Local Government and Communities Committee

Consideration of the Council Tax (Substitution of Proportion) (Scotland) Order 2016

Submission from Archie White

My comments on the five questions asked in the Committee’s call for evidence are as follows:

1. Overall, do you support the principles of the Government's plans to reform Council Tax?
   
   No. Council Tax is fundamentally unfair, and no amount of tinkering with it can make it fair.

2. To what extent will the Government's proposed reforms make the system of Council Tax fairer?

   Only marginally, if at all.

3. To what extent will the changes be straightforward for local authorities to implement?

   The changes may be easy for local authorities to implement, but that is a minor consideration in comparison with the gross unfairness of Council Tax.

4. Do you support the Government's planned changes to Council Tax reductions?

   No. The present system of Council Tax Reduction does not operate fairly, and I see no evidence that any other scheme for relief on Council Tax would operate any more fairly.

5. Please add any other comments on any aspect of the proposed reforms.

   First, I strongly support the submission made by Scottish Action Against Council Tax (SAACT), of which I am a member. The following are additional personal comments.

   Council Tax is grossly unfair and inefficient, and needs to be replaced by a system which is more closely related to ability to pay, easier to collect, and more difficult to evade. Council Tax is not even a genuine property tax. The value of your house of residence does not pay your Council Tax for you. Most of us have to pay our Council Tax from our incomes; and so Council Tax is in fact an income tax – but an income tax which usually bears no relation to the amount of one’s income. Genuine property taxes would include, for example, a capital gains tax on the profits from house sales (perhaps after index linking
to RPI inflation), or taxation on rental income (but this, again, is simply income tax).

Many countries operate some form of Local Income Tax or sub-national tax without apparent difficulty (see Burt Report, pages 26-27). I understand that in the past the Westminster Government has put difficulties in the way of implementing a Local Income Tax in Scotland, but I would have thought that these difficulties could now be overcome.

But if there really are insurmountable difficulties in introducing a Local Income Tax (at least until Scotland regains its independence), there is an alternative. About 80%, on average, of local government expenditure is funded from central government grants – why not 100%? That is, abolish Council Tax and increase some or all national taxes to make up the amount currently raised by Council Tax. Most national taxes are, on the whole, fairer than Council Tax, and there is a case for increasing some national taxes on other grounds – for example, taxes on alcohol and fatty foods.

Some people object that 100% central government funding would interfere with local accountability. The Burt Committee investigated this matter, and could find no evidence of a connection between local accountability and local tax raising powers. Local accountability comes from how Councils use their money, not from how money is raised. In any case, most local government expenditure is largely determined by mandatory central government requirements. A council cannot, for example, save money by closing all its schools. Ken Thornber, a former leader of Hampshire County Council, once said that his Council had real discretion over, at most, 10% of its expenditure.

Yours sincerely

Archie White