Local Government and Communities Committee

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

Submission from Jamie McIntyre

1. Overall, do you support the principles of the Government's plans to reform Council Tax?

No; Council Tax is a flawed and unfair tax, and probably beyond reform.

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

Very little – they amount to a tinkering around the edges. Property values have more than doubled (perhaps trebled) since the valuation of 1991 and this masks greater variations for particular property types. Without a revaluation the changes are ‘a stab in the dark’ with minimal prospects for fairness. Without additional bands at the top, owners of particularly expensive properties will continue to escape paying their fair share.

The reforms also do not address current unfairness in the implementation of Council Tax, and I would highlight one specific example: empty or second homes. These are treated inconsistently and in a way that favours wealthier individuals. Local Authorities (LA) invariably offer a Council Tax discount on holiday homes, despite the corrosive effect these have on local communities. They therefore incentivise holiday home ownership at the very time that there is a critical lack of affordable housing in rural areas, and LAs seem more concerned to do nothing to upset current holiday home owners than address this.

Meanwhile properties classed as 'Long Term' Empty (in reality only 2 years) are hit with an automatic 200% charge. The rationale behind this is to be supported, but in practice it is a very blunt instrument which will lead to undesirable consequences. In many cases, homes are empty for a reason – the condition of the property. Minimal help is available to encourage their renovation, and any exemption from the 200% charge is typically for 6 months only.

What does this mean? It means an individual with means to do so and in an area with abundant contractors (eg towns/cities) can escape the 200% charge simply by engaging contractors to complete the renovation in short order. In
contrast, those in rural areas with more limited choice of contractors, and those on limited budgets who aim to do the renovations themselves, are penalised as they cannot hope to meet the unrealistic deadlines involved (anyone who has ever watched a TV property show will recognise the absurdity of a 6 month timescale).

In particular, many traditional/vernacular buildings in rural areas currently lie empty, often inherited through the family and therefore owned by people of relatively modest means. The current Council Tax approach incentivises their demolition (and consequent loss of our cultural history) rather than their renovation. This is insensitive and indeed shameful – our built heritage is the fabric of our communities. A simple and basic test as to whether Council Tax is applicable (whether at 100% or 200%) ought to be whether a property is inhabitable – if not, it should be subject to special and more sympathetic arrangements.

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

Doubtless the administrative changes will be relatively straightforward, because as outlined in (2) above the system is fairly rigid and ‘unthinking’ and change will only require some tweaks to IT systems. More troublesome will be the reaction by people to perceived unfairness, which will lead to both council officers and councillors themselves spending much time responding to complaints, challenges & disputes.

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

No. This is absurd – to increase charges on higher value properties and then reduce the tax for some of their owners. This will simply encourage use of housing as an asset rather than a place to live, which is a key issue affecting housing affordability in the UK. Why not reduce Council Tax for those in the lowest value properties?

Similarly, why should Council Tax reductions be available for low-income owners of high value properties, when for example, low income owners of empty homes (of any value) are hit with 200% charges – once again unfair and inconsistent.

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

The Scottish Government should scrap the proposed changes and instead concentrate on a fundamental reform of taxation of property and wider land, to
be fair, simple and understandable, and minimise unintended consequences. Tinkering with Council Tax now is like rearranging the chairs on the Titanic.

Scotland faces huge challenges in coming years: the impact of Brexit, continuing devolution and possible ultimate independence; climate change, the overriding issue of our time; and a necessary transition to a more equal, and more sustainable, society.

In these circumstances, we need a taxation system that reflects these challenges and, if properly designed and implemented, will endure for the long term and thus provide essential stability in the uncertain years ahead.

Jamie McIntyre