Council Tax Abolition and Service Tax Introduction (Scotland) Bill

Bill Number: SP Bill 31
Introduced on: 11 November 2004
Introduced by: Tommy Sheridan (Member’s Bill)
Fell: 1 February 2006

Passage of the Bill

The Council Tax Abolition and Service Tax Introduction (Scotland) Bill [SP Bill 31] was introduced in the Parliament on 11 November 2004. Stage One commenced on 25 January 2005 with the lead committee, the Local Government and Transport Committee, agreeing its approach on the Bill. The Bill was also considered by the Finance and Subordinate Legislation committees. The Stage One report of the Local Government and Transport Committee was published on 23 January 2006 and the Bill fell on 1 February 2006 with 12 MSPs voting ‘For’ the Bill, 94 ‘Against’ and 6 ‘Abstentions’.

Purpose and objectives of the Bill

The Bill sought to abolish the council tax and to replace the existing system of local taxation with a form of income tax which would be collected either by the Inland Revenue or local authorities with funds accruing being pooled nationally and then redistributed to local authorities by the Scottish Executive. The overall policy objective of the Bill was to:

“effect a significant redistribution of income in favour of low income citizens and families across Scotland thus reducing poverty through the replacement of the current council tax with a personal income based alternative applied in a progressive fashion to various levels of income” (Policy Memorandum to the Bill, p.1)

The Bill proposed the following rates of taxation:

- Band A – Below £10,000 – 0%
- Band B - £10,000 to £29,999.99 – 4.5%
- Band C - £30,000 to £49,999.99 – 15%
- Band D - £50,000 to £89,999.99 – 18%
- Band E - £90,000 and over – 20%

Local Government and Transport Committee Stage One Report

The Local Government and Transport Committee report reached the following conclusion:
“The Committee concluded that as a result of the previous detailed conclusions and recommendations reached, that the Council Tax Abolition and Service Tax Introduction (Scotland) Bill is a flawed proposal, which would not have the impact on poverty that is claimed, would damage the Scottish economy and undermine local democracy, and as a result recommends that the Bill should be rejected by Parliament at Stage 1” (Local Government and Transport Committee, Stage One report on the Bill, Paragraph 10).

It is important to note that Tommy Sheridan MSP dissented from this conclusion and that Bruce Crawford MSP and Fergus Ewing MSP proposed an alternative paragraph which was not agreed to by the Committee.

The Stage One report expressed a number of concerns regarding the provisions in the Bill including that the Bill would not have the effect on poverty intended, no overall economic impact had been conducted, that no significant research had been undertaken on the potential impact of fiscal flight on public services and the economy. In addition the Committee noted that the Bill would result in local authorities losing financial autonomy over council tax setting. The report also concluded that the Parliament should await the report of the Independent Local Government Finance Review Committee before embarking on a fundamental change to the system of local taxation.