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Ruinous tax bills are being issued to homeowners for carrying out modest home renovations under rules designed to get property developers to fund local services.

Local councils are charging those building family homes, an extension or an annexe up to £180,000 each on top of the cost of building and planning.

In some cases, the residents have no right to appeal against the charge and are handing over their pensions, borrowing money from relatives, remortgaging or even having to sell their home to pay the local authority what they owe. The Sunday Times has seen eye-watering bills charged to residents in Surrey, Sevenoaks, London, Shropshire, Horsham, Bracknell Forest, Basingstoke, Chester and East Sussex.

Steve Dally, 65, from Farncombe in Surrey, received a tax bill from Waverley borough council for £67,787 in February 2020, four months after he had started work on his extension.

A friend of his had just died in intensive care two weeks after catching Covid and Dally had been told to isolate.

He says: “All I could think was, ‘I could be dead in two weeks. My wife is going to lose me and she’s going to lose her home.’ The [mental] torture was unbelievable. It was lockdown so people were working from home and nobody [at the council] would answer my questions.”

Dally only discovered what he was being charged for after he instructed a solicitor to find out. The local authority said he was liable to pay the community infrastructure levy (CIL), a tax to ensure that property developers who are adding more homes to an area contribute to vital services such as roads and transport.

Homeowners who build their own home, extension or any dwelling which is less than 100 sq m should not have to pay CIL, but they do have to exempt themselves from the tax by submitting many forms within tight deadlines before the building work starts.

Dally had not applied for an exemption because he received planning consent in 2018, a year before Waverley adopted the tax. But in 2019 he needed to make minor changes to his planning application. Council planning officers advised him to make a retrospective amendment under section 73A of the Town and Country Planning Act 1990, without making him aware that this meant he had to apply for a CIL exemption. Having never carried out building work before, Dally didn’t know he could have amended his application under Section 73 (instead of 73A) so that he wouldn’t have had to pay CIL.

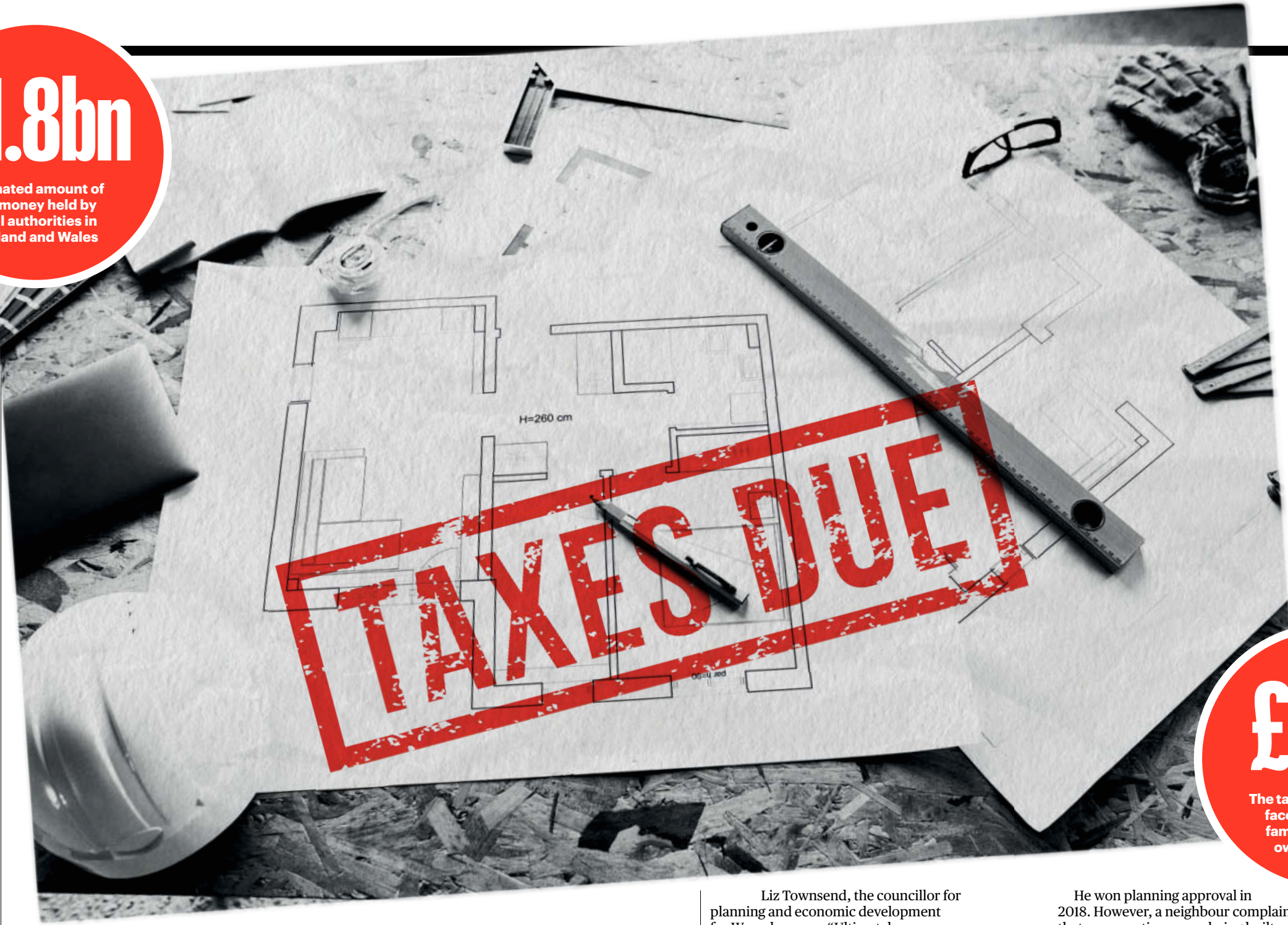
Dally spent five years campaigning relentlessly before Waverley finally dropped the charge at the start of July. Under new proposals, the council will be able to waive CIL liability if it has made an error – but not for mistakes made by homeowners or any professionals who are acting on their behalf.

Dally still owes more than £12,000 in interest because the council charged him 2.5 per cent above the Bank of England’s base rate per day on a late-payment charge for not handing in his building commencement notice on time.

Strict spending rules for councils mean that CIL funds can only be spent on local infrastructure. However, the interest generated from the money can be put into councils’ general funds. Research by the Home Builders Federation, a trade body, estimates that local authorities in England and Wales are sitting on about £1.8 billion

£1.8bn

Estimated amount of CIL money held by local authorities in England and Wales



£27k

The tax bill Simon Broad faced for building a family home on his own land in Kent

Tangled in red tape

Homeowners building extensions are being caught out by an ‘outrageous property tax’. By *Melissa York*

in CIL money, which is earning them millions of pounds in interest.

Will Angas, a commercial solicitor, was also advised by Waverley to make changes to plans for his new-build family house under section 73A. He received a bill for £182,000 and the council revoked it only after he spent hours scrutinising the legislation and provided photographic evidence that no work had started.

Angas says: “The council never explained why they wished to recharacterise my application as being retrospective when, clearly, the work had not commenced. The consequence of their decision was potentially life-

Liz Townsend, the councillor for planning and economic development for Waverley, says: “Ultimately, we are working within a national system that gives councils limited discretion. If we want to make CIL fairer, clearer and more aligned with its original purpose, the law must change.

“That’s why we’re pressing government for urgent reform of what is a one-size-fits-all approach, from homeowners to major developers. The very fact that councils are having to introduce ways to work around this legislation for householders is concrete evidence that it is simply not working.”

Homeowners have only 28 days from their liability notice to appeal to their local authority if they think they have been wrongly taxed. Their local authority then has 14 days to respond.

If it doesn’t go their way, residents can escalate their appeal to the Valuation Office Agency but this must be no later than 60 days after their liability notice. This leaves only 18 days for a response after they have dealt with the council.

If all else fails, there is a judicial review but this could cost at least £20,000 in legal fees, according to Alun Oliver from the property tax specialist E3 Consulting. He says: “It’s a very complicated system and the legislation is probably poorly drafted but it does generate some valuable funds which local authorities require.”

John Crawford, 75, who had never undertaken building work, decided to construct an annexe in his garden for himself and his wife, Jane, who has dementia. This would allow his son and daughter-in-law to move into the main house and help care for Jane.

He won planning approval in 2018. However, a neighbour complained that some sections were being built on-site rather than being brought in as pre-built modules. Despite the final structure staying the same, the planning officer deemed this to be a breach of planning consent and issued a demolition notice.

After Crawford appealed, the planning consent was approved again but instead reclassified as a “building” rather than a “mobile lodge annexe”. The council demanded a £47,000 CIL payment, citing a change in classification, even though the CIL hadn’t been adopted when the Crawfords started building and the original appeal form didn’t indicate that it would apply if the appeal was won.

John was recovering from lung cancer surgery at the time but he found little



sympathy from the council. “They were not interested in listening to personal circumstances and they were very dismissive,” he says.

He eventually handed over £20,000 and is paying the rest in instalments, including interest, from his pension savings and money he had put aside for Jane’s care.

Jeremy Hunt, the former chancellor, is the Crawfords’ MP in the Godalming and Ash constituency, in Surrey. He started receiving what he calls “extraordinary complaints” from his constituents in January that they had been hit by “an outrageous additional property tax on people who are just doing innocent extensions”.

Hunt met with Matthew Pennycook, the housing minister, last week. Hunt told The Sunday Times, “[CIL] was meant for commercial developments. This is a drag on economic growth because it puts people off doing home extensions.

“What I think [ministers] should do is pass a statutory instrument through parliament saying that the CIL legislation does not apply to people’s primary residences.”

Jane Austin, the leader of the Conservative group of councillors for Waverley borough council, says the CIL charges have spooked the local property market. She says: “We’ve spoken to estate agents who said buyers are avoiding houses that need extension work because they’re worried they’ll fill out the wrong form.”

CIL was introduced in 2010 but it is up to local authorities if they want to adopt the tax and to set rates. More councils have taken CIL up in recent years as a way to raise revenue from ambitious new housebuilding targets.

This has resulted in a postcode lottery where homeowners on local authority boundaries face big bills while houses that are only streets away do not.

Simon Broad, a farmer who lives in Penshurst, Kent, was “sick to his stomach” when he was charged more than £27,000 for building a house for his family on his land, while a developer he knows built six houses to sell in nearby Tunbridge Wells, where the borough council doesn’t apply CIL, and is only paying £500 towards local infrastructure.

Self-builds are generally exempt from CIL but Sevenoaks district council applied the charge after Broad says he told building control he was about to start work when he should have submitted a commencement notice form to the planning department.

The council no longer levies CIL on homeowners who fail to serve this form on time, but says it cannot apply this exemption retrospectively to Broad’s application.

Sevenoaks district council says: “While we sympathise with Mr Broad’s situation, CIL requirements are set out in law by government and have to be followed by both applicants and councils.”

The Ministry of Housing, Communities and Local Government says: “Councils are ultimately responsible for their own decisions on charging and enforcement, but we expect them to consider each case carefully. We are considering how we can make the developer contributions system as clear and effective as possible – including the community infrastructure levy – and this includes addressing issues with how certain exemptions are working in practice.”

THE TWO ROBBS



Your questions on being a landlord and investing in property answered

SHOULD I BUY A HOUSE FOR MY SON WHILE HE IS AT UNIVERSITY?

Q My son will start university in September and we’ve already been looking at rental accommodation options for his second and third years – but the properties are pretty expensive for what you get. I wonder whether I should buy a house instead, the idea being that he and some friends could live there during his studies, and I’d keep it as a student rental after he leaves.

I’ve never been a landlord before, so I’m not sure what I’m getting myself into. What should I know before I consider it?

Sarah, Derbyshire

safety checks. Many university cities have also introduced Article 4 directions, which remove automatic rights to convert family homes into HMOs. In these areas, you would need to buy a property that is already licensed as an HMO, or risk trying to obtain planning permission.

Financing is significantly more specialist too. You will be in the realm of specialist lenders who will require 25-30 per cent deposits, apply tougher stress tests and charge higher rates.

Then there is the management burden to consider. Student lets are much more hands-on than standard buy-to-let: annual tenant turnover, summer voids, cleaning between tenancies, damage beyond normal wear and tear, and chasing rent from multiple students. If you are not local, you will need a letting agent, which typically costs 10-15 per cent of rental income and eats into your returns.

Before getting caught up in any of these practicalities, you need to be clear on what you are trying to achieve. It’s natural that you don’t

This is something many parents in your position ask themselves – and while it can work there’s a huge amount to think about.

The student housing market has shifted dramatically over the past decade. Students can now choose to live in modern purpose-built developments in prime locations, with en suite rooms and gyms commonplace. It’s a long way from the grubby house shares many of us will remember.

There’s still a place for larger student houses, but standards have definitely risen. Students now expect a high standard of decoration and furnishing, prefer en suite rooms, and often want bills and cleaning included.

Properties that don’t meet these expectations can be difficult to rent out, regardless of price.

In your case, a good place to start would be to assess what accommodation is on offer in the city where your son is studying. This research will allow you to work out what size of investment you’ll need to make and what the running costs will be – and what it will take to be competitive in the market.

You will also need to spend some time looking into the regulatory side. Depending on the number of occupants you may need an HMO (house in multiple occupation) licence, which means (among other things) fire doors, mains-wired smoke alarms and annual

Submit your questions for the Two Robbs at propertyhub.net/sundaytimes

Rob Dix and Rob Bence present The Property Podcast and are co-founders of the property education platform Property Hub. Buy Rob Dix’s book, Seven Myths about Money (£18.99), from timesbookshop.co.uk or call 020 3176 2935. Discount for Times+ members

“Students now expect a high standard of decoration”

