



Llywodraeth Cymru
Welsh Government

Number: WG45022

Welsh Government
Consultation Document

A Fairer Council Tax

We are seeking your views in this Phase 1 Consultation on an ambitious package of reforms to council tax in Wales, as the starting point on a journey to a fairer and more progressive system.

Date of issue: **12 July 2022**

Action required: Responses by **4 October 2022**

Mae'r ddogfen hon ar gael yn Gymraeg hefyd /
This document is also available in Welsh

OGL © Crown Copyright

How to respond

Submit your response by midnight **Monday 4 October 2022** in any of the following ways:

- Complete our **online form**
- Download, complete our online form and email LGFR.consultations@gov.wales
- Download, complete our online form and post to:

Local Government Finance Reform Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Further information and related documents

An Easy Read version of this consultation is available [here](#). Large print, Braille, and alternative language versions of this document are available on request.

Contact details

For further information:

Local Government Finance Reform Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Email: LGFR.consultations@gov.wales

This document is also available in [Welsh](#).

UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the UK GDPR, please see contact details below:

Data Protection Officer:
Welsh Government
Cathays Park
CARDIFF
CF10 3NQ
e-mail:
Data.ProtectionOfficer@gov.wales

The contact details for the Information Commissioner's Office are:
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Tel: 01625 545 745 or
0303 123 1113
Website: <https://ico.org.uk/>

Contents

A Fairer Council Tax.....	5
Vision	5
The Council Tax System	6
The Bands and Tax Rates.....	9
Discounts, Disregarded Persons, Exemptions and Premiums	20
The Council Tax Reduction Scheme	26
Consultation Questions	31
Annex A: Geographical Variations in the Tax-Base	34
Annex B: List of discounts, disregarded persons, exemptions and premiums.....	36
Annex C: Legal Framework for Council Tax.....	40

A Fairer Council Tax

The Welsh Government is committed to creating a fairer and more progressive council tax. This commitment is made in our [Programme for Government](#) and [The Cooperation Agreement](#). We will work with local organisations and networks that are representative of the people of Wales to co-design a system which helps to reduce wealth inequalities.

We are seeking your views in this **Phase 1 Consultation** on an ambitious package of reforms to council tax in Wales, as the starting point on a journey to a fairer and more progressive system. There will be a Phase 2 consultation in due course on more detailed proposals.

This consultation is launching as households face a deepening cost-of-living crisis. Our focus as a Government has always been to help people with everyday costs through a wide range of programmes that put money back into pockets: school meals, childcare, caring costs and warm homes, as well as supporting hundreds of thousands of people directly with council tax bills every year. Since the crisis emerged we have invested £330 million in additional help and we will continue to do everything we can. Reforms to council tax – an important household bill – will happen over the longer term and are therefore not an immediate solution to the current crisis. However, it is change of this kind that will help many households to better cope with these events in the future as we create a fairer Wales.

Vision

- Rebalancing the tax burden on households
- Funding services that benefit everyone
- Regular updates to keep the tax fair in the future
- A tax that connects people with communities.

What does council tax mean to you...?

Council tax helps to fund schools, social care, transport, housing, fire and rescue, policing and hundreds of other community services.

Even if you don't use these services yourself, you are contributing to a better society which has benefits for all of us.

Half of households in Wales receive some form of discount or reduction.

Council tax makes up around a fifth of total council spending.

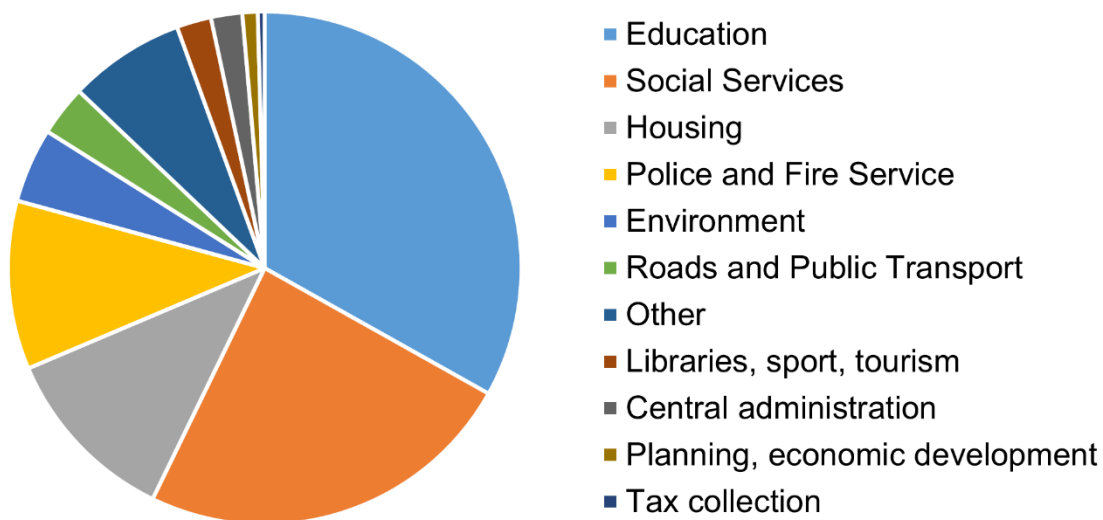
The Council Tax System

The council tax is local democracy in action. As taxpayers we collectively provide over £2 billion a year towards the £10 billion cost of essential local services delivered right across Wales: keeping schools open, our loved ones cared for and our communities thriving. There are hundreds of local services part-funded through council tax, not just those of councils, but police and fire services too.

Local people have contributed since the 1600s to services in the community. We pay tax as a civic duty and feel passionately about it. We elect local councillors to represent us when making tax and spending decisions.

But sometimes there is little awareness of what council tax pays for. In a recent [survey](#), 50% of respondents reported that they knew very little or nothing at all about the council tax. Your contributions mostly help to fund education and social services as two of the largest areas of council spending (see Figure 1).

Figure 1: Proportion of council spending on services



The council tax system has stood the test of time since it was introduced in 1993. It is a very efficient and stable tax with low administrative costs and low levels of fraud. It is generally well-known due to its structure and longevity. And because it is based on a fixed asset like property, it is much harder to avoid than other types of taxes. We believe it is important to have a place-based tax which connects us with our local areas where spending decisions are made.

However, the council tax system currently places a higher tax burden on households with lower levels of wealth, and the tax bands are nearly twenty years out-of-date, meaning the tax we pay no longer reflects our circumstances. The system could be improved and modernised in various ways. 57% of respondents to the same [survey](#) disagreed with the statement ‘the council tax system is fair’.

That’s why we’re making changes. We want to hear your views.

- We want to rebalance wealth and tackle inequality.
- We want a tax that connects people with communities, and benefits everyone.
- We want more regular updates so that it's fairer for everyone.

What should council tax be based on?

Between 2017 and 2021 we undertook an extensive programme of research and published our [findings](#). We looked at whether local taxes should be based on property, land or incomes, or a combination of things. The council tax is currently based on elements of all three. The bands reflect property and land value rather than incomes for good reasons – income taxes can have far higher levels of tax avoidance, as some sources of income are more easily hidden or moved by those with the means to do so, whereas property is a fixed asset to a local area. In the UK, our incomes are taxed by other institutions for different purposes.

We think property occupation is a good broad indicator of people's wealth relative to each other, whilst being a tangible, simple and local measure. The homes we live in also provide an indicator of household size and therefore relative demand for services. We recognise it's not perfect, as there are many reasons for the size and location of the properties we choose to own or rent. However, the council tax has important elements which take account of income, such as the single adult discount and support for low-income households. For now, we think this approach strikes the right balance without compromising stability or fairness.

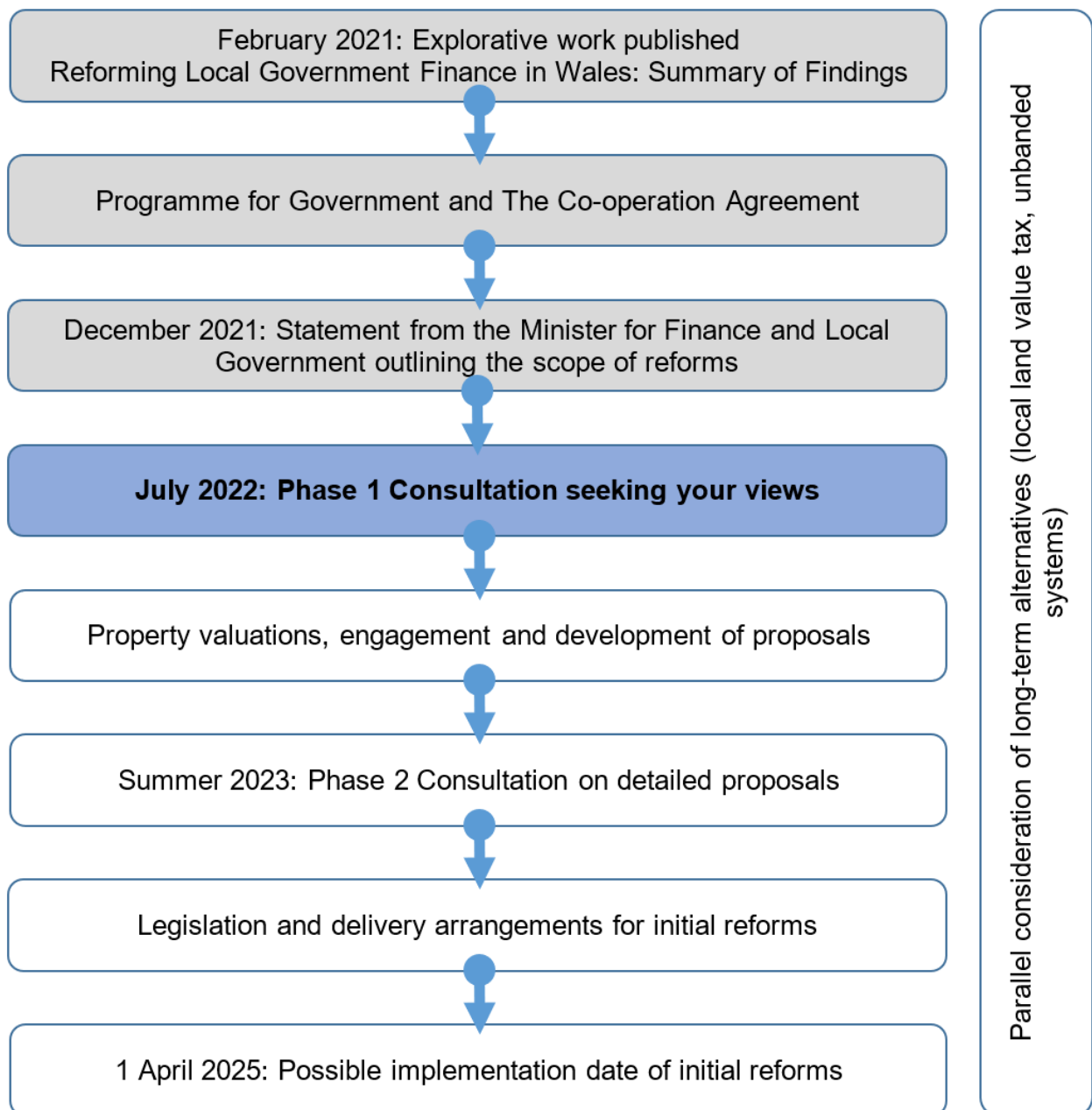
What's in scope for council tax reform?

This Phase 1 Consultation seeks views on an ambitious package of reforms to council tax as the starting point on a journey to making the system fairer and more progressive. There will be a Phase 2 consultation in due course on more detailed proposals. We are seeking views on:

- Completing a revaluation of all 1.5 million properties in Wales to rebalance the system to reflect property values. The current bands are based on information from April 2003 and are nearly twenty years out-of-date. If your property value has increased over the last twenty years, this doesn't necessarily mean your council tax bill would increase. A revaluation would update everyone's tax band, and we would choose a new set of bands according to the latest data.
- A revaluation would enable the Welsh Government to create new bands and choose new tax rates for each band, to create a fairer tax. This could include adding bands at the top and bottom ends of the scale to distribute properties in a more detailed way.
- We want to future-proof the system by delivering for the first time in the history of the council tax, rolling revaluation cycles to keep the tax burden fairly distributed on a more regular basis.
- We will improve the complex framework of discounts, disregarded persons, exemptions and premiums to ensure the arrangements are aligned to our goals.

- We will improve the Council Tax Reduction Scheme which provides support to low-income households.
- We will ensure people’s rights are protected and create a transparent data-driven service fit for the digital age.
- We will continue to explore alternative approaches to the council tax for longer term consideration, such as a local land value tax or unbanded systems.

A roadmap to a fairer council tax



The Bands and Tax Rates

This chapter seeks views on:

- Revaluing properties, creating new bands and tax rates
- Establishing rolling revaluation cycles
- How property extensions / improvements are taken into account
- Rights of appeal for taxpayers, improving transparency and sharing more data.

The aim of any changes in the future would be to create a fairer and more progressive council tax by redistributing the tax burden amongst households more fairly. We are seeking broad views at this stage before considering specific proposals in due course.

Revaluing properties, creating new bands and tax rates

The current position

There are around 1.5 million domestic dwellings in Wales liable for council tax. Each property is placed in one of nine tax bands, A to I, on the basis of property values on **1 April 2003**, the last time the council tax-base was updated in Wales. As part of this exercise, which took effect from 1 April 2005, the Welsh Government added an additional tax band (Band I) for the highest value properties.

The council tax system was first introduced in Wales, England and Scotland on 1 April 1993. At the time, property valuations in all three nations were based on the housing market of 1 April 1991. Wales is the only nation to have updated its valuations since then, meaning council tax bills in England and Scotland are based on 1991 valuations.

The [Valuation Office Agency](#), which is independent of the Welsh Government, assesses property values and places each property into a band. Each band attracts a tax rate relative to the middle point, band D, and these tax rates are set out in legislation by the Welsh Government. However, the band D charge for each local area is set locally by councils as part of setting their annual budgets.

Table 1 shows the current nine tax bands and the average bill set by councils in Wales as a percentage of property value, for people paying a full council tax bill without any discounts or reductions. Nearly half of households in Wales (48%) receive some form of support. Nevertheless, the tax rates as a percentage of property value are considered regressive, placing a relatively higher burden on people living in the lowest value homes.

Table 1: Council Tax Bands in Wales, 2022-23

Band	Property values 1 April 2003	*Property values in today's terms	Average tax excl. discounts	Tax rate relative to band D	Estimated tax rate as % of value	% of homes
A	Up to £44,000	Up to £103,000	£1,185	6/9	2.3%	14%
B	£44,001 to £65,000	£103,001 to £146,000	£1,382	7/9	1.1%	21%
C	£65,001 to £91,000	£146,001 to £201,000	£1,580	8/9	0.9%	22%
D	£91,001 to £123,000	£201,001 to £263,000	£1,777	9/9	0.8%	16%
E	£123,001 to £162,000	£263,001 to £356,000	£2,172	11/9	0.7%	13%
F	£162,001 to £223,000	£356,001 to £490,000	£2,567	13/9	0.6%	8%
G	£223,001 to £324,000	£490,001 to £710,000	£2,962	15/9	0.5%	4%
H	£324,001 to £424,000	£710,001 to £954,000	£3,554	18/9	0.4%	1%
I	Above £424,000	Above £954,000	£4,147	21/9	<0.5%	0.4%

*Source: Institute for Fiscal Studies (2022)

Council tax charges vary by council area as outlined in Annex A, eg. the band D charge ranges from £1,573 in Caerphilly to £2,099 in Blaenau Gwent. These variations are partly a result of the local government reorganisation which created new council boundaries in 1996 with varying tax-bases. Revaluing the tax-base alone would not address these disparities, however the average band D council tax in Wales is still £189 lower than in England.

The case for change

Whilst Wales is the only part of the UK to have updated its council tax bands since the 1990s, the tax distribution is nearly twenty years out-of-date. The bands no longer represent current house values or our choices, and we know the property market in Wales has changed significantly since 2003. In addition, the amount of council tax charged for band I properties is currently three and a half times as much as band A, yet homes in the top band could be worth at least nine times as much as those in the bottom band.

The Institute for Fiscal Studies (IFS) has analysed the latest information on properties in Wales and finds the link between property values and tax paid has diverged significantly from the bands created in 2003. Property values in different areas of Wales have not moved in the same direction at the same pace over the last twenty years and official market information confirms this. The council tax system needs to be revalued and updated to reflect the current distribution of wealth.

In 2020, the IFS conducted a [simulated council tax revaluation for Wales](#). The research shows property prices have increased markedly since 2003. Taking account of the recent pandemic, the IFS further updated this research which shows continued increases between 2019 and 2022. Its [latest report](#) suggests house prices across Wales had increased by 150% between 2003-2022. These movements vary more widely within councils at a smaller geographical level. This means people living in properties that have increased in value by more than the Wales average since 2003, are likely to be paying less council tax than they should, whilst others in properties whose value has not kept pace with the Wales average have been paying more than they should.

Overall, the IFS concluded council tax is out-of-date, regressive and distortionary. The IFS recognises the system is much less regressive once support schemes are taken into account, although it still concluded the system at its core could be made fairer. [Research by the University of Sheffield](#) also found a pronounced increase in house price growth in Wales since 2003, with stronger growth in prices at the lower end of the property market. It too concluded a revaluation would help rebalance council tax liability across Wales.

Proposal

The Welsh Government is considering a new revaluation exercise to correct unfairness in the system and bring the bands up-to-date, so that it is fairer for everyone. This would also enable us to add more bands at the top and bottom ends of the scale to distribute properties in a more detailed and targeted way. Adding bands has the potential to make council tax more progressive by more closely reflecting the mix of properties across Wales. We are able to change the bands as necessary to find the right 'fit'. Substantial physical improvements that have been made to properties that have not been sold to a new owner since 2003, would also be fully captured. It is not possible to make such changes without conducting a revaluation.

If your property value has increased over the last twenty years, as the majority of properties have, this doesn't necessarily mean your council tax bill would increase. A revaluation would update everyone's tax band, and we would choose a new set of bands according to the latest data.

We will not seek to increase the total amount of council tax raised overall from council taxpayers through this exercise. The purpose of a revaluation is to redistribute the tax burden between households according to the latest information available about economic circumstances.

Impacts on households

This Phase 1 Consultation seeks broad views on updating the bands and tax rates to achieve our goal of making the system fairer and more progressive. A fairer system overall will mean some households paying less than they do now, some households paying around the same and other households contributing more. A Phase 2 Consultation will offer detailed proposals and we will be able to analyse the impacts on households in more detail.

The latest evidence available on the impacts of a progressive system is outlined in the research we commissioned from the [Institute for Fiscal Studies](#) published in 2020. The report estimates that if the Welsh Government implemented a revaluation keeping the current approach to the nine bands, around half of properties would move bands, with 26% moving up and 26% moving down and nearly half staying in the same band. The IFS evidence provides some insight into the types of households impacted including pensioners, couples with children and multi-family households. Overall, the average effect of a revaluation would be close to zero across all household types. The report offers a range of other band options including adding bands and more progressive tax rates. However, these estimates relate to the property market and household incomes pre-pandemic.

If a revaluation were to be taken forward, the Welsh Government is committed to analysing the impacts closely and where necessary, considering targeted transitional arrangements for people who may need time to adapt to any changes. It is not possible at this stage to provide further detail on what transitional arrangements could look like, but we are interested in your views on this.

Council tax also includes a detailed framework of support for people who need it, including our Council Tax Reduction Scheme and a range of discounts and exemptions. These remain important parts of the system and are considered further in Chapters 2 and 3. Finally, we have the opportunity to consider rights of appeal for taxpayers as an important aspect of a fair council tax system. We discuss the appeals framework in more detail later in this chapter.

Impacts on councils

If the Welsh Government were to take forward a revaluation of properties to create new bands and tax rates, councils would see changes in their local tax-bases and therefore changes in the revenue which could potentially be raised in each area. However, this would have a redistributive effect on the Revenue Support Grant, the largest source of Welsh Government funding for councils which is allocated by a detailed formula taking account of local ability to raise resources. This means, following a revaluation, if a council's tax-base decreased, it would receive proportionally more in Revenue Support Grant from the Welsh Government to compensate for lower council tax revenues collected. While there may be marginal transitional effects due to the nature of the data used in the funding formula, there should be no significant overall change in funding for council services. Councils in Wales continue to set lower council tax charges than in England. The average band D tax in Wales is £189 lower.

In a Phase 2 Consultation in due course, we expect to be able to outline the impacts on councils in more detail alongside our specific proposals. The IFS [report](#) provides an excellent insight into the potential effects for individual councils under a range of band scenarios. We will also consider whether any transitional arrangements are needed to smooth the introduction of new bands and rates. There are longstanding partnership arrangements between the Welsh Government and local government on a range of matters, including finance. We work closely with councils to agree the funding formula for the Revenue Support Grant each year through the Partnership Council for Wales and its subgroups. Councils are already involved in discussions about creating a fairer council tax.

Making the council tax system more progressive overall should have wider benefits for councils. It would improve economic circumstances for hard-pressed households who need other forms of help from their council. It could also reduce the demand on the Council Tax Reduction Scheme. We will work with councils to review the administration of council tax as a service provided to taxpayers and consider where improvements could be made.

Timing

If the Welsh Government were to undertake a revaluation exercise, create new bands and choose new tax rates to make the system fairer, this would be an

extensive piece of work with the Valuation Office Agency and our local government partners. We would need to bring in a body of new legislation and make some changes to administrative arrangements. To achieve our aims by the end of the current government term (2021-2026), it is our view that 1 April 2025 would be a suitable date to implement reforms, creating a system based on property values in Wales as at 1 April 2023.

Your views

The Welsh Government is considering:

- conducting a revaluation of all 1.5 million domestic properties across Wales because the council tax bands are almost twenty years out-of-date. The evidence suggests we are unable to achieve our goal of more progressive tax bands without doing this. We would not seek to raise additional revenue overall through this exercise.
- implementing an updated property list with effect from 1 April 2025, based on valuations from 1 April 2023. This is the earliest timeframe we could implement an updated property list.
- adding more council tax bands and changing the tax rates charged for each band, to make the system more progressive, shifting more of the tax burden to the highest end of property values.
- putting in place a transitional relief scheme to smooth the transition for households affected by changes.
- ensuring local council revenues are not impacted overall, by redistributing the Welsh Government's Revenue Support Grant according to the latest property information.

We are seeking the views of individuals and organisations on these proposals. We welcome evidence about the possible impact on households and local councils as well as the rationale for change of this kind. We are particularly interested in the views of people with lived experience of disadvantaged backgrounds and those who have experience working with groups of the population with protected characteristics.

Question 1

The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.

Question 2

Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?

Question 3

The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?

Question 4

Do you agree the Welsh Government's Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area as a result of council tax reforms?

Delivering rolling revaluations

This section of the consultation seeks views on whether the Welsh Government should undertake more regular and rolling revaluation cycles for council tax, as part of our aim to keep the system fair in the future.

The current position

Since 1993, Wales has been the only nation of the UK to revalue domestic properties for council tax so that bills are based on 2003 property valuations. This revaluation took effect from 2005. There is currently no statutory requirement to update property valuations on a regular basis in the future.

The case for change

Nearly twenty years has passed since the council tax system was realigned to the property market. Earlier in this chapter we outlined that we are considering a revaluation by the end of the current government term (2021-2026), which would be a significant step forward in making the system fairer. We also have a rare opportunity to ensure the system does not become out-of-date again, embedding our fairness ambition and avoiding distortions which occur when revaluations are postponed over many years. Technological advances and the growth in sources of data about properties, localities and property markets mean that more regular revaluations are now much more feasible and cost-effective than they have ever been in the past.

A key ambition of reform is to deliver, for the first time in the history of the council tax, a series of regular revaluations. There are a number of arguments that rolling revaluation cycles should be a statutory feature of council tax in order to future-proof the system, particularly from a fairness perspective. Rolling revaluations would continually safeguard fairness in the system by ensuring the tax burden is shared equitably on a regular basis, according to the latest information. It would deliver a timely system with increased public interaction with the process, aiding transparency so that property valuations are reliable estimates. It would provide clarity and certainty for taxpayers and councils, creating an expectation that council tax bills will be reviewed regularly. It would also clarify the future operational requirements for organisations like advice agencies, the Valuation Office Agency and the Valuation Tribunal for Wales.

It is generally argued that a banded tax system (like the current council tax) needs less frequent revaluation cycles than one based on specific values. This is because changes in a property's value due to physical changes and market price movements can, to a certain extent, be absorbed by the band width without necessitating a move in band. In theory, if all properties experienced an equal change in value over a set period there would be no need to revalue, because valuations would have moved in the same direction at the same pace. This is not the case though between local areas of Wales or where properties have been changed physically, such as being extended. We learnt from the last revaluation in 2005 that property bands become outdated, introducing unfairness and inequity which becomes more pronounced as time passes. This unfairness is set out in the evidence explored earlier about the housing market, and studies by the Institute for Fiscal Studies and the University of Sheffield.

There are many options for the frequency of cycles. Views from stakeholders range between annually to every ten years. Ten years may be seen as too long a cycle given rolling revaluations aim to create an up-to-date and fair tax. In the short-term, annual revaluation is not considered achievable as this would require a shift to market forecasting, rather than valuations being based on actual sales. Other options include a three-year or a five-year cycle. Valuation cycles for non-domestic properties for the rates system normally happen every five years and consideration is being given to reducing this in future to every three years.

Rolling revaluations would have an impact on the appeals process and the administration of disputes against property valuations. There are arguments that frequent cycles could reduce the volume of appeals overall over the longer term but this theory remains untested. In the shorter term, due consideration will need to be given to peaks and troughs in volumes associated with regular revaluation cycles.

The potential downsides to rolling revaluations include where a cycle falls during periods of irregular market buoyancy or contraction due to economic forces. We have seen events like this previously such as recessions and a global pandemic. There may also be operational reasons why a planned revaluation may need to be rethought, including reasons linked to IT infrastructure. These are risks for revaluation at any time, and governments have rescheduled or delayed revaluations for local taxes previously where there is a clear and acceptable rationale for doing so.

Your views

It is our view that where possible, rolling revaluations for council tax should occur at least every five years to start with, potentially moving towards every three years or becoming even more frequent over the longer term. This will enable us to review the benefits and drawbacks and support the VOA to improve deliverability of shorter cycles. We are seeking the views of individuals and organisations on this. We welcome evidence about the possible impacts on households and councils, the rationale for change of this kind, as well as insights into the circumstances under which rolling revaluations may not work. We particularly welcome views on the period of time between which revaluations should take place.

Question 5

Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?

Property Alterations

This section of the consultation seeks views on whether properties should be rebanded when significant physical improvements take place.

The current position

A property may be moved to a higher or lower band because its size or internal structure has been altered. Currently, a property review is only triggered where there has been a 'relevant transaction', for example when a property is sold, and this may or may not lead to an increase in band. Where there is a material decrease in the value of a property, a review and potential change in council tax band takes place immediately.

Information to facilitate this process is received by the Valuation Office Agency on a regular basis from local councils, HM Land Registry and the Welsh Revenue Authority. In cases where a property is reviewed, the new valuation is always measured retrospectively according to 2003 property values to remain consistent with all other properties in the system.

In a revaluation year, all property alterations since the last revaluation would be captured and updated regardless of a sale.

The case for change

It has been argued the current policy approach (outside a revaluation year) has given rise to unfairness in the council tax system between properties that have been subject to a transaction and those that have not. The buyer of a property that has been extended and never sold since 2005 may unexpectedly find the home they have just purchased moves to a higher tax band.

Properties that have been altered leading to a material increase in value but not transacted are identifiable by a 'flag' on the valuation list. There are currently 58,000 flags on the Welsh council tax list out of 1.5m properties. Various commentators have raised the question of whether properties that have undergone alterations should be reviewed at the time of alteration, rather than waiting for a transaction to take place. Some suggest this could increase the fairness of valuations even in the context of 2003 property prices, as home improvements are significant financial decisions which homeowners often decide upon instead of moving to a different sized property. Others suggest the existing policy approach means it does not disincentivise households from making improvements, recognising they pay other taxes as part of improving their property (eg Value Added Tax).

In the domestic rates system in Northern Ireland, ratepayers are encouraged to inform the NI Land and Property Services of any alterations to their property that

would cause it to be revalued. Land and Property Services will consider if the valuation list should be altered and either serve notice of a decision not to alter the list or a certificate of alteration of the list entry, normally within three months. Alterations to improve a property that result in an increase in value will normally take effect on 1 April after the alteration, giving ratepayers some time to anticipate a higher rates bill.

Updating the legislation to remove the need for a transaction to take place before a substantially improved property could be rebanded would require primary legislation. Any changes made in isolation would relate to 2003 values unless these changes were made alongside a council tax revaluation.

However, if the Welsh Government were to deliver rolling revaluations cycles as outlined above to keep council tax updated, there is a weaker rationale for changing our policy on property alterations, as all physical alterations would be captured more regularly anyway.

Your views

We are seeking the views of individuals and organisations on making changes to the rebanding of properties when they are substantially improved. We welcome evidence about the possible impact of any changes to our current policy on households and local councils as well as the rationale for change of this kind.

Question 6

When properties are significantly improved, properties are only reviewed and potentially rebanded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future.

Protecting People's Rights and Creating a Transparent and Data-driven Service

This section of the consultation seeks views on how elements of the council tax system could be improved and looks at things such as the flows of information, digital platforms, rights of appeal and helping households experiencing difficulty in paying their bills.

How we choose to administer a council tax service to taxpayers determines whether we create a trusted, transparent and effective system. If the Welsh Government embarks upon an ambitious package of reforms outlined in this consultation, we also have an opportunity to improve other aspects of the system which are important to its overall fairness. We work closely with councils, the Valuation Office Agency, the Valuation Tribunal for Wales, and other organisations on a continuous basis on administrative and local challenges.

Information as an asset

Councils use information about household circumstances, property bandings, property ownership or occupation and planning details to determine liability, issue bills and collect revenue. Councils are also experienced in assessing household incomes and circumstances when collecting arrears, and when considering applications for discounts, disregards, exemptions, premiums, reductions or discretionary support. Data must flow seamlessly between organisations as the backbone to an accurate and efficient system whilst protecting the data privacy of individuals.

Information about property banding is searchable by anyone on the VOA's website but is currently limited to the property address, council tax band, an indicator of whether the property is awaiting a band review following an improvement and whether the property has been the subject of a tribunal decision. More detailed information about the property, such as size, type and other descriptions are only shared with a taxpayer where they formally request the information or during stages of a formal appeal process.

We will consider how we use information as an asset to improve the council tax system and the service provided to taxpayers. We believe elements of council tax could be modernised and more transparent, with accessible information bringing a data-driven council tax management service into the digital and geospatial age. We could improve the system to encourage more regular participation from taxpayers in the process, such as verifying information about their property or circumstances to aid accuracy and smoother administration. We will also ensure the legislation is updated to remove outdated references to printed materials and recognise the extent to which councils use digital channels.

The VOA is currently undergoing a major transformation of its underlying technologies. This will provide opportunities for delivering a better service to taxpayers in Wales in the future, and enable a wider variety of system choices to be made by Welsh Ministers. If the Welsh Government were to undertake the reforms outlined in this consultation, such as a revaluation, the information asset created as part of that exercise would be highly useful. We would work with the VOA to improve taxpayer engagement, including considering sharing more property data publicly and also sharing more data with individuals via secure digital platforms to improve understanding.

Appeal rights

Appeal arrangements provide taxpayers with important rights to challenge certain aspects of the system, such as their council tax band or calculation of liability, as well as decisions made by relevant authorities in certain circumstances. When buying or moving to a new home, taxpayers have a period of six months where they can make a proposal to the Valuation Office Agency (VOA) in certain circumstances, for example, if a property should or should not be included, an error has been made, or a Valuation Tribunal or High Court has made a decision which has not been implemented. Councils can also make proposals to the VOA. If no agreement is reached within six months, the matter is referred to the Valuation Tribunal for Wales for further detailed procedures, which may lead to a hearing and a tribunal decision.

In addition to appeals, the VOA routinely considers informal band enquiries as part of the service it provides to taxpayers in Wales. These services are provided free of charge to taxpayers.

Following the revaluation which was implemented in Wales on 1 April 2005, all taxpayers had an automatic right to challenge their entry on the new valuation list until 31 September 2006 (18 months). Taxpayers were also able to challenge the previous 1993 valuation list until 31 Dec 2005 (9 months). There will be choices for the Welsh Government should a revaluation be delivered in 2025 and we will consult further in Phase 2 on our approach. If our ambition is to create rolling revaluation cycles that are more frequent, we will need to consider carefully the procedures for closing previous valuation lists to disputes or appeals after a period of time, to ensure the system is manageable and continues to provide a high quality service to taxpayers.

Debt and arrears

One of the criticisms of council tax for households who are struggling with debt problems, is that people can become liable for the total annual bill for a financial year if one instalment is missed. Councils engage with struggling households to help prevent escalating debt problems and now apply a citizen-focussed [Protocol](#) which was drawn up in 2019 in collaboration between the Welsh Government, councils and Citizens Advice Cymru. However, in some cases where people can become liable for the annual bill unexpectedly at an earlier point in the year, we recognise it is unlikely a struggling person will be able to pay this larger amount, falling further in debt and encountering its associated challenges. This aspect of the council tax system continues to be raised by advice agencies who work with people across Wales.

Alongside other reforms outlined in this consultation, we will consider whether there are any changes we can make to the legal framework to assist councils in managing the collection of council tax in ways which recognise the circumstances of households struggling to pay their bill. This will include looking at the current enforcement process and considering what amounts households are liable for at various points in the collection process.

Your views

The Welsh Government is committed to improving transparency and protecting rights. While our Phase 2 Consultation planned for 2023 will outline any changes in more detail, we are asking for views at this stage on the use of information, the appeals framework or any other administrative aspect of the council tax system.

Question 7

Do you have any views on rights of appeal for taxpayers or how council tax debt is managed? Please include any suggested improvements for either of these elements.

Question 8

What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?

Discounts, Disregarded Persons, Exemptions and Premiums

As outlined earlier the council tax system has stood the test of time since 1993, raising over £2 billion each year towards the cost of essential services across Wales. Many of the arrangements for discounts, disregards and exemptions have been in existence since the tax was introduced in 1993 and we need to ensure they remain relevant to today's policy ambitions and help to achieve a fairer system. We will also be reviewing the arrangements for council tax premiums as part of this work.

In this Phase 1 Consultation we are seeking your views on what's important to you, which groups of people you think should be supported to meet their council tax liability, and which types of property you think should be exempt from being liable. We are not making any specific proposals at this stage. Our purpose in reviewing the range of discounts, disregards, exemptions and premiums would be to improve and modernise the system so that it contributes to our aim of making council tax fairer. This could include making the system more accessible for taxpayers, encouraging people to take up their entitlement to support, removing the potential stigma associated with some types of support, and targeting support and liability more effectively. We also have ambitions to make council tax simpler for councils and other bodies to administer. We recognise that some of these aims are likely to be in competition with each other and that there may need to be compromises in finding the right balance. Further consultation in due course will outline any proposals in more detail.

The current position

The council tax system applies to all homes and is usually payable by anyone over the age of 18 who owns or rents a home. However, the system has a set of rules which take account of a household's ability to pay council tax and which recognise some people or properties should be exempt. These rules reduce wealth inequality to a degree and create a stable, reliable funding source for services.

It is right that council tax reflects the circumstances of the household occupying a property. The rules assume two or more adults are liable to pay, meaning 50% of the basic bill is based on the council tax band, and 50% of the bill is based on household circumstances. Further occupants are not included for the purposes of calculating council tax bills but discounts are available where only one liable adult is in residence. Income-based reductions are also available for eligible households.

Discounts

There are two statutory discounts which must be applied to properties: one, where there is only one liable resident (often referred to as the single adult or single person discount), and the other, to properties with no liable residents (often referred to as the empty property discount). 37% of properties are currently subject to one or more discounts.

- For the 'single adult discount', the amount payable is discounted by 25%. Around 520,000 households across Wales will receive a 25% discount in 2022-23.
- For the 'empty property discount', the amount payable is discounted by twice the percentage of the single adult discount (50%). Over 3,300 properties will receive a 50% discount in 2022-23.

These discounts do not necessarily mean that only one adult is living in the property or that the property is empty. The discounts also apply where one or more of the adults in the household is 'disregarded' (not counted) for council tax purposes.

Disapplying a discount

The Welsh Government also has powers to prescribe classes of properties where a council may reduce the discount or not apply it. For example, councils can provide a 50% discount for empty homes, but they may also choose to reduce this discount or to not apply it, meaning the standard rate of council tax is charged.

Currently, we have determined that where there is no liable resident in a property the usual 50% discount may be disappplied or reduced in the following cases.

Class A – a property that is not the sole or main residence of a person, is furnished and year-round occupation is prohibited by law. Examples include seasonal homes and chalets.

Class B – a property that is not the sole or main residence of a person, is furnished and year-round occupation is *not* prohibited by law. Examples include second homes.

Class C – a property that is unoccupied and substantially unfurnished. Examples include properties that are empty for more than 12 months.

There are exceptions to the above classes where a council cannot choose to reduce the 50% discount. These are as follows.

- A pitch occupied by a caravan, or mooring occupied by a boat – the 50% discount cannot be reduced for such spaces.
- Any empty property where the former occupier has died and the liable person is their personal representative, and neither probate nor letters of administration have been granted (for a period of up to 12 months).
- Any property which is left empty because a person lives in a different, job-related, property which has been provided to them for the purposes of carrying out their employment.

Disabled Band Reduction

There are regulations about council tax for properties adapted for use by people with disabilities. These currently reduce the council tax payable on the property by one band. For example, if the property is valued in band C, the bill will be charged as if it were in band B. For band A properties, a percentage reduction is applied. There are over 12,600 properties receiving a disability reduction in 2022-23. For this category,

the reduction is made to the property band (rather than a person) to recognise that some people with disabilities need to live properties with particular adaptations.

Disregarded Persons

There are currently 15 categories of people who can be disregarded (not counted) when calculating the number of people living in a property for the purposes of council tax. For example, if one adult living in a two-adult household is disregarded, then the 25% single adult discount will apply. If all the adults living in a property are disregarded, then a 50% discount will apply. The categories are shown below.

1. Students: living on their own or with other students only or living in halls of residence.
2. Spouses, civil partners and dependents of students of non-British Citizens who are not allowed to work or claim benefits.
3. Severely mentally impaired people: people who are medically certified as having a severe impairment of their intellectual or social functioning and are in receipt of qualifying benefits.
4. Carers: live-in carers who provide at least 35 hours of care a week (but not a spouse, partner or parent of the person they care for).
5. Patients in care homes or hostels providing care.
6. Care leavers aged 24 or under.
7. Children: aged 17 or under, or someone still entitled to Child Benefit.
8. Long-term hospital patients.
9. Hostel and night shelter residents.
10. Prisoners, people in detention under mental health legislation and people in detention awaiting deportation.
11. People in International Headquarters and Defence Organisations.
12. Members of religious communities dependent on the community to provide for their material needs.
13. School and college leavers aged under 20 (until 1 November after leaving).
14. Members of visiting armed forces and their dependants.
15. Diplomats.

Exemptions

Certain properties are exempt from council tax. The difference between disregards and exemptions is that disregards apply to people whilst exemptions apply to the property as a whole.

There are currently 24 categories of exemption covering over 59,000 properties in Wales (4% of all domestic properties). Some exemptions are time limited. A full list of all the categories are shown in Annex B alongside the number of properties exempt for the current year.

A number of exemptions cover properties that are unoccupied for specific reasons eg because the person who would otherwise occupy it is in hospital, detention, or receiving / providing care elsewhere. Other exemptions are for properties occupied only by people aged under 18, severely mentally impaired people, care leavers under the age of 25 or armed forces accommodation. Two of the largest exemption

categories are for properties occupied only by students, and empty unfurnished properties for up to six months.

Premiums

Councils can choose to apply a council tax premium of up to 100% on long-term empty properties and/or second homes in their areas and can choose to set different levels of premium for each class. The maximum premium permitted by councils will be 300% from 1 April 2023. The discretion given to councils to charge a premium is a tool to help councils to:

- bring long-term empty homes back into use to provide safe, secure and affordable homes; and
- support councils in increasing the supply of affordable housing and enhancing the sustainability of local communities.

This element of the council tax system enables councils to take account of the different circumstances across Wales and within individual local areas. Since 2017, when the powers were first applied, it is estimated that premiums have enabled relevant councils to collect tens of millions in additional council tax to help fund essential services in the local area. Around 15,300 second homes and over 6,700 long-term empty properties are paying a premium in 2022-23. Councils are encouraged to use the additional revenue to address housing issues in their areas.

Exceptions to premiums

The Welsh Ministers can make regulations to prescribe one or more classes of property where a council cannot apply a premium. The regulations currently prescribe seven classes of exception. Classes 1, 2, 3 and 4 apply to both long-term empty properties and second homes. They include properties being marketed for sale or let, annexes treated as part of the main property and those owned by people in armed forces accommodation elsewhere. Classes 5, 6, and 7 apply only to second homes and include occupied caravan pitches, seasonal homes where year-round occupation is prohibited and job-related dwellings. Detailed explanations can be found in Annex B.

The case for change

The framework outlined above has largely been in existence since 1993 and added to incrementally. The rules have become complex and are often difficult for households to understand and for practitioners to administer. We are also constrained in our ability to change the rules, through subordinate legislation, which could allow the Welsh Government to respond to future changes in the economy or society. Now is the right time to take a fresh look and ensure the rules align with our vision for a fairer council tax. Each category of discount, disregarded person, exemption, and premium will be considered.

Changes in one area of the system may require alterations to other discounts and disregards, and the interconnections between the different criteria will need to be carefully thought out to reduce complexity and potential for avoidance.

Discounts

The Welsh Government is considering legislating to allow greater flexibility to make changes to the existing statutory discounts in the future through new subordinate legislative powers. Subordinate legislation is quicker to implement and more responsive to changing circumstances in our society than using primary legislation, while still being subject to appropriate levels of public scrutiny.

Such flexibility could, for example, enable the Welsh Government in future to:

- set different conditions for the statutory discounts.
- add new categories of discount and rates which differ from the existing 25% or 50% percentages.
- remove the link between the single adult discount and the empty property discount, so that the empty property discount does not have to be double the percentage of the single adult discount. This would for example allow different rates of discount to be set for different situations.
- provide councils with greater powers to set local rates for discounts.

Any changes we consider would relate to the statutory discounts. Councils already have separate discretionary powers to reduce council tax bills for particular properties or classes of properties in their areas by any amount (including reducing a bill to zero). We are not proposing to amend this local discretion as these powers allow councils to respond to particular local circumstances and it is a matter for councils to decide how to use them.

Disregarded Persons

We will review the list of disregarded persons to consider whether any changes would help achieve a fairer council tax alongside other reforms outlined in this consultation. We are also considering whether there is a need for legislation which would allow the Welsh Ministers to amend the titles and descriptions of disregarded persons in the future in a more flexible way. For example, it is our current view that although the term 'severely mentally impaired' may have been acceptable thirty years ago when council tax was created, the term is potentially inappropriate now and may create a stigma which prevents take-up of the discount available to this vulnerable group of people. Having additional flexibility to amend titles and descriptions will allow this to be replaced with a more appropriate term.

Disabled Band Reduction

For this category, a reduction applies to a property's council tax band as a recognition that some people with disabilities need to live in adapted homes. However, due to the reduction applying to the property band (rather than a percentage reduction) this can be regressive as it provides larger value reductions for higher banded properties. The Welsh Government is considering whether it needs to amend, simplify or improve the treatment of properties adapted for use by disabled people. We are not proposing to remove reductions for people with a disability living in adapted properties.

Exemptions

While there are unique reasons for each of the existing categories, many have existed for decades, and some may be considered less relevant to today's policy ambitions. Conversely, there may be a need for new categories of exemption or scope to amalgamate some of the categories. We will review this list of properties and occupants who are exempt from council tax liability. There are no specific proposals at this stage, but we are considering legislating to allow the Welsh Ministers more flexibility in the future to amend the exemption categories. Changes could include adding, amending or removing some exemptions, or altering the periods for time-limited exemptions.

Premiums

We consulted in the summer of 2021 on the discretionary powers of councils to apply a premium to long-term empty properties and second homes. The consultation produced almost 1,000 responses and, following a consideration of the responses and other evidence, the maximum amount which councils may apply will be 300% from 1 April 2023. There are therefore no plans to review the provisions for setting premiums, but we will consider exceptions to the premiums as part of future reforms.

Your views

We are seeking the views of individuals and organisations on the current arrangements for discounts, disregarded persons, exemptions and premiums. Further consultation in due course will provide further detail on proposals. We welcome evidence at this stage about the effect of the existing arrangements and the possible impact of any changes to these policies on households and local councils as well as the rationale for changes of this kind. We are particularly interested in the views of people with lived experience of disadvantaged backgrounds and those who have experience working with groups of the population with protected characteristics.

Question 9

What is your view on the existing discounts, disregarded persons, exemptions or premiums? For example, do you think the current rules are appropriate and fit-for-purpose? Are there particular aspects of the rules which you think need to change or new rules created?

Question 10

What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory 'single adult' and 'empty property' discounts?

Question 11

What is your view on how reductions in council tax for properties adapted for use by people living with a disability could be amended, simplified or improved?

Question 12

Should the Welsh Government be able to amend titles and descriptions of any discount, disregarded person or exemption? Do you think any of the current titles should be changed? What would you consider to be a more appropriate term to replace 'severely mentally impaired'?

The Council Tax Reduction Scheme

Means-tested support schemes like the Council Tax Reduction Scheme make a significant contribution to tackling poverty across Wales, supporting the most vulnerable low-income households. In the case of the Council Tax Reduction Scheme, the scheme also reduces the regressive effects of the current council tax bands. The scheme has taken on increased importance during the cost-of-living crisis. Nearly a decade on from implementing our national scheme, we have an opportunity to review it in detail, in light of the other potential reforms outlined in this consultation and our ambition for a fairer and more progressive system.

In this Phase 1 Consultation, we are seeking your views on what's important to you about supporting low-income households. We will work with councils and advice services to consider options and propose changes in more detail in a further consultation in due course. We welcome your views at this early stage to inform our thinking about the scheme design, including how to reduce complexity and improve administration.

The current position

The Welfare Reform Act 2012 passed by the UK Government abolished Council Tax Benefit on 31 March 2013. From 1 April 2013, responsibility for providing support to households for council tax was transferred to councils in England. A fixed amount of funding, reduced by 10% compared to the cost of the scheme, was passed to the Welsh Government and Scottish Governments to allow the devolved governments to develop replacement schemes.

The Welsh Government designed a Council Tax Reduction Scheme and consulted with taxpayers and organisations about how this scheme should operate. Responses to our consultation in 2012 were unanimously supportive of a national framework of support and on 1 April 2013, the Council Tax Reduction Scheme (CTRS) replaced Council Tax Benefit (CTB) in Wales. All eligible households were automatically transferred onto this new national scheme. The regulations were closely based on previous CTB rules, ensuring households seamlessly retained their entitlement to support in meeting their council tax liability.

Approximately 268,000 households in Wales received a council tax reduction in 2021-22, at a total recorded value of £288 million. In March 2022:

- 104,000 pensioner households received a reduction.
- 164,000 working-age households received a reduction.
- 214,000 households paid no council tax at all.
- 85% of households receiving a reduction were living in properties in Bands A–C.
- 33% of households receiving a reduction were Universal Credit recipients.

Since the introduction of our scheme in 2013-14, we have continued to protect vulnerable and low-income households by maintaining full entitlements to support. We provide councils with £244 million every year to operate the scheme. The scheme makes a significant contribution to tackling poverty across Wales and helps

to safeguard vulnerable people from getting into financial difficulties, particularly as a result of changes to the non-devolved welfare system.

The case for change

Our goal of making the wider council tax system more progressive for people with lower wealth may help to alleviate pressure on the CTRS. However, even with a more progressive system, the very wide variety of household circumstances which exist within the 1.5 million households liable for council tax means that we expect there to be a continued need to provide a scheme to support low-income households in paying their council tax bills. We will therefore take the opportunity to improve the scheme's design, administration and legislation during this Senedd term and address some of its known challenges.

Take-up

Our CTRS currently supports around 268,000 eligible households across Wales, providing a reduction in their council tax bill and in many cases reducing it to zero. Our latest [annual report](#) shows that around 20% of all households in Wales receive support through this scheme. However, in 2013 around 325,000 households benefitted from this support. Research suggests the take-up of CTRS in Wales could be as low as 55% to 65% of eligible households. While this is comparable with UK non-devolved benefits, we need to establish why the numbers receiving support have fallen despite increasing economic pressures and council tax levels.

Ensuring all eligible households receive the council tax support they are entitled to has been a priority for the Welsh Government since establishing our scheme in 2013. We have launched national awareness campaigns reaching over 100,000 through general and targeted information, a new website and campaign materials for stakeholders to use. Despite these efforts, the numbers continue to decline. In improving the CTRS, our continued focus would be on expanding the reach of the scheme.

Universal Credit

Since 2014, the rollout of Universal Credit has had an impact on the incomes of people in Wales. Over 33% of households receiving CTRS are in receipt of Universal Credit. This poses additional challenges as potential recipients are required to apply separately for the CTRS. As the rollout of Universal Credit scales up, it introduces complexity into the way people apply for support and the way their entitlement is calculated.

The CTRS is an interface between a devolved local tax system and the non-devolved UK-wide welfare system. It requires a considerable amount of expertise to navigate the arrangements. Both council staff and advisory services are experienced in understanding complex household circumstances and applying the scheme to support people who need it but we need to ensure the scheme is accessible to all.

As we think about how to improve the scheme over the coming years, we will need to consider how our scheme takes full account of the impact of Universal Credit and

other changes to the welfare system. We want a scheme that is modernised, easy to access and does not deter anyone from applying for their rightful entitlement to support.

Our recent independent [research](#) shows that the move to Universal Credit is having an impact on household resilience and debt levels of low-income households in Wales. There is evidence of lower council tax reduction awards and higher council tax arrears as households move to Universal Credit.

Scheme design

We know there are many options for improving the CTRS in Wales. [Research](#) commissioned by the Welsh Government not only details the impact of Universal Credit in Wales, but provides insight into the kinds of changes we may wish to explore. It provides crucial information on how amending our scheme could help to mitigate negative impacts on certain groups of people. Any changes made to the CTRS need to be commensurate and avoid unintended consequences and be considered in the wider context of the administration of the scheme, as well as other council tax reforms.

We need to reflect carefully as to whether a more fundamental rethink of the scheme is required to mitigate the impact of welfare reform and to help make council tax fairer and more progressive. For example, amending the 'taper' and introducing a de minimis threshold for changes in income to reduce rebilling (options explored in more detail by [Policy in Practice](#)) are attractive options for improving the CTRS and reducing administration costs. However, these amendments only go so far. There are arguments for being bolder in any redesign of the scheme. For example, should the means-tested basis for assessment of eligibility for a reduction be maintained? Means-tested schemes are complex to administer and require a lot of detailed information from applicants, but they also ensure that the available funding is targeted towards people in the greatest need. However, in reviewing the scheme, there could be other design alternatives we could consider.

We examined a range of options when we consulted on the design of the original scheme for 2013. These focused on the policy, financial and operational considerations related to providing support for council tax in Wales and expectations about how any new scheme at the time could operate. Our starting point has moved on considerably since the scheme was created. We will intend for any new arrangements for council tax support to maintain entitlements.

Nevertheless, matters including protecting certain vulnerable groups, providing work incentives, local delivery, the role of advice providers, and minimising administration costs remain areas for further consideration today.

A flexible scheme

The existing legal framework is one where Welsh Ministers require councils to implement local schemes which incorporate modest variations on the national scheme. It also prevents the regulations from being amended during a financial year. As such, the Welsh Government has been unable to react in-year to adapt the

scheme to deal with unplanned needs arising from changes in our economy or society, such as the coronavirus pandemic and the cost-of-living crisis.

Recent events have shown that we need the ability to amend the regulations flexibly to react to emerging situations where we can, by providing additional support and stability for the most affected households. We propose to move to a system where the Welsh Ministers are under a duty to set a national scheme which councils administer locally. This would allow the scheme to respond to the social and economic climate and make it more accessible for applicants and advisory services.

Currently, councils are required to adopt a local scheme by 31 January each year for the following financial year. The local schemes include any local decision taken in respect of the four areas set out in Table 2. If a council does not adopt a local scheme, then these areas of local flexibility cannot be provided to residents.

The areas of local discretion where a council can choose to implement provisions which are more generous than the minimum requirements set by the national scheme are as follows.

Table 2: Areas of local discretion in the CTRS

Local Flexibility	Extent of use
<p>Extended reduction period Councils may increase the period during which applicants are entitled to continue to receive a reduction in certain circumstances, beyond the standard four-week period</p>	All councils have retained this period
<p>War Disablement Pensions and War Widow's Pensions Councils can disregard more than the statutorily prescribed £10 of the money received in respect of these pensions when calculating income</p>	All councils disregard in full
<p>Backdating of applications Councils can backdate applications for reductions beyond the standard three-month period</p>	Some councils backdate beyond the standard three months
<p>Notifications of decision Councils can provide more than the minimum information prescribed as part of their notification of decision procedures</p>	Councils have adopted a number of variations in this area

As there is a broadly consistent approach in these areas, to reduce operational complexity, we will consider whether we can ease administration by incorporating such additional flexibilities into the existing national scheme, removing the need for councils to review these aspects each year.

Where we have been unable to react in-year to adapt the scheme to deal with unplanned needs arising from unforeseen events, we have been grateful that councils have responded positively by using discretionary powers under Section 13A of the Local Government Finance Act 1992. These powers allow councils to apply a disregard to any household or class of dwelling / household in particular

circumstances. There are no plans to remove this power given such flexibility will continue to be required for council tax reductions for other circumstances.

Your views

We are seeking the views of individuals and organisations on the current arrangements for the Council Tax Reduction Scheme. We welcome evidence about the effect of the existing arrangements and the possible impact of any changes to these policies on households and local councils as well as the rationale for change of this kind. We are particularly interested in the views of people with lived experience of disadvantaged backgrounds and those who have experience working with groups of the population with protected characteristics.

Question 13

The Welsh Government expects there to be a continued need to support low-income households in paying their council tax bills. Do you have any views about the design of the current scheme, including whether it should continue to be means-tested? Do you have any general views about the scheme?

Question 14

Should Welsh Ministers have a duty to set a national scheme, to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?

Question 15

Should the existing local arrangements form part of the new national scheme for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?

Consultation Questions

Question 1

The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.

Question 2

Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?

Question 3

The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?

Question 4

Do you agree the Welsh Government's Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area as a result of council tax reforms?

Question 5

Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?

Question 6

When properties are significantly improved, properties are only reviewed and potentially rebanded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future.

Question 7

Do you have any views on rights of appeal for taxpayers or how council tax debt is managed? Please include any suggested improvements for either of these elements.

Question 8

What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?

Question 9

What is your view on the existing discounts, disregarded persons, exemptions or premiums? For example, do you think the current rules are appropriate and fit-for-purpose? Are there particular aspects of the rules which you think need to change or new rules created?

Question 10

What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory single adult and empty property discounts?

Question 11

What is your view on how reductions in council tax for properties adapted for use by people living with a disability could be amended, simplified or improved?

Question 12

Should the Welsh Government be able to amend titles and descriptions of any discount, disregarded person or exemption? Do you think any of the current titles should be changed? What would you consider to be a more appropriate term to replace 'severely mentally impaired'?

Question 13

The Welsh Government expects there to be a continued need to support low-income households in paying their council tax bills. Do you have any views about the design of the current scheme, including whether it should continue to be means-tested? Do you have any general views about the scheme?

Question 14

Should Welsh Ministers have a duty to set a national scheme to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?

Question 15

Should the existing local arrangements form part of the new national scheme for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?

Question 16

We would like to know your views on the effects that the proposed policies would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

Question 17

Please also explain how you believe the proposed policies could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

Question 18

We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

Annex A: Geographical Variations in the Tax-Base

Table 1 shows the total number of properties liable for council tax across Wales and by council, as well as the number of Band D equivalent properties and Band D charge. The Band D charge ranges from £1,573 in Caerphilly to £2,099 in Blaenau Gwent.

Table 1: Council Tax Properties in Wales by Council Area, 2022-23

	Number of domestic dwellings	Tax-base (Number of Band D equivalent properties)	Band D charge
Isle of Anglesey	35,366	32,392	£1,738
Gwynedd	59,764	54,257	£1,893
Conwy	57,731	52,062	£1,803
Denbighshire	45,963	41,219	£1,853
Flintshire	70,685	66,187	£1,815
Wrexham	61,158	54,815	£1,741
Powys	65,658	63,842	£1,814
Ceredigion	35,656	32,885	£1,777
Pembrokeshire	62,331	61,307	£1,579
Carmarthenshire	89,281	76,614	£1,780
Swansea	114,686	96,491	£1,782
Neath Port Talbot	66,941	49,635	£2,012
Bridgend	65,558	55,968	£1,951
Vale of Glamorgan	61,073	63,578	£1,751
Rhondda Cynon Taf	110,569	79,904	£1,886
Merthyr Tydfil	27,663	19,362	£2,050
Caerphilly	80,516	62,628	£1,573
Blaenau Gwent	32,951	21,976	£2,099
Torfaen	42,919	34,845	£1,803
Monmouthshire	43,381	47,851	£1,847
Newport	69,949	61,838	£1,583
Cardiff	163,206	151,329	£1,640
Wales	1,463,005	1,280,985	£1,777

Table 2 shows the percentage of council tax properties by band and council area. For example, the percentage of Band D properties varies from 5% in Blaenau Gwent to 23% in Cardiff.

Table 2: Percentage of Council Tax Properties by Band and Council Area, 2022-23

	Number	A	B	C	D	E	F	G	H	I
Isle of Anglesey	35,366	14%	19%	19%	21%	16%	8%	3%	0.5%	0.2%
Gwynedd	59,764	15%	26%	20%	17%	13%	6%	2%	0.3%	0.1%
Conwy	57,731	9%	14%	27%	21%	16%	9%	3%	0.7%	0.3%
Denbighshire	45,963	9%	16%	32%	17%	12%	8%	4%	0.7%	0.4%
Flintshire	70,685	6%	14%	29%	19%	16%	11%	5%	0.8%	0.3%
Wrexham	61,158	7%	21%	28%	17%	13%	8%	4%	1%	0.5%
Powys	65,658	9%	14%	20%	16%	19%	14%	6%	0.9%	0.3%
Ceredigion	35,656	5%	14%	21%	21%	25%	11%	3%	0%	0.1%
Pembrokeshire	62,331	11%	15%	23%	18%	20%	9%	3%	0.5%	0.1%
Carmarthenshire	89,281	10%	27%	21%	16%	15%	7%	2%	0.3%	0.1%
Swansea	114,686	15%	25%	22%	15%	11%	7%	3%	1.0%	0.5%
Neath Port Talbot	66,941	20%	41%	18%	11%	7%	2%	1%	0.2%	0.0%
Bridgend	65,558	16%	23%	22%	17%	12%	7%	2%	0.4%	0.2%
Vale of Glamorgan	61,073	2%	11%	23%	19%	17%	12%	10%	4%	1.7%
Rhondda Cynon Taf	110,569	42%	23%	16%	8%	6%	3%	1%	0.2%	0.1%
Merthyr Tydfil	27,663	51%	24%	8%	8%	6%	2%	1%	0%	0.0%
Caerphilly	80,516	19%	33%	23%	12%	8%	3%	1%	0.1%	0.1%
Blaenau Gwent	32,951	58%	25%	8%	5%	3%	1%	0%	0%	0.1%
Torfaen	42,919	14%	31%	28%	10%	10%	5%	2%	0%	0.1%
Monmouthshire	43,381	1%	8%	16%	21%	17%	18%	13%	4%	1.5%
Newport	69,949	10%	22%	26%	18%	12%	8%	4%	0.8%	0.3%
Cardiff	163,206	3%	13%	21%	23%	19%	13.3%	6%	2%	1%
Wales	1,463,005	14%	21%	22%	16%	13%	8%	4%	0.9%	0.4%

Annex B: List of discounts, disregarded persons, exemptions and premiums

Discounts

Class A – a property that is:

- a) not the sole or main residence of a person
- b) furnished; and
- c) occupation is prohibited by law for a continuous period of at least 28 days in the relevant year.

Class A includes properties that are used as seasonal homes, for example chalets.

Class B – a property that is:

- (a) not the sole or main residence of a person
- (b) furnished; and
- (c) occupation is *not* prohibited by law for a continuous period of at least 28 days in the relevant year.

Class B includes properties that are second homes.

Class C – a property that is:

- (a) unoccupied and
- (b) substantially unfurnished.

Class C includes properties that are currently considered to be long-term empty (more than 12 months).

There are exceptions to the above classes where a council cannot choose to reduce the 50% discount. These are as follows.

- A pitch occupied by a caravan, or mooring occupied by a boat – the 50% discount cannot be reduced for such spaces.
- Any empty property where the former occupier has died and the liable person is their personal representative, and neither probate nor letters of administration have been granted (for a period of up to 12 months).
- Any property which is left empty because a person lives in a different, job-related, property which has been provided to them for the purposes of carrying out their employment.

Disregarded Persons

Category	Description	Number disregarded in 2021-22
Students	Full-time students; student nurses; a young person on a government training scheme or apprenticeship; Foreign Language Assistants on the official British Council programme	8,428
Severely mentally impaired	Someone who is severely mentally impaired and in receipt of qualifying benefits	6,845
Care workers	A live-in care worker	2,935
Patients in care homes	A care home resident; someone living in a hostel which provides care	1,534
Persons where child benefit is payable	Anyone aged 17 or under; someone aged 18 but still entitled to Child Benefit	682
Persons in detention	A prisoner or someone in detention awaiting deportation or under mental health legislation	108
Residents of certain dwellings	Someone staying in a hostel or night shelter	80
Hospital patients	A long-term hospital patient	61
Class A – International Headquarters and Defence Organisations		1
Class B – Religious Communities	A member of a religious community dependent on the community to provide for their material needs	94
Class C – School and college leavers	A school or college leaver aged under 20 and who left school or college after 30 April, is disregarded until 1 November	148
Class D – Visiting forces	A member of a visiting armed force and their dependants	-
Class E – Spouses, civil partners and dependants of students	A spouse, civil partner or a dependant of a student who is a non-British Citizen and who, under immigration rules, is not allowed to work in the UK or claim benefit	-
Class F – Diplomats	Diplomats and people who benefit from diplomatic immunity	-
Class G – Care leavers	A care-leaver aged 24 or under	139

Exemptions

Class	Description	Number exempt in 2022-23
A	Uninhabitable property and empty property undergoing structural alteration or repairs. Applies for a maximum of 12 months if the property remains empty and unfurnished	4,069
B	Unoccupied property owned by a charity, for up to six months since last occupied	41
C	Empty and unfurnished property for up to six months after the property became vacant	14,866
D	Unoccupied property because the person who would otherwise occupy it is in detention under certain enactments	194
E	Unoccupied property because the person who would otherwise occupy it is in hospital or a care home	2,828
F	Unoccupied property where probate or letters of administration have not yet been granted, and for up to six months after the grant is made	7,543
G	Unoccupied property where occupation is prohibited by law	579
H	Unoccupied property held available for use of ministers of religion from which to carry out their duties	104
I	Unoccupied because the person subject to the tax has their sole or main residence elsewhere in order to receive care	337
J	Unoccupied because the person subject to the tax has their sole or main residence elsewhere in order to provide care	110
K	Unoccupied where the person subject to the tax is a student and has been since he/she last occupied the property	9
L	Unoccupied property that has been repossessed	108
M	A hall of residence provided predominantly for student accommodation	3,368
N	A property occupied only by students, foreign spouses of students or school and college leavers	16,734
O	Armed forces accommodation	835
P	Visiting forces accommodation	3
Q	Unoccupied property left empty by a bankrupt person	19
R	Unused caravan pitch or boat mooring	185
S	A property occupied only by people aged under 18	351
T	Unoccupied property that forms a part of a single property which includes another property and may not be let separately from the other property without a breach of planning control	376
U	A property occupied only by severely mentally impaired people	5,291
V	A property in which at least one person who would otherwise be liable is a diplomat	2
W	A property which forms part of a single property, including at least one other property, and which is the sole or main	470

Class	Description	Number exempt in 2022-23
	residence of a dependent relative of a person who is resident in the other property (eg an annexe)	
X	A property occupied only by a care leaver or care leavers under the age of 25	764

Exceptions to premiums

Class	Definition	Application
Class 1	Properties being marketed for sale (time-limited one year)	The property must be on the market for sale at a reasonable price
Class 2	Properties being marketed for let (time-limited one year)	The property must be on the market for let at a reasonable rent, that is, the rent the property would be expected to fetch having regard to comparable properties
Class 3	Annexes treated as part of the main property	Where an owner has adapted their property to provide an annexe and the annexe is now being used as part of the main property
Class 4	In armed forces accommodation elsewhere	Properties that would be a person's sole or main residence, but which is unoccupied because the person lives in armed forces accommodation
Class 5	Occupied caravan pitches and boat moorings	Covers a pitch occupied by a caravan or a mooring occupied by a boat
Class 6	Seasonal homes where year-round occupation is prohibited	Covers purpose-built holiday homes or chalets which are subject to planning conditions restricting year-round occupancy
Class 7	Job-related dwellings	Where a person is required to reside in a job-related property. It applies to a second home that is occupied periodically because a person is required to live in job-related accommodation elsewhere or where the job-related accommodation is a person's second home

Annex C: Legal Framework for Council Tax

Bands and revaluations

The basis for the council tax system in Wales is set out in the Local Government Finance Acts of 1988 and 1992. Undertaking valuations is the responsibility of HM Revenue and Customs (HMRC), with the Valuation Office Agency (VOA) an executive agency of HMRC, undertaking this role.

The Welsh Ministers can, by way of secondary legislation under the 1992 Act, pave the way for a revaluation of the council tax-base. Welsh Ministers have powers to instruct the VOA to revalue properties in Wales, and this would be carried out by the VOA in accordance with the assumptions and principles set by Ministers.

The framework sets certain restrictions about timing and deliverability. Section 22B(3) of the 1992 Act sets out an Order must be laid before the Senedd to instigate a revaluation exercise, specifying the date at which a new valuation list will come into force. New valuations are to be carried out by reference to an Antecedent Valuation Date (AVD) so that all properties are valued at the same point in time. Section 21(2A)(b) of the 1992 Act specifies the AVD must be within a period of two years prior to the publication of a new list. For example, the current valuation list which was published on 1 April 2005, uses market information and an AVD of 1 April 2003.

The Welsh Government is able to proceed with council tax revaluations regularly using existing legal powers to make Orders under section 22B(3) of the 1992 Act at intervals decided by Ministers. Establishing a definitive, statutory series of rolling revaluations would require primary legislation.

Property alterations

The Council Tax (Alteration of Lists and Appeals) Regulations 1993 provide for the circumstances in which an alteration to a council tax band may occur. One of the circumstances in Regulation 4 deals with material increases in the value of a dwelling. For an alteration to the valuation list to be made, there must also have usually been a relevant transaction as defined in section 24(10) of the 1992 Act (for example, a sale of the property).

Appeals

Section 16 of the 1992 Act provides for appeals to a valuation tribunal. Section 24 of the 1992 Act gives Welsh Ministers the power to make regulations about alterations to valuation lists, including provision about making appeals about the validity of valuation proposals, or the accuracy of the list to a valuation tribunal. The provision of information by the Valuation Office Agency is outlined in Section 18 of the Commissioners for Revenue and Customs Act 2005.

Discounts

Section 11 of the 1992 Act prescribes discounts applied to dwellings with only one liable resident (referred to as the single adult or single person discount), and dwellings with no liable residents (referred to as the empty property discount).

Section 12 of the 1992 Act also enables the Welsh Ministers to, by Regulations, prescribe one or more classes of dwelling where a council may or may not reduce or disapply a discount. Three classes of dwelling have been prescribed with exceptions and are set out in the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998.

Section 13 of the 1992 Act provides powers for Welsh Ministers to make regulations about dwellings adapted for use by disabled people. These have been prescribed in the Council Tax (Reductions for Disabilities) Regulations 1992.

Discretionary reductions

Section 13A of the 1992 Act provides councils with discretionary powers to reduce council tax liabilities to such extent as a council thinks fit (including to zero). These powers enable councils to reduce the council tax bills for particular households or for specified classes of dwellings or household.

Disregarded Persons

Schedule 1 of the 1992 Act prescribes persons disregarded for the purposes of a discount and enables Welsh Ministers to prescribe conditions. These have been prescribed in the Council Tax (Discount Disregards) Order 1992. Paragraph 11 and 12 of Schedule 1 of the Act also enable Welsh Ministers to, by Regulations, add extra categories of disregards and make those persons excluded from joint and several liability. These have been prescribed in the Council Tax (Additional Provisions for Discount Disregards) Regulations 1992 and the Council Tax (Joint and Several Liability of Care Leavers) (Wales) Regulations 2022.

Exemptions

Section 4 of the 1992 Act enables Welsh Ministers to prescribe, by order, certain categories of dwelling as exempt for the purposes of council tax. These have been prescribed in the Council Tax (Exempt Dwellings) Order 1992.

Premiums

The Housing Act 2014 amended the 1992 Act by inserting new sections 12A and 12B to enable a council in Wales to apply a premium to long-term empty dwellings and dwellings occupied periodically (more commonly referred to as second homes). Sections 12A(4) and 12B(5) of the Act also enable Welsh Ministers to, by Regulations, prescribe one or more classes of dwelling where a council may not apply a premium. These have been prescribed in the Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015.

The Council Tax Reduction Scheme

Section 10 of, and Schedule 4 to, the Local Government Finance Act 2012 inserted a new Section 13A and new Schedule 1B into the 1992 Act. These provisions enabled Welsh Ministers to require councils in Wales to implement Council Tax Reduction Schemes and to prescribe the content of such schemes via regulations.