Having just discovered in the last twenty four hours, from two news articles, that there has been a consultation ongoing to receive views on the new proposals for local tax, I understand that it is already too late to contribute. I would still, however, like to contribute my “tuppenceworth” on an aspect that seems either to have been totally ignored or at least not fully considered.

In the area where I live, there are a fair number of houses still occupied by those who bought them around forty or fifty years ago or more, in the hope of providing a secure home not only for their families as they grew up but also for themselves in retirement and in the full knowledge that one of the partners might eventually require that security to remain independent when left alone. Many of these people struggled through hard times, with no state help, to pay a mortgage on which interest was always far higher than today, and for some time as high as 15%. I am sure none grudged the sacrifices they made over the years for what they saw as safeguarding their own later lives.

It may well be that today the prices paid, such as £2,000 to £3,000, seem extremely cheap, but at that time they were commensurate with the incomes and prospects of buyers, who were obliged to save at least a 5% deposit and allowed a mortgage on only a maximum of three times one income, most having to wait till their later twenties or early thirties to meet the conditions. That these houses are now worth considerably more is totally irrelevant to ability to pay tax.

Those who have bought recently at values close to current ones still have the prospect of earning the current levels of income. Most of those having lived long-term in the same house spent their working lives paying tax as well as mortgage from such income as was commensurate at the time but are, with the passage of so many years, now mostly on much reduced and generally fixed incomes. How can it therefore be acceptable or fair to re-band such properties and thereby increase the burden on those who have no means of increasing their income? Equally, is it right to revalue the property to a current level at which the long-term owner could not now afford to buy and which imposes an impossible tax burden?

Some may say that the answer is for these folk to sell up and move house - but what would have been the point in all those years of saving and working to provide a secure home and the independence that goes with it, if you are expected to dispose of it almost as soon as it has become fully paid up and your own? Are the current
generation trying to get on the housing ladder to gain something that they intend to get rid of as soon as they achieve it?

To my mind, no form of tax on one’s home is fair. It is no indication of income or wealth and takes no account of changing circumstances. Surely the only fair solution is a local income tax, which relates directly to one’s income year by year, and can be easily applied, since any government which collects income tax knows (or should know) the exact details of every person’s income every year and it could be collected by PAYE. Moreover, no earner could escape it, and the pool of payers would probably be larger, thus increasing the tax take without penalising any particular group.

It is a great pity that the defeat, by the other parties, of the SNP manifesto promise on this, when they were a minority government, has left them all scrabbling around amongst a hotchpotch of unsatisfactory ideas, instead of admitting they got it wrong and agreeing to back a straightforward local income tax.

Patricia Simpson

Addendum of 4 October 2016

Firstly, a property tax paid AFTER the purchase of a house has no real relevance to the price at purchase, as few people take that into serious consideration when proposing to buy.

Secondly, the main cause of the rise in house prices in past years has been the encouragement by the banks to keep offering higher sums in the bidding process as a direct result of their habit, especially before the crash, of offering larger mortgages, based frequently on increased multiples of two incomes as opposed to the maximum in the past of three times one income. The ridiculous offer of SIX times two incomes was not at one time uncommon and resulted in escalating bidding, which escalated prices. Had much larger mortgages not been so vigorously promoted, bid levels would not have pushed prices up.

Thirdly, paying a long-term mortgage at much higher interest rates than common now, for a considerable time as high as 15%, amounted to a form of saving for the future, on which the sacrifices made during the years of payment were to be compensated for by the rise in value of the asset, in lieu of the interest at the time that would have accrued from any other form of lifetime saving. Therefore your deferral scheme would simply be an additional tax on savings funded from already taxed income, with a penalty already paid in terms of the huge interest on the mortgage – i.e. savings already taxed twice. Why tax a third time?
I accept that there might be an argument for some sort of relation of value to market rate in the case of large land-holdings purchased by the very rich for tax advantage, but this debate is about the purchase of a home as a long-term investment and protection of one’s future independence from the need to rely on the state in later life. Whilst I find most of your party’s policies reasonable and well thought through, in this case, the only time this proposal could approach fairness would be when the property was purchased close to the date of the rate being set.

I therefore still maintain that the only fair taxation is on income as it takes account of ability to pay. It has the added advantages that, as long as data is collected for normal income tax purposes, the same data could be available for the collection of a local version too and, as everyone earning in a household would be liable for an appropriate level, could probably bring in more revenue while being easily variable with changing circumstances, as current income tax is.