Local Government and Communities Committee

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

Submission from Ian Stein

I am writing in response to the SNP Government’s proposals to amend the Council Tax. In considering my response, I would like the Committee to be aware that, as an ordinary member of the public with a contribution to make, the lack of publicity about both the proposals themselves and the timetable for contributions, whether deliberate or not, has caught me, and I suspect many others, completely unawares. It is not appropriate for discussion of such an important issue to be restricted to answering a few questions, dreamt up by others, at the very last moment.

1. Support for the principles of the proposed reforms.

I do NOT support the principles except in so far as they recognise two obvious facts:

1st. That the current system is totally unfair and must be reformed.

2nd. That many households, existing on meagre incomes, find the Council Tax to be an excessive, and unreasonably determined, monthly charge. See Attached Note 1.

2. The extent to which the proposed reforms make it fairer.

It remains an unfair system and for the following reasons:

1st. There is no relationship between the Tax demanded and the ability to pay.

For those on fixed incomes this has serious consequences for the savings which they may have to rely on. See Attached Note 2A & 2B.

2nd. There is no proportionality between the valuations attributed to properties and the resulting Council Tax demand. See Attached Note 2C.

3rd. There is little, or no, relationship between the Tax demanded and the services used by each household. See Attached Note 3.

Targeted relief is the only proposal which, for some, might make the system fairer. See 4 (below).

3. Will the changes be straightforward for local authorities to implement.
They ought to be. As the system stands, local authorities must play a role in collection of Council Tax. The flaw with the Poll Tax was that not sufficient attention was paid for the necessity to retain a connection to the locus of the taxpayer via his/her residence and the voter's roll. Any fair tax should never penalise the payee in such a way that his/her's modest income is further diminished by their being forced to spend capital which produces that income. The role for the Revenue is to ensure that this does not occur. See Attached Note 4.

4. Do I support the changes to Council Tax reductions?

Not entirely. It is not possible for the public to judge whether the end result will be fair or not. It is proposed that the Charge for Bands E to H will all rise substantially; far in excess of inflation. In addition, Councils will be empowered to raise Council Tax by 3% annually.

There is no suggestion that the proposed reliefs will be sufficient to offset the proposed increases and I have no confidence that they will. Let alone result in a reduction of a Tax which puts massive strain on those living on low and fixed incomes. As I have outlined in Note 2B.

5. Other comments on the proposed reforms

As the proposals appear to acknowledge that a problem exists, they are to be welcomed. But ONLY as the start of a process towards a better system. Having control over the collection of Income Tax ought to allow a process to evolve. See Attached Notes 4 & 5

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Attached: Notes, Suggestion of an Alternative, In Conclusion.

NOTES

1. There are some households where Council Tax is the greatest monthly expense.

If one holds savings or investments, even if just sufficient to make a contribution to retirement income, then the entire annual demand for Council Tax cannot be avoided.

2A. One's ability to pay should depend on having sufficient monthly income after meeting normal living expenses: housing costs, food, heat & light, etc. Whether part of that income derives from savings is irrelevant. It is the total amount of income that is important in any calculation. Those retired, who are living off State pensions and modest savings have no control over the extent of their monthly income. Those born
during, or very shortly after, WWII are unlikely to receive any meaningful increase in their incomes during their remaining years. Yet living costs will rise.

2B. As a result of Brexit, sterling has fallen in value. Imported food and other household items are going to cost more. When interest rates move upwards, as they must, inflation will accelerate. For those on fixed incomes that combination will become unbearable; savings will evaporate. Then the burden of looking after an ageing population, already causing difficulties for Local Authorities, will worsen significantly.

2C. Absurdity of using property values for Council Tax purposes. What follows is an example which I can support with evidence.

Two houses, which are in the same area of Dunblane:

House A: Semi-detached (flat roof) with small garden;


Occupants: retired couple both non-taxpayers. Combined Annual Income: less than Scottish median of £25,000.

Impact of Council Tax bill on family finances: serious.

House B: Large detached house with three car garage and large garden;

Purchased 2001 for £450,000. Estimated value in 2016: < £850,000. Assessed as Band H paying £2,394 p.a.*

Occupants: young professional couple (architect and G.P.) & children. Combined Annual Income: Significant... a GP’s salary alone guarantees that.


3. There is little relationship between Council Tax demand and services delivered.

A tax that results in a reduction of individual savings, which are used to supplement a small pension, in order to subsidise services for others (e.g. education of the children of the better off) and to service the salaries and pension contributions of decently paid Council staff, is not just unfair. It is immoral.

SUGGESTIONS
4. Self-Assessment and PAYE give the Revenue access to all the information that is necessary to gauge whether a person has modest means or not. On submission of a Tax Return HMRC should issue a certificate of rebate which the householder can present to the Local Authority as evidence of entitlement to mitigation of Council Tax. The Local Authority recouping the shortfall from HMRC. This might ensure some fairness in the system until a better system is being developed. See 5.

5. I favour a system whereby each house has a basic 'site' charge. [The 'site' charge could be based on the footprint of the property; flats being multiples of one footprint]. In the same way that water charges are levied on househoulds, the 'site' charge would be a contribution to local authority services; other than education.

Education ought to be provided to a national standard and therefore should be funded out of Income Tax. However, individual local authorities should be entitled to levy an additional small charge on those households with children of school age; other households would have an option to contribute. This levy would encourage schools - and parents - to lobby locally for improvements to the infrastructure, extra staff, facilities etc., over and above the national standard. But it might also encourage parents - and grandparents with resources - to become more engaged with the local school.

In order to ensure fairness, a system of individual rebates calculated by HMRC, as outlined in Note 4 (above), would still be provided.

IN CONCLUSION

Politicians of all parties need to be reminded of two things:

First: Inflation, and the 'easy money' which fuelled the rise in house prices in the decades prior to the banking crash, did not benefit everyone. [As Alex Salmond admitted on 'Desert Island Discs': John G. Stein & Co. used to be the employer of choice for himself and his relatives living around Linlithgow. When I left that company, in the 1970s, I was on the relatively good salary of £3,000 p.a.; an employment that now entitles me to an annual pension of £76. In that decade the FTSE 100 index crashed as low as 176 with dire consequences for some savers. Now, over four decades on, and savers are being punished again. Our generation did not seek or expect, as a society built on debt now thinks it is, to be entitled to a life style which does not mirror the earning capacity of the nation as a whole.

Second: The generation born in the 1940s and 50s experienced real austerity; in the form of rationing and scarcity of many foods now taken for granted: petrol, chicken and wines being obvious examples. The fact that these generations are normally courteous, like to look presentable, and unlikely to speak out in public, does not
mean that we are incapable of thought and do not vote. Many of us have had enough.

When I first raised the issue of the unfairness of local taxation - Rates as it was then - Nicholas Fairbairn was my MP and George Younger Secretary of State for Scotland. Ever since then inaction, by all parties, has maintained this unfair tax. The result being that my family, and many others on low incomes, have paid a disproportionate slice of our income to our local authority without receiving - particularly for those without children in education - a proportionate benefit in services delivered. Why is this considered reasonable as a system for raising taxes? The Government's own income tax regulations recognise that some people with savings cannot afford to pay tax. Why is this not the case for Council Tax?

For our elected representatives not to see this inequality as an urgent problem, and to then tackle it properly, says everything that is to be said about the state of politics today. For the SNP to backtrack on a promise to scrap the current rotten system, simply strengthens the public view that, although society is plainly dividing between the haves and the have-nots, politicians of all parties, having reasonable incomes and pension entitlement, are 'haves'; and do not really have to concern themselves with the 'have-nots'.

Is there no ambition for a truly fair society north of the Border?