



army families federation

the voice of army families

Briefing

1 May 2014

Second home council tax discount on overseas assignments

Service personnel living in Service Families Accommodation (SFA) or Single Living Accommodation (SLA) with a furnished second home are currently entitled to a 50% discount on their council tax. However, this entitlement ceases when they are posted off the UK mainland. Service personnel assigned overseas or in Northern Ireland continue to pay UK tax and National Insurance, as well as Contribution in Lieu of Council Tax (CILOCT) and often have no choice in being assigned overseas.

AFF believes that due to their lack of choice in working overseas and their continued contribution to the UK tax and council tax system, Service personnel are being disadvantaged by this policy. AFF believes that Service personnel assigned overseas (including Northern Ireland) should be entitled to claim the 50% reduction in council tax.

Background

Service personnel living in SFA/SLA (job related dwellings) with a second home in the UK which is furnished and vacant are entitled to a 50% council tax discount when on assignment in Scotland, England or Wales. However, if they are assigned overseas or in Northern Ireland, they lose this entitlement.

Service personnel living in SFA/SLA do not pay council tax to their local authority but contribute to local services by paying Contribution in Lieu of Council Tax (CILOCT) to the MOD. The rate of CILOCT remains the same, regardless of assignment location.

Service personnel are assigned on a regular basis with often little or no choice on the location (this may be for a potentially short or often indeterminate amount of time). When they are assigned overseas, they continue to pay UK tax, National Insurance and CILOCT as they would do if working on the mainland. However, they lose their entitlement to the council tax discount, resulting in disadvantage.

Many Service personnel own their own homes to enable them to have a foothold on the property ladder, a base when they come back to the UK on leave and somewhere to settle when they leave the Armed Forces. The New Employment Model (NEM) will be actively encouraging and establishing methods to assist Service personnel to buy their own homes.

AFF has received evidence of Service personnel having to sell or rent out their properties in the UK when they are assigned overseas, due to the lack of reduction in council tax having a negative impact on their finances. Service personnel then have no base to go to when on leave in the UK, which can result in hotel or B&B costs. If the Service person sells their home, they lose their foothold on the property ladder.

This issue was last considered in 2005. It is unclear whether those consulted were fully informed of CILOCT or the lack of choice for being posted abroad; there was some appetite for those posted to Northern Ireland to be allowed to retain the discount but not enough at that time to warrant a change. Those based overseas are less likely to have the opportunity to visit or use their property making this particularly unfair.

The reason behind the lack of appetite for change appears to be a concern about administrative issues: 'any further extension of the concession - which would break the link of council tax being payable of both properties - could lead to considerable administrative difficulties.'

AFF believes that as Service personnel pay CILOCT wherever they are assigned in the world and continue to pay some council tax on their own home, it is appropriate and fair that access to a reduction in council tax is extended to those serving overseas.

Human Impact

A Serving Person posted to Germany by the Army has a house in the UK but currently lives in MOD provided accommodation. He doesn't want to sell the property in the UK as it is his foothold on the property ladder and doesn't want to rent it out as it is the place he goes to when he is back in the UK on leave. As he is not entitled to the 50% council tax discount, which was available to him while

he was serving in GB, he is now finding that his finances are stretched. This is another disincentive to serving abroad, among many making it difficult to find personnel willing to serve overseas.

Covenant Situation

The Armed Forces Covenant states that Service personnel should not face disadvantage compared to the civilian population. Currently, Service personnel assigned overseas are disadvantaged over those posted in GB/the UK. AFF believes that disadvantage within the Forces community itself due to assignment locations should be removed under the Armed Forces Covenant.

If civilians move overseas due to their employment, it is their choice and they have the option to weigh up the financial costs of owning a second home in the UK when they make their decision.

AFF VIEW:

AFF believes that Service personnel with second homes who are assigned overseas are disadvantaged due to their loss of the 50% reduction in council tax.

AFF believes that disadvantage within the Armed Forces community itself, as a result of location of assignment, should be removed under the Armed Forces Covenant.

AFF believes that the devolved administrations should address this situation and alter the Statutory Instruments so that Service personnel assigned overseas are permitted to retain the 50% council tax discount they are entitled to when posted within GB.
