Local Government and Communities Committee

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

Submission from Scottish Action Against Council Tax

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

   Definitely not. Tinkering with the present system was never advocated by SAACT or by the SNP.

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

   Council Tax is so grossly unfair that the Government’s proposed reforms will make it only marginally fairer, 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 they will not add significantly to fairness.

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

   No.

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

   Our general comments on the proposed reforms are appended:

   **SAACT Feedback on Council Tax Reform**

   At SAACT we consider the proposed council tax (CT) reform to be analogous to treating a suppurative lesion with sticking plaster.

   We fully supported the First Minister in 2010, when she stated that “Council Tax is unfair and cannot be improved by tinkering around the edges”. Now, the government is simply tinkering with the relationships between the bands and keeping, in their own words, “The hated and unfair Council Tax”. This is exactly what the SNP said they were against, over the last decade.
Tinkering with the existing CT can never make it fairer. Research carried out by Stirling University for the Burt Report (page 132) came to this conclusion in 2006. The research concluded that introducing additional tax bands had virtually no effect on the burden of Council Tax. However, they also investigated the effect of increasing the existing multiplier of 3. Again, they concluded that any banded system could not be improved sufficiently to overcome the inherent shortcomings of the current CT (Burt Report p.137).

Since its introduction in 1993, CT, while being somewhat less unfair than its predecessor the poll tax, has been widely criticised as being grossly unfair to many householders and at the same time rewards the wealthy. The multiplier (or the ratio of the band H charge to band A charge) has only changed slightly from 3:1 to 3.67:1, despite some homes being 15 times more expensive than the average band A home. So it still remains a highly regressive tax.

But in any case, there is no necessary connection between house values and ability to pay CT from income or even other liquid assets. Millionaires may choose to live in relatively modest properties, and conversely changes in circumstances (retirement, unemployment, bereavement, house price volatility etc.) may mean that people on modest incomes may be faced with relatively high Council Tax bills. At present, a very modest level of savings (such as may result from a pension lump sum) make people ineligible for Council Tax Reduction.

CT is also an inefficient tax. It is 3.5 times more expensive to collect than a local income tax.

(Source of Evidence: University research carried out for Burt Report – 2006.). In addition, CT is difficult to collect and easy to evade. Witness the latest news that more than £1000 million is still owed in unpaid council tax to local councils since 1993. (Source: The National newspaper - 9 September 2016).

CT poverty is real and every bit as wrong as fuel poverty, and is just as morally repugnant to right thinking people in a modern Scotland. We at SAACT have developed a set of criteria which, taken together, form the basis for a fair local taxation system and this can be found on our website homepage at: http://www.s-aact.org.uk.

The remit, spirit and recommendations of the SNP inspired Commission on Local Tax Reform have been ignored, viz.:

13.1 The present Council Tax system must end.
13.14 The predominant view of the Commission is that local government’s tax base should, if it could be proved feasible, be broadened to include income.

13.19 This is an opportunity that must not be missed.

The following list is not exhaustive (refer to our website for a more in-depth treatment) but it nevertheless gives an idea of some valid considerations as to what should be taken account of when attempting to build a fairer society while focusing on a top-up rate of local government finance.

Income tax, if administered properly, is the fairest form of taxation as it is non-regressive, has a better collection rate than CT and is capable of taking a reasonably full account of ability to pay. This brings us to the puzzling question of why the SNP has apparently abandoned Local Income Tax (LIT)?

Why should the onus be on householders alone to pay the tax? It would be fairer and more logical to spread the load to all those who use local government services, thus decreasing the burden on householders, relieving CT poverty and reducing the required rate of LIT.

Concerning the practicalities of introducing LIT, it could well be considered as an evolving process. For example, the Scottish government has, during the council tax freeze, successfully accomplished the task of disbursing funds to local authorities.

Why then could they not continue this process, utilising a single national rate of LIT until a more sophisticated system is devised?

SNP stated policy is to reduce Scottish inequality. Why then was the opportunity not taken to start this process in a meaningful way by adhering to their previously stated policy through the introduction of LIT?

Alastair Murdoch
Secretary
Scottish Action Against Council Tax (SAACT)