

# COUNCIL TAX VALUATION BANDS BILL [HL]

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the Council Tax Valuation Bands Bill [HL] as introduced in the House of Lords on 1 June 2015 (HLBill 11).

- These Explanatory Notes have been prepared by Lord Marlesford in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill. So where a provision of the Bill does not seem to require any explanation or comment, the Notes simply say in relation to it that the provision is self-explanatory.

## PURPOSES OF THE BILL

1. The purposes of the bill are:
  - (a) to update the council tax valuation bands which were last set as at 1 April 1991;
  - (b) to provide a greater rate of progression in rates of council tax than provided for in the Local Government Finance Act 1992 so that the most expensive dwellings attract a greater level of council tax;
  - (c) to avoid the need for a revaluation of dwellings; and
  - (d) to ensure that all valuations for the purposes of the updated council tax valuation bands are based on actual prices paid for dwellings.

## METHOD

2. There are currently eight valuation bands designated A to H. These eight bands would remain at present levels for dwellings which have not changed hands since 1 April 2000. The rates of council tax charged on these dwellings would remain at their current rate as declared by local authorities each year.
3. The bill proposes updated thresholds for the eight bands so as to reflect more closely the current range of prices paid for dwellings.
4. Dwellings bought or sold since 1 April 2000, the date from which the price paid has been recorded by the Land Registry and is publicly available under the Land Registration Act 2002, would be placed in the updated bands.
5. All dwellings remaining in the existing bands would migrate to the new bands as their ownership changed over time.
6. The amount of council tax payable for each band was set under the Local Government Finance Act 1992 in the following proportions:  
6: 7: 8: 9: 11: 13: 15: 18.
7. Thus in the existing bands the tax payable in any billing authority's area increases with each band so that the tax on dwellings in the top band is three times that of those in the bottom band.
8. The Bill provides for the proportions to be changed to:  
6: 8: 16: 24: 36: 48: 100: 250 for dwellings in the new bands.
9. Thus the tax in any billing area rises so that the dwellings in the top band pay approximately 42 times the tax paid by those in the bottom band.
10. The table shows how the new system would work in practice. Those in band A would pay the same amount of council tax under both systems. Those in the new band B would pay 14 per cent more than at present. Those in band C would pay 100 per cent more than the present band C. Thereafter, owners would pay substantially more than they would in the same band under the ratios set by the

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Local Government Finance Act 1992, with those in band G paying seven times more and those in the top band paying fourteen times more than at present.

## Table: Existing and proposed systems

Band	Existing				Proposed			
	Threshold	Ratio	Increase from previous band	Nominal tax	Threshold	Ratio	Increase from previous band	Nominal tax
A	Up to £40,000	6	-	100	Up to £250,000	6	-	100
B	£40,001 to £52,000	7	+17%	117	£250,001 to £500,000	8	+33%	133
C	£52,001 to £68,000	8	+14%	133	£500,001 to £1,000,000	16	+100%	267
D	£68,001 to £88,000	9	+12.5%	150	£1,000,001 to £2,000,000	24	+50%	400
E	£88,001 to £120,000	11	+22%	183	£2,000,001 to £5,000,000	36	+50%	600
F	£120,001 to £160,000	13	+18%	217	£5,000,001 to £10,000,000	48	+33%	800
G	£160,001 to £320,000	15	+15%	250	£10,000,001 to £20,000,000	100	+108%	1667
H	More than £320,000	18	+20%	300	More than £20,000,000	250	+150%	4167

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