY NOTE

THE COUNCIL TAX (EXEMPT DWELLINGS) (SCOTLAND) AMENDMENT ORDER 2022

SSI 2022/124

1. The above instrument is made in exercise of the powers conferred by section 72(6) and (7) of the Local Government Finance Act 1992. It is subject to the negative procedure.

The purpose of these Regulations is to exempt from liability council tax dwellings which are used to provide self-contained accommodation for certain persons coming to the UK from Ukraine. These are persons who were residing in Ukraine immediately before 1 January 2022, left in connection with the Russian invasion, and who have leave to enter or remain in the UK under or outside the immigration rules, or who have a right of abode in the UK.

Policy Objectives

2. This instrument amends the Council Tax (Exempt Dwellings) (Scotland) Order 1997. In this Policy Note the term 'Ukrainian refugees' means persons who were residing in Ukraine immediately before 1 January, left Ukraine in connection with the Russian invasion which took place on 24 February 2022, and have leave to enter or remain in the United Kingdom granted under or outside the Immigration Rules, or who have a right of abode in the United Kingdom. (Those "residing" in Ukraine immediately before 1 January 2022 may include those who consider Ukraine to be their home, but who were temporarily absent immediately before 1 January 2022.)

3. Under the UK Government's Homes for Ukraine scheme property owners can offer to house persons coming to the UK under that scheme in a property that they own but do not live in (such as a second home or a long-term empty property). Under the council tax system such persons living in a property would ordinarily become liable for paying the council tax on that property. The policy intention is for that not to be the case, and for persons coming under the Homes for Ukraine scheme not to be liable for council tax. The same will also apply to Ukrainian refugees coming otherwise than under the Homes for Ukraine scheme.

4. This instrument therefore amends the Council Tax (Exempt Dwellings) (Scotland) Order 1997, so that a property that is used exclusively as "the sole or main residence" of persons coming from Ukraine and falling within one of these descriptions is exempt from council tax. It also means that properties that have other exempt persons, such as students, and in which a Ukrainian refugee is housed, will also continue to be exempt. A property that houses Ukrainian refugees and other persons who are not exempt will not be exempt from council tax.

Consultation

5. No formal consultation was required to be carried out in relation to these Regulations.

Impact Assessments and Financial Effects

6. Latest available figures (September 2021) show there are 23,890 second homes (67% of them in bands A-D), and 43,766 long term empty properties (84% of them in bands A-D), in Scotland. We do not know how many of these properties could be, or will be, used as accommodation for Ukrainian refugees.

7. The policy decision implemented by this instrument therefore has the potential to reduce the council tax income of local authorities, but it is not possible to robustly determine the exact level of reduced council tax income it will cause due to the large number of factors that are unknown at this stage. However to provide an illustrative figure if 1,000 council tax properties which are currently second homes or empty properties were to be occupied by eligible Ukrainian refugees for a period of 1 year, then based on available data it is probable that the total cost in terms of council tax income foregone across Scotland would be between £650,000 and £950,000. This estimate is scaleable to a certain degree with respect to the actual number of properties occupied by Ukrainian refugees, but there are a number of factors that will determine the actual level of council tax income foregone. These include factors such as the local authority area of the properties concerned, the council tax band of such properties, and what existing discounts and exemptions are in place for such properties (which range from 10% to 50%).

8. The potentially lower level of income from council tax due to such properties accommodating Ukrainian refugees has been considered by COSLA. As they view the income foregone from this change to be minimal COSLA is content with the Scottish Government's approach.

Scottish Government
Directorate for Local Government & Communities
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