

Explanatory Memorandum to the Council Tax (Discounts, Disregards and Exemptions) (Wales) Regulations 2026

This Explanatory Memorandum has been prepared by Council Tax Policy and Reform Division of the Welsh Government and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Council Tax (Discounts, Disregards and Exemptions) (Wales) Regulations 2026. I am satisfied that the benefits justify the likely costs.

Mark Drakeford MS

Cabinet Secretary for Finance and Welsh Language

9 December 2025

PART 1

1. Description

- 1.1 The current system of council tax discounts, disregards and exemptions is set out in the Local Government Finance Act 1992 and subordinate legislation made under that Act. The Council Tax (Discounts, Disregards and Exemptions) (Wales) Regulations 2026 ('the 2026 Regulations') are largely a consolidating instrument which, restates and amends existing provisions as well as making further provisions. The 2026 Regulations will revoke and replace the following statutory instruments in their application to Wales.
- The Council Tax (Discount Disregards) Order 1992 ('the 1992 Disregards Order').
 - The Council Tax (Additional Provisions for Discount Disregards) Regulations 1992 ('the 1992 Regulations').
 - The Council Tax (Exempt Dwellings) Order 1992 ('the 1992 Exempt Dwellings Order').
 - The Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998 ('the 1998 Regulations').

2. Matters of special interest to the Legislation, Justice and Constitution Committee

- 2.1 This instrument has been prepared outside the new software for Welsh statutory instruments; it may be the case that minor formatting improvements need to be made during the registration process if this legislation is approved by the Senedd and made by the Welsh Ministers.

3. Legislative background

- 3.1 The Local Government Finance Act 1992 ('the 1992 Act') was amended by the Local Government Finance (Wales) Act 2024 ('the 2024 Act'). That Act conferred new powers on the Welsh Ministers to prescribe the amount and circumstances of a council tax discount, the persons who should be disregarded for the purpose of a discount and matters relating to the joint and several liability to pay council tax.
- 3.2 Section 4 of the 1992 Act provides for the Welsh Ministers to prescribe classes of dwellings which are exempt from council tax.
- 3.3 Section 11E of the 1992 Act provides for the Welsh Ministers to set the level of discount and prescribe the criteria or conditions that must exist for a discount to apply to any chargeable dwelling in Wales.
- 3.4 Section 11E(2) prescribes the criteria for three statutory discounts and in accordance with section 11E(1) the level of discount that will be prescribed.

- 3.5 Section 11E(3) provides for the Welsh Ministers to prescribe any such other criteria for a discount to apply and section 11E(6) provides that the criteria can be referenced in relation to a dwelling or a person.
- 3.6 Section 11E(5) provides for the Welsh Ministers to prescribe categories of persons that are disregarded for the purposes of a discount.
- 3.7 Provisions contained within section 6(4) and 9(1) of the 1992 Act (as amended) provide for Welsh Ministers to prescribe categories of persons who are disregarded from being jointly and severally liable to pay council tax.
- 3.8 The 2026 Regulations are subject to the draft affirmative procedure, in accordance with section 11E(7) of the 1992 Act.
- 3.9 Sections 6(4C)(b)(ii) and (4D), 11E and 11F of the 1992 Act were commenced by section 23(6) of the 2024 Act for the purpose of making regulations under those provisions. The remaining provisions of those sections will be commenced prior to the coming into force of the 2026 Regulations.

4. Purpose and intended effect of the legislation

Background

- 4.1 For over three decades, the various council tax discounts, disregarded persons, and exemptions have provided crucial council tax support to individuals and families, particularly those facing financial challenges or where there are unique circumstances. Some categories also exist to ensure the council tax system can be operated efficiently. However, the majority of these arrangements have remained unchanged since the introduction of the council tax system in Wales in 1993.
- 4.2 The rules for administering council tax discounts, disregards and exemptions are contained in the 1992 Act and in the various regulations made under that Act. The legislative landscape is considered complex, outdated and overly prescriptive and difficult to navigate, given the current mix of provisions in various primary and secondary legislation. Over time, these rules have become more complex and are often difficult for households to understand, for practitioners to administer and for advice agencies to explain.
- 4.3 The 2024 Act provides an opportunity to modernise these measures. The purpose of the 2026 Regulations is to simplify and consolidate those arrangements and outline them in a single Welsh statutory instrument as well as making additional provision in relation to some other matters. In the future, the Welsh Ministers will be able to modify the regulations to reflect the evolving needs of society.

Completion of the review

- 4.4 Each category of council tax discount, disregarded person and exemption has been reviewed to ensure the arrangements remain relevant to the Welsh Government’s policy ambitions and help to achieve a fairer council tax system. The Welsh Government has worked closely with local government, local organisations and networks that represent the people of Wales to consider and review each category. As well as a range of discussions, this has included a focussed working group of council practitioners.
- 4.5 The purpose of reviewing the range of discounts, disregards and exemptions was to improve and modernise the system so that it contributes to our aim of making council tax fairer. This includes 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 more effectively.
- 4.6 The review concluded that a number a discounts, disregards and exemptions remain fit for purpose, and they have been restated and consolidated without amendment in the 2026 Regulations. A detailed explanation of specific amendments is set out in the corresponding Discounts, Disregarded Persons and Exemptions sections of this document.

Discounts

- 4.7 Part 2 of the 2026 Regulations sets out the prescribed council tax discount rates applicable to occupancy arrangements and particular classes of dwellings. These provisions define the circumstances under which discounts may apply based on the resident status or property class. A summary of the prescribed amounts is provided in Table 1.

Table 1: Discounts

Discounts category	Regulation	Provisions
Occupancy related discounts	3 and 4	Often referred to as the single person discount, or one adult discount. The 2026 Regulations restate the existing level of discount at: <ul style="list-style-type: none"> i. 25% where there is only one resident of the dwelling and that resident does not fall to be disregarded for the purposes of discount; ii. 25% where there are two or more residents of the dwelling and each of them except one falls to be disregarded for those purposes; and iii. 50% where there are one or more residents of the dwelling and each of them falls to be disregarded for the purpose of discount.

Discounts category	Regulation	Provisions
Dwelling related discount	6	Often referred to as the empty property discount. The 2026 Regulations restate existing provisions for a dwelling with no resident which meets the following criteria at a 50% discount : <ul style="list-style-type: none"> • Caravan pitches or boat moorings that are occupied by a caravan or a boat (where the dwelling is unoccupied). • Job-related dwellings left empty because the resident is required to live in another property provided for employment purposes.

Disregards

- 4.8 Part 3 of the 2026 Regulations prescribes classes of persons who are disregarded (not counted) for the purposes of a council tax discount.
- 4.9 As part of the comprehensive review of council tax discounts, disregards, and exemptions, a number of existing disregarded categories were assessed and deemed fit for purpose. These provisions have been carried forward and formally restated in the 2026 Regulations without substantive amendment. **Table 2** summarises these categories.

Table 2: Disregarded person provisions restated in the 2026 Regulations

Category	Regulation
Persons in detention	9
Persons in respect of whom child benefit is payable	11
Students	12 & 13
Spouses, civil partners and dependants of students	14
School & college leavers	15
Hospital patients	16
Patients in homes in England and Wales	17
Resident of certain dwellings	19
International Headquarters and Defence Organisations	20
Visiting forces	21
Diplomats and people who benefit from diplomatic immunity	22
Religious Communities	23
Care leavers	24

- 4.10 Following a period of consultation, several categories of disregards under the council tax framework have been amended or refined to reflect the Welsh Government's policy objectives and to improve clarity. These updates are summarised in Table 3, which outlines the changes introduced through the 2026 Regulations, including updates to terminology, definitions, and qualifying conditions.

Table 3: Amendments to disregard provisions in the 2026 Regulations

Disregard category	Regulation	Provisions
Significant cognitive impairment	10	<p>The 2026 Regulations revise the terminology and definitions contained within the 1992 Act and the 1992 Disregards Order to adopt more inclusive and medically appropriate language. Specifically:</p> <ul style="list-style-type: none"> - All previous references to ‘severely mentally impaired’ are replaced with ‘significant cognitive impairment’ throughout the relevant provisions. - the definition contained in paragraph 2 (2) of Schedule 1 of the 1992 Act now describes a person with a significant cognitive impairment as having ‘a severe and permanent mental condition or neurological change that impacts on the brains ability to function and has a significant impact on an individual’s daily life’. <p>These changes do not alter the underlying qualifying criteria, other than:</p> <ul style="list-style-type: none"> • Removing outdated references to welfare benefits that are no longer awarded, and • Updating references to current welfare benefits still used to determine eligibility.
Students: Apprentices	12 & Paragraph 1 of Schedule 2	<p>Paragraph 1 of Schedule 2 of the 2026 Regulations restates and updates the definition of an “<i>apprentice</i>” as originally set out in Part 1(1) of the Schedule to the 1992 Disregards Order. Notably, it replaces the fixed weekly earnings threshold of £195 with a reference point: the National Minimum Wage applicable to apprentices aged under 19 or aged 19 or over in the first year of their apprenticeship.</p> <p>This amendment ensures the earnings criterion remains aligned with prevailing wage standards.</p>
Care workers	18	<p>The 2026 Regulations restate and update provisions for care workers set out in Part 2 of the Schedule to the 1992 Regulations. The 2026 Regulations remove redundant provisions relating to a carer engaged by a charity or local authority, and which specifies that they must work at least 24 hours a week, receive not more</p>

Disregard category	Regulation	Provisions
		<p>than £44 per week remuneration and reside in premises provided by, or on behalf of the organisation.</p> <p>These changes aim to streamline the legislative framework and remove outdated employment conditions that are no longer in use. The Welsh Government's review and consultation found no evidence that these provisions are still in use.</p>
Persons from Ukraine	25	The 2026 Regulations restate the provisions from the 1992 Regulations concerning persons from Ukraine, ensuring continuity of this disregard. In addition, the Regulations extend the scope of these provisions to include individuals who hold permission to stay under the <i>Ukraine Permission Extension Scheme</i> , who will also be treated as <i>disregarded persons</i> for the purposes of council tax discount calculations.

Joint and Several Liability

- 4.11 Part 4 of the 2026 Regulations prescribe exceptions for classes of persons who are disregarded for the purposes of a council tax discount from being jointly and severally liable for council tax.
- 4.12 Regulation 26 restates and consolidates the existing provisions under section 6(4) and 9(2) from the 1992 Act so that a person with a significant cognitive impairment, students and care leavers are disregarded for council tax purposes from being jointly and severally liable for council tax.

Exempt Dwellings

- 4.13 Part 5 of the 2026 Regulations prescribes the classes of dwelling which are exempt from the liability to pay council tax.
- 4.14 As part of the comprehensive review of council tax discounts, disregards, and exemptions, a number of existing exempt categories were assessed and deemed fit for purpose. These provisions have been carried forward and restated in the 2026 Regulations without substantive amendment. **Table 4** summarises these categories.

Table 4: Exemptions restated without amendment in regulation 29 of the 2026 Regulations

Exemption Categories	
Class B	Unoccupied property owned by a charity.
Class D	Unoccupied property because the person who would otherwise occupy it is in detention under certain enactments.

Exemption Categories	
Class E	Unoccupied property because the person who would otherwise occupy it is in a hospital or a care home.
Class G	Unoccupied property where occupation is prohibited by law.
Class I	Unoccupied property because the person subject to the tax has their sole or main residence elsewhere in order to receive care.
Class J	Unoccupied property because the person subject to the tax has their sole or main residence elsewhere in order to provide care.
Class K	Unoccupied property where the person subject to the tax is a student and has been since they last occupied the property.
Class L	Unoccupied property that has been repossessed.
Class M	A hall of residence provided predominantly for student accommodation.
Class N	A property occupied only by students, foreign spouses of students or school and college leavers.
Class O	Armed forces accommodation.
Class P	Visiting forces accommodation.
Class Q	Unoccupied property left empty by a bankrupt person.
Class R	Unused caravan pitch or a boat mooring.
Class S	A property occupied only by people aged under 18.
Class T	Unoccupied property that forms a part of a single property which includes another property and may not be let separately without a breach of planning control.
Class V	A property in which at least one person who would otherwise be liable is a diplomat.
Class W	A property which forms part of a single property, including at least one other property, and which is the sole or main residence of a dependent relative of a person who is resident in the other dwelling (e.g., an annexe).
Class X	A property occupied only by a care leaver or care leavers under the age of 25.

4.15 Following a period of consultation, several categories of exemptions under the council tax framework have been amended or refined to reflect the Welsh Government's policy objectives and to improve clarity of the law. These updates are summarised in Table 5, which outlines the changes introduced through the 2026 Regulations.

Table 5: Amendments to exemption categories

Exemption Category	Provision
Class A Uninhabitable property and empty property undergoing structural alteration or repairs	The 2026 Regulations restate, consolidate and amend the provisions of Article 3 of the 1992 Exempt Dwellings Order for Class A and prescribe: <ul style="list-style-type: none"> – that a 12-month exemption period applies on a change of ownership, with the sale of the property evidenced through legal transfer documents or registration with HM Land Registry.

Exemption Category	Provision
Class C Empty and unfurnished property for up to six months after the property became vacant	The 2026 Regulations restate, consolidate and amend the provisions of Article 3 of the 1992 Exempt Dwellings Order for Class C and prescribe: <ul style="list-style-type: none"> – that a 6-month exemption period applies on a change of ownership, with the sale of the property evidenced through legal transfer documents or registration with HM Land Registry.
Class F Unoccupied property where probate or letters of administration have not yet been granted, and for up to 12 months after the grant is made	The 2026 Regulations restate, consolidate and amend the provisions of Article 3 of the 1992 Exempt Dwellings Order for Class F so that: <ul style="list-style-type: none"> – the exemption applies for a period of up to 2 years from the date of death of the deceased, or to the date probate or of letters of administration has been granted, whichever is sooner; and for up to 12 months after the grant is made.
Class H An unoccupied property held available for use of ministers of religion from which to carry out their duties	The 2026 Regulations restate, consolidate and amend the existing provisions of Article 3 of the 1992 Exempt Dwellings Order for Class H so that: <ul style="list-style-type: none"> – the exemption applies for a continuous period of up to one year since the property was left vacant.
Class U A property occupied only by people with a significant cognitive impairment	The 2026 Regulations update all references to ‘severely mentally impaired’ with ‘significant cognitive impairment’.

New Exempt Dwelling Category

4.16 The 2026 Regulations establish a new Class Y exemption, which applies specifically to properties operating as a refuge that offers emergency and temporary accommodation to survivors of any form of abuse, domestic abuse, gender-based violence or sexual violence. This can include any type of accommodation but to qualify, such properties must be provided by or commissioned by a local authority in Wales. This targeted exemption ensures that only services recognised and supported through public commissioning arrangements are eligible.

5. Consultations

The Phase 1 Consultation on A Fairer Council Tax

- 5.1 An outline public consultation in 2022 sought initial views on three broad areas of council tax reform including: a proposed property revaluation and rebanding exercise with regular updates in the future; a review of our national Council Tax Reduction Scheme; and a review of council tax discounts, disregards and exemptions. The consultation ran from 12 July to 4 October 2022 and received over 1,000 responses, reflecting a wide spectrum of views and interests. There was broad support to review the discounts framework and give the Welsh Government more flexibility to change the framework through the Local Government Finance (Wales) Act 2024. A [Written Statement along with a summary of responses report](#) was published on 16 December 2022.

The Phase 2 Consultation on A Fairer Council Tax

- 5.2 A further public consultation in 2023 proposed changes to the council tax system and sought views on when those changes should be implemented, and provided an update. With regard to the discounts framework the consultation set out that there would be no change to the one adult discount and the statutory discount for empty properties would be removed. It also sought views on proposals for homes subject to probate and a new title for the outdated term of 'severely mentally impaired'. The consultation ran from 14 November 2023 to 6 February 2024 and received 1,676 responses reflecting a range of views. A [Written Statement along with a summary of responses report](#) was published on 15 May 2024.

Council Tax Consultation: Discounts, Disregard Persons and Exemptions

- 5.3 In May 2025 the Welsh Government launched a detailed public consultation on the outcome of the review of the discounts framework. It provided an update on the findings of the comprehensive review of each category of council tax discount, disregard and exemption. The consultation also sought views on further proposed changes and confirmed the way forward for some changes that were previously consulted on in the previous consultations.

The consultation ran for 12 weeks, from 23 May to 15 August 2025 and received 66 responses from a range of stakeholders, including representative bodies, local authorities, advice organisations and other members of the public. Overall, respondents were broadly supportive of the proposals, particularly those aimed at simplifying outdated provisions and promoting greater fairness.

- 5.4 A [Written Statement along with a summary of responses](#) report was published on 30 September 2025.

PART 2 – REGULATORY IMPACT ASSESSMENT

6. Options

6.1 This Regulatory Impact Assessment (RIA) presents two options in relation to improving statutory council tax discounts, disregarded persons and exemptions. All costs and benefits quantified in this RIA are based on information available to the Welsh Government leading up to publication.

6.2 Changes to discounts, disregards or exemptions do not translate directly into costs or savings for local authorities. The calculation of council tax begins with an authority's annual budget requirement, which is then divided by its tax base (which is the number of Band D equivalent dwellings). Adjustments to discounts, disregarded persons, or exemptions affect the size of the tax base rather than the amount of council tax to be raised. The resulting impact, all else being equal, is a marginal increase or decrease in the average Band D council tax level charged within a local authority area.

6.3 Due to variation across billing authorities including differences in population characteristics, and dwellings, quantitative estimates are presented at an all-Wales level. Attempting to model impacts at the level of individual billing authorities could result in unreliable or misleading conclusions.

6.4 The options are considered as follows:

Option 1 - Do nothing - retain the existing statutory framework for council tax discounts, disregarded persons and exemptions.

Option 2 - Legislate to develop new and consolidated regulations to make all council tax discounts, disregard persons and exemptions fairer, easier to understand and more accessible - make the Council Tax (Discounts, Disregards and Exemptions) (Wales) Regulations 2026.

7. Costs and benefits

Option 1 – Do nothing

Costs

7.1 The current system of council tax discounts, disregarded persons and exemptions would remain in place therefore no additional costs have been identified for the Welsh Government or billing authorities. However, retaining the current system may result in continued issues identified by stakeholders, such as outdated eligibility criteria, stigma associated with some types of support, and unfair treatment of new property owners.

7.2 There may also be reputational costs for the Welsh Government and local authorities if perceived inaction leads to criticism regarding fairness or

equity in council tax processes, following the Welsh Government's comprehensive review of the framework. Not amending the framework for council tax discounts, disregarded persons and exemptions would mean the Welsh Government's Programme for Government commitment to a fairer council tax would not be met.

Benefits

- 7.3 The current system of council tax discounts, disregarded persons and exemptions has been in place for over 30 years. Despite some complexity and criticism, it is generally well known and understood by billing authorities and advice agencies. The marginal implementation costs of making the regulations would represent an opportunity cost for other public services.

Option 2 – Legislate to develop new and consolidated regulations to make all council tax discounts, disregard persons and exemptions fairer, easier to understand and more accessible.

- 7.4 The Welsh Government has worked closely with local government, local organisations and networks that represent the people of Wales to consider and review each category of discount, disregarded person and exemption. Input from stakeholders including a focussed working group of local authority practitioners and responses to council tax consultations has informed the assessment of costs and impacts associated with the 2026 Regulations.
- 7.5 Restating existing council tax discounts, disregards, and exemptions are not new policy measures so will not create additional costs for billing authorities or taxpayers. The system will continue to play an important role in supporting households financially, reducing poverty within communities, and improving the efficiency of tax collection processes. For example, over 500,000 households in Wales benefit from a council tax discount, approximately 22,000 of these are due to a disregard, and a further 64,000 properties are fully exempt. Altogether, these reductions total approximately £445 million compared to the total council tax [revenue](#) of £2.8 billion. Within this, disregards represent around 0.4% of the tax base and exemptions around 5%, highlighting the positive benefit these categories have on the overall council tax system.
- 7.6 This RIA assesses the potential impact of the 2026 Regulations on the tax base and taxpayers where policy changes to existing discounts, disregarded persons, and exemptions are made. The impact for each category amended is summarised below.

Significant Cognitive Impairment Disregard and Class U Exemption

- 7.7 The Welsh Government's [research](#) supported by wider [evidence](#) recommends updating the council tax terminology for individuals

previously described as 'severely mentally impaired'. From April 2026, this category will be renamed 'significant cognitive impairment' defined as having 'a severe and permanent mental condition or neurological change that impacts on the brain's ability to function and has a significant impact on an individual's daily life'. The change aims to align council tax policy with modern public service standards, reduce stigma, and improve access to financial support for vulnerable households.

- 7.8 The eligibility criteria remain unchanged, but the revised terminology is expected to reduce barriers and encourage more applications. Uptake is anticipated to rise modestly compared to the growth seen after the 2019 introduction of a standardised application form, which increased exemptions by 13% over two years.
- 7.9 In 2025-26, around 5,905 individuals benefit from an exemption, and 6,913 households are in receipt of a disregard providing a reduction of either 25% or 50%. For illustrative purposes, if uptake increased by 5%, an estimated 295 additional households would pay no council tax, while a further 345 households would receive either a 25% or 50% discount depending on their circumstances.

Apprentice Disregard

- 7.10 The 2026 Regulations introduce an annual uprating of the earnings threshold for apprentices, aligning it with the National Minimum Wage for apprentices. This change addresses the decline in eligibility caused by the threshold remaining unchanged since 2007. In 2021, 109 apprentices benefited from the disregard, but by 2025 this had fallen to 47. The uprating will ensure that apprentices aged 16 to 18, and those aged 19 or over in the first year of their apprenticeship, earning the statutory minimum wage, will benefit.
- 7.11 While precise data on future eligibility is not available, estimates based on the 2025 baseline suggest that a 50% increase in uptake would result in around 70 additional apprentices qualifying, a 100% increase would raise the level to 94, and a 150% increase would bring the total to 117. A return to the 2021 level would equate to 109 apprentices.

Charity or local council care worker disregard

- 7.12 There is currently a disregard category for carers employed by a charity or local authority which requires the carer to work at least 24 hours per week, receive no more than £44 per week in remuneration, and reside in accommodation provided by or on behalf of the organisation. Following a comprehensive review and consultation with representative bodies, responses indicated this category is no longer relevant or in use within Wales. It will not be restated in the 2026 Regulations, and there will be no impact on taxpayers or the tax base as there are no known recipients.

Class Y Exemption: Refugees

- 7.13 The 2026 Regulations establish a new Class Y exemption, which applies specifically to properties operating as a refuge that provides emergency, temporary accommodation to survivors of any form of abuse, domestic abuse, gender-based violence or sexual violence. This covers self-contained, dispersed, or communal accommodation, but only where the service is commissioned by a local authority. Around 127 refuges across Wales are expected to qualify.

Class A Exemption: Uninhabitable property and empty property undergoing structural alteration or repairs

- 7.14 The Class A exemption is amended in the 2026 Regulations, so that a new 12-month period begins when a property is purchased by a new owner, provided evidence of legal transfer documentation or registration with HM Land Registry is supplied.
- 7.15 It is difficult to predict exact numbers, but using the 3,598 properties currently exempt as a baseline, a 5% increase would add around 180 properties, a 10% increase would add 360, and a 20% increase would add 720 more exempt properties to the exemption for a period of 12 months.

Class C Exemption: Empty and unfurnished property for up to six months after the property became vacant

- 7.16 Under the amended criteria, the six-month exemption period may now be applied following a change in ownership, provided the new owner supplies the billing authority with satisfactory evidence of the property purchase.
- 7.17 Over the past decade, the number of properties receiving the Class C exemption has steadily declined from 18,710 properties in 2016-17 to 14,640 in 2025-26. If uptake increased by 5%, around 732 properties would qualify, and a 10% rise would add 1,464 more properties to the exemption.

Class F Exemption: Unoccupied property pending probate or letters of administration

- 7.18 Currently, the exemption applies for each day for which the executor or administrator is liable and lasts for up to six months after the grant of probate or letters of administration. In practice prior to obtaining probate or letters of administration, there is no minimum period for the exemption to last, and this can result in properties being exempt for lengthy periods, even decades.
- 7.19 The 2026 Regulations amend Class F so the exemption applies for a period of up to two years from the date of death of the deceased or until probate or of letters of administration have been granted, whichever is

sooner. In addition, the exemption will continue for up to 12 months following the grant.

- 7.20 In 2025-26 there are **8,860** properties exempt under Class F. Over the previous five years, the number of exemptions has increased by an average of approximately 24% per year equivalent to around 429 additional properties annually.
- 7.21 As a result of the change, once the exemption expires, taxpayers will become liable for council tax and, where applicable, any premium charges if the property is long-term empty.

Class H Exemption: An unoccupied property held for ministers of religion

- 7.22 The 2026 Regulations introduce a one-year time limit for the Class H exemption, which applies to unoccupied properties held empty for future use by ministers of religion. After this period, such properties will become liable for council tax and, where applicable, any premium charges. At present, there is no maximum duration for this exemption, which has allowed some properties to remain empty and exempt for extended periods. In 2025-26, **148** properties fell under this category.
- 7.23 As a result of the change once the exemption expires, the owner will become liable for council tax and, where applicable, any premium charges if the property is long-term empty.

Costs

- 7.24 The changes to disregards for individuals with **significant cognitive impairment** and **apprentices**, together with the amendments to **exemptions A and C**, are designed to improve access. These measures may lead to a small increase the number of taxpayers benefiting which will have the effect of reducing the tax base. Similarly, the introduction of the new exemption for **refuges** will also reduce the tax base. A reduction in the tax base does not translate into additional costs for billing authorities, but it does marginally increase the average Band D council tax level charged within a local authority area. The precise impact cannot be quantified, as the number and banding of affected properties are unknown. However, these movements are expected to be small in relation to nearly 1.5 million domestic dwellings in Wales overall.
- 7.25 It is also reasonable to assume that there is a small economic cost to individuals applying for these reliefs, primarily in terms of time spent completing applications and providing supporting evidence. While this opportunity cost cannot be quantified, it is expected to be significantly lower than the financial benefit of the disregard or exemption.
- 7.26 Conversely, the changes to **exemptions F and H** will increase the tax base, as more properties are expected to become liable for council tax

once the exemptions expire. This will marginally reduce the average Band D council tax level charged within a local authority area.

- 7.27 In these cases, council tax costs will fall to taxpayers, and if the properties remain empty, they may also become liable for the premium on long-term empty homes. It is not possible to accurately estimate the impact on taxpayers, as this will depend on the local authority area in which the property is located and the council tax band of the property.
- 7.28 The average Band D council tax in Wales is currently **£2,170**. In addition, local authorities have discretion to apply council tax premiums on certain categories of properties, such as long-term empty homes. This means that the liability for a Band D property could vary depending on the premium applied, for example.
- Standard rate (no premium): £2,170
 - With 100% premium: £4,340
 - With 200% premium: £6,510
 - With 300% premium: £8,680
- 7.29 The 2026 Regulations will restate, without amendment, most of the existing categories of discounts, disregards and exemptions. Where amendments have been made, local authorities will need to revise administrative procedures, update communications, and in some cases modify council tax software. Implementation costs, including software changes and staff training, have been estimated at an average of between £15,000 and £20,000 per authority. This gives a total cost of between £330,000 and £440,000 across Wales. These one-off expenses will be covered by a Welsh Government grant in 2025-26.
- 7.30 Beyond implementation, no significant ongoing costs are anticipated. The changes are expected to streamline administration, improve clarity for taxpayers, and ensure consistency across Wales.

Benefits

- 7.31 The existing rules for council tax discounts, disregards, and exemptions are spread across the 1992 Act and various regulations, creating a complex and outdated framework. The 2026 Regulations will consolidate these provisions into a single Welsh statutory instrument, simplifying administration and making the system fairer, clearer, and more accessible.
- 7.32 The change to the title and definition of the council tax exemption and disregard for people with a **significant cognitive impairment** is intended to reduce barriers and encourage more applications. Eligible taxpayers will benefit from either a full exemption from council tax or a discount of 25% or 50% depending on their household arrangements.
- 7.33 The monetary benefit is difficult to quantify precisely, as households fall into different council tax bands and circumstances vary. Based on the

average Band D council tax charge across Wales as a benchmark, illustrative savings can be demonstrated:

- A person with a significant cognitive impairment diagnosis living alone would receive a **100% reduction, saving £2,170**.
- A person living with another person with the same diagnosis would also receive a **100% reduction, saving £2,170**.
- A person living with one other liable adult would receive a **25% reduction, saving £542**.
- A person living with a full-time carer may qualify for a **50% reduction, saving £1,085**, provided the household meets the carer conditions.

7.34 Ensuring the earnings thresholds are updated in council tax disregards for **apprentices** offers several social and economic benefits. Apprentices typically earn lower wages while undertaking vocational training, and a disregard helps alleviate financial pressure, making apprenticeships more accessible and sustainable. This support can improve retention and completion rates, contributing to a more skilled workforce and aligning with broader government objectives around education and employment.

7.35 Where an apprentice qualifies for a disregard and the household has only one liable resident, a 25% single person discount applies. If all other residents in the household are disregarded, then a 50% discount applies. Based on the average Band D council tax charge the household can benefit from a reduction of **£542 (25%)** or **£1,085 (50%)**.

7.36 **Refuges** that offer emergency, temporary accommodation to survivors of any form of abuse, domestic abuse, gender-based violence or sexual violence will benefit from a council tax exemption from April 2026. This will help the future sustainability of these vital services and alleviate the financial burden on survivors.

7.37 The changes to **Class A and Class C exemptions** are intended to extend eligibility in a way to incentivise the purchase and renovation of empty or derelict properties, contributing to housing supply and regeneration efforts. They also aim to address the perceived unfairness in the current system, where new owners miss out on exemptions despite actively working to bring properties back into use.

7.38 Based on the average Band D council tax charge, new owners will benefit from exemptions of up to 12 months (£2,170) for uninhabitable properties or 6 months (£1,085) for empty properties.

7.39 The change to the **Class F exemption** introduces a two-year limit for obtaining probate or letters of administration following the death of the previous occupant. This measure is designed to prevent properties from being left empty and exempt from council tax indefinitely.

- 7.40 Data sourced from local authorities in 2023 suggested that approximately 10% of the properties in receipt of a Class F exemption had been empty for more than three years. This highlights the potential for exemptions to extend well beyond their intended purpose.
- 7.41 For illustrative purposes, if 10% of the properties currently exempt in 2025–26 (equivalent to 886 properties) were to become liable for council tax and using the average Band D council tax charge, this could generate approximately **£1.9m in additional revenue per annum**. Furthermore, local authorities have discretion to apply council tax premiums on certain categories of properties, such as long-term empty homes. This could significantly increase the amount of revenue generated beyond the baseline estimate if they were to remain empty.
- 7.42 Changes to the **Class H exemption** will introduce a one-year limit for properties held for ministers of a religion. If all 148 currently exempt properties became liable after one year, **additional annual revenue could reach £321,160**, with potential increases from premiums if they were to remain empty and the local authority charged a premium.
- 7.43 The reforms for Class A, C, F and H are aligned with Welsh Government's housing strategies, particularly efforts to tackle the issue of long-term empty homes in communities, improve housing supply and quality, and promote sustainable development through the reuse of existing stock rather than reliance on new build. They also contribute in a modest but meaningful way to wider goals of community regeneration and homelessness prevention by accelerating the return of vacant properties to occupation.

Option selection

- 7.44 Retaining the existing framework for council tax discounts, disregards, and exemptions would not meet the goals of the Welsh Government's comprehensive review. The existing system is complex, outdated, and difficult for households and councils to navigate. Retaining it would fail to deliver the improvements needed to make council tax fairer and make the system of discounts, disregards and exemptions more transparent and accessible.
- 7.45 Option 2 is, therefore, the preferred option. Updating and bringing all discounts, disregards, and exemptions together in a single set of rules will make the system clearer, easier to understand, and more accessible. This option supports the wider aim of modernising council tax so that it works more fairly for taxpayers across Wales.

8. Duties

8.1 Well-being of Future Generations (Wales) Act 2015

This policy will contribute towards the wellbeing objectives of a prosperous Wales; a more equal Wales; and a Wales of cohesive communities.

8.2 United Nations Convention on the Rights of the Child

No particular impact on the rights of children has been identified.

8.3 Equalities

No specific impacts, positive or negative, on persons who share a protected characteristic (as determined by the Equality Act 2010) have been identified.

8.4 European Convention on Human Rights (“ECHR”)

The ECHR has been considered with regard to: -

Article 8(1) - respect for private and family life and the home.

Article 1 of Protocol 1 - protection of property.

Article 14 - prohibition of discrimination.

There is not expected to be a negative impact on these rights as a result of this instrument.

8.5 Welsh Language

No effect on the opportunities to use the Welsh language or the equal treatment of the language has been identified.

8.6 Voluntary sector

No specific impacts on the voluntary sector have been identified.

8.7 Justice

No specific impacts on the justice system have been identified.

9. Competition assessment

The competition filter test has been undertaken and has shown the instrument will have no direct impacts on products or services that would affect market competition.

10. Post-implementation review

The Welsh Government will work with local authorities and other stakeholders to monitor the impact of the legislation to evaluate whether the legislative change has had the intended policy effect.