



The Commission on Local Tax Reform

Evidence Statement from the Centre for Scottish Public Policy

June 2015

The CSPP

The Centre or Scottish Public Policy [cspp.org.uk] is an independent public policy think tank. Our unique voice stems from our cross party and no-party approach, as well as our membership base which includes individuals, trusts, public, private and voluntary organisations. We are a not for profit guarantee company.

This submission is made on behalf of the CSPP by Professor Richard Kerley, Chair of the Centre.

In terms of your evidence categorisation criteria:

- We are a Third Sector organisation;
- We are agreed that our response and web site address can be made public;
- We have in our membership and amongst supporters people living in various parts of Scotland. The largest number are located in the Central Belt.

The Commission

We are delighted that the Scottish Government and COSLA have collaborated to create the Commission on Local Tax Reform [CLTR] and regret that one of the parties represented in the Scottish Parliament has chosen to absent itself from the discussions and debate.

We are encouraged by the creation of the CLTR as this matter has in the past proved in the more often be a matter for political evasion rather than serious and considered debate [and possible legitimate disagreement]. We therefore hope that the work you put in to this, and the evidence we have submitted to you, is treated appropriately by all parties in the Parliament. We hope this will not be dismissed in the manner the very substantial work and the serious conclusions of the Burt Committee were by *both* the largest parties represented at Holyrood back in 2007.

Our views

We are covering a range of matters here, and have not confined our comments to just a consideration of the approximately 18-20% of council income that is covered by the council tax, i.e. in gross terms only a little under £2bn last year compared to a total local government revenue spend much greater than that.

A major theme of the work of the CSPP, and a statement we often use, is to stress the importance of 'people and place'.

There are clearly many ways of interpreting this phrase, but central to this theme is that for us great emphasis should be given to people determining what is, in their views, appropriate for their place – whether that place is the UK, Scotland, a given council area, or a community within that council area. Of course all of that has to be set in the context of shared rights, and the responsibilities we believe we all share to ensure equitable treatment of all peoples regardless of where they live.

1] For us, this is an argument for a default assumption that specific competences and decisions – e.g. on local tax levels, should be made as locally as possible. Local government data already shows that assessment of Scotland-wide per capita spend [excluding the Islands] ranges between a little over £2000 to a little over £3000. Such a variation on spend should logically be matched by a variation on local tax raising.

This is why we consider the current system of council tax, particularly with the current 'freeze' that will have been in place for 8 years by the next election, to be a flawed system.

The standstill on council tax levels is regressive, not providing material advantage to the lowest income households, and also infantilises local authorities and those who elect them by denying them options of specifically increasing local taxes to support proposed initiatives and expenditure.

2] It seems very limiting for the review to confine itself only to Council Tax [CT], particularly when the Chancellor in England has initiated a review of NDR [Non Domestic Rates]. Previous Scottish governments have followed NDR policies from England closely, and there are clear reference points here for the many multi-site businesses that operate across the UK; if this is not reviewed in Scotland there is a clear risk of the government being caught on the hop by an announcement in England [and Wales?].

We would urge the government to review NDR reach by, for example, ending agricultural and rural estate de-rating along with the de-rating for various other subjects that are category exempt from NDR.

We would also urge the government to re-localise NDR and enable councils to make choices on NDR that they consider appropriate to their areas, with a legislative requirement to consult

with all representative business of organisations on proposed budget changes that impact on NDR.

If this were to happen then both CT and NDR, along with local fees and charges would approximate to some 60 % of local council spend and eco the kind of revenue raising financial balance *likely* to emerge from the current Scotland Bill .

3] Aspects of the Council Tax itself are flawed: this partly arises from the artificially created multipliers built into the original scheme; the failure to revalue since 1991, and the constrained banding. It also arises from the hybrid nature of the tax: it is partially a charge for services [hence the discount for 2nd homes and the reduction for solo occupancy]; partially a property tax; and partially income contingent [the rebate scheme].

We do favour a form of tax that relates to property. Property is the most substantial real asset most people own or enjoy and it would seem odd to have tax on it at all.

In the longer term we think there is a lot to be said for discussion about land value taxation, or a form of domestic property taxation based on capital values and annual percentage levies [a la Burt Report].

That may be too ambitious for agreement now, so in the meantime various changes could be made to the CT.

For instance:

- Revaluation in the near future – and the creation of a formalised mandatory quinquennial review of domestic subject values to prevent future governments avoiding this sensible necessity.
- The extension of bands above H, and the precise number of bands, would depend upon the nature of the revaluation. One more band is not enough; while there may be little sympathy or people owning properties valued in excess of, say £1M, it would be equally as inequitable to lump them in with £5M + properties.
- The removal of the single person discount.
- The removal of discount for 2nd homes.
- Revaluation and therefore possible re-banding of improved or extended properties should be triggered on the issue of a completion certificate for building works, not – as at present – on future resale. Particularly in the period since 2008 – according to press reports and trade reports – there is a large backlog of extended properties that may not yet have been re-sold and hence revalued.

4] We also recommend a programme of public education and reference to experience in, say Wales, in relation to any suggested changes in banding and valuation. There appears to be a broadly held view that both equate to a massive increase in local taxation and the Welsh experience has shown that this is not the case.