# Second home owners exploit loophole to dodge council tax increases



In a developing situation surrounding second home ownership, reports indicate that some owners are utilising a little-known loophole to circumvent significant council tax increases in popular British holiday destinations, particularly in coastal areas like Padstow, Cornwall. This situation comes in the wake of policy changes introduced under the 2023 Levelling Up and Regeneration Act, which grants local authorities the power to impose a 100 per cent premium on council tax for second homes starting from April 1, 2023.

The loophole being leveraged involves placing these properties on the market for sale. By officially listing their second homes, owners can qualify for a 12-month exemption from the elevated council tax rates, even if there is little intention to sell. This practice has raised concerns among local leaders and residents, as there has been a notable influx of properties for sale in attractive holiday spots, leading to claims that sellers are exploiting this regulatory gap.

Ben Maguire, the Member of Parliament for North Cornwall, has expressed suspicion regarding the increasing number of homes listed for sale in Padstow, a resort town popular with tourists. “Houses here sell like hot cakes. It's slightly suspicious, seeing that,” he remarked, referring to the prolonged time some properties are remaining on the market. Maguire highlighted the strain this phenomenon places on the local property market, where a noticeable number of homes—only about one in five listed are reportedly under offer, according to estate agents Hamptons—are being sold at inflated prices without tangible marketing efforts.

Harry Goodliffe, of HTG Mortgages in Hampshire, characterised this trend as some owners "playing the game" and noted that properties are being advertised at "inflated prices or with zero real marketing effort." He pointed out the legitimacy of the tactic while expressing concern about its implications, stating, “List the house, dodge the tax, but don’t actually sell.”

Local authorities are further voicing their unease. Councillor James O'Keefe, the mayor of Padstow and a lifelong resident of the town, described the influx of second homes as a growing issue. “A lot of people are putting their houses on the market which is flooding it with homes, but they’re at such ridiculous prices it's not helping the housing crisis locals face,” he commented to MailOnline. O'Keefe also observed that the local retail landscape has shifted dramatically, with many shops focused on catering to tourists rather than meeting the needs of residents.

Amid these dynamics, the average tax bill for a second home owner has surged by 77 per cent, amounting to approximately £3,672 this year. The trend of putting properties for sale, with only minimal intention of transacting, seems to mirror similar practices seen in Wales, where second home owners reportedly faced an increase in council taxes that tripled since the previous year.

In this context, local leaders are encouraging a reassessment of these loopholes to address potential exploitations that may disproportionately affect local communities and housing availability. The temporary tax exemption lasts for a maximum of 12 months, although councils retain discretionary powers to extend this if it appears a sale is nearing completion, complicating the enforcement of these new tax regulations. With such developments ongoing, property markets in holiday hotspots remain under scrutiny as both local authorities and observers consider the longer-term impacts of this trend.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://hoa.org.uk/advice/guides-for-homeowners/for-owners/second-home-council-tax/> - This URL explains the changes in council tax rules for second homes in England, particularly the doubling of council tax under the Levelling Up and Regeneration Act 2023. It highlights how some councils are opting for this increase and the efforts by some owners to exploit loopholes.
2. <https://www.lbc.co.uk/news/cost-living/second-home-owners-obscure-loophole-dodge-council-tax-bills/> - This article discusses second home owners using a loophole by listing properties for sale to avoid new council tax rates, raising concerns among local leaders and residents about potential exploitation in holiday hotspots like Padstow.
3. <https://www.telegraph.co.uk/money/property/second-homes/second-homes-taxation-without-representation-cant-be-legal/> - The Telegraph highlights concerns over the legal implications of the new council tax surcharge on second homes, with some owners feeling they are facing 'taxation without representation.' It also mentions the potential for legal challenges to these changes.
4. <https://commonslibrary.parliament.uk/why-am-i-paying-a-council-tax-premium-on-my-second-home/> - This page from the Parliament's Commons Library provides detailed explanations on why second home owners pay a council tax premium, including factors like exemptions and the legal definitions of second homes under new legislation.
5. <https://www.moneyweek.com/personal-finance/tax/council-tax-rules-for-second-homes> - MoneyWeek explains how council tax premiums can significantly increase costs for second home owners due to recent legal changes, affecting areas like Cornwall. It also touches upon possible exemptions and implications for property markets.
6. <https://www.legislation.gov.uk/ukpga/2023/36/contents> - This is the official legislation webpage for the Levelling Up and Regeneration Act 2023, which grants councils the power to charge additional council tax on second homes. It provides the legal framework for the changes discussed.
7. <https://www.dailymail.co.uk/news/article-14614087/loophole-second-home-owners-dodge-council-tax.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data