# Council Tax Abolition and Service Tax Introduction (Scotland) Bill

[AS INTRODUCED]

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### Scottish service tax

### Council tax and community charge

### General
COUNCIL TAX ABOLITION AND SERVICE TAX INTRODUCTION (SCOTLAND) BILL

[AS INTRODUCED]

An Act of the Scottish Parliament to abolish council tax and replace it with a local tax levied on individual income; and to extinguish outstanding liabilities for community charge and certain liabilities for council tax.

Scottish service tax

1 Scottish service tax

(1) There is to be a tax, to be known as the Scottish service tax (in this Act, “the tax”), to be charged against the relevant income of any qualifying individual in each financial year.

(2) A qualifying individual is liable for the tax as from the appointed day.

2 Meaning of “qualifying individual”

(1) Subject to subsection (3), an individual is a qualifying individual where the individual, during the financial year for which that individual is to be taxed—

(a) is domiciled in Scotland;

(b) resides in Scotland (for whatever reason) for not less than 91 days (whether consecutively or otherwise); or

(c) is the owner of heritable property in Scotland.

(2) For the purpose of subsection (1)(c), “owner” means any individual having any material right to heritable property including, without prejudice to the generality, having such a right by reason of—

(a) holding any title or real right to such property in the Land Register of Scotland or the Register of Sasines; or

(b) being the beneficiary of a trust deed conferring rights to the heritable property.

(3) An individual is not a qualifying individual where the individual belongs to a class of individuals specifically excluded from being qualifying individuals by virtue of such order as may, from time to time, be made by the Scottish Ministers.
3 Meaning of “relevant income”
A qualifying individual’s relevant income is all of the income of that individual which is of such a nature that it could (no account being taken of any allowances or deductions applied in respect of that income in order to determine the individual’s actual liability for income tax) give rise to a liability for income tax.

4 Liability for Scottish service tax
(1) Each qualifying individual is to be taxed on the basis of the individual’s relevant income during the financial year for which the tax is being levied.

(2) In determining liability the relevant income of each qualifying individual is to be divided into bands of income, as set out in subsection (3), and each band of income is to be subject to the rate of tax set out in subsection (4).

(3) Those bands are the slice of relevant income of a qualifying individual—
(a) below £10,000 (“Band A”);
(b) in the range £10,000 to £29,999.99 (“Band B”);
(c) in the range £30,000 to £49,999.99 (“Band C”);
(d) in the range £50,000 to £89,999.99 (“Band D”); and
(e) in the range £90,000 and over (“Band E”).

(4) The rates of tax referred to in subsection (2) are—
(a) for Band A, nil per cent;
(b) for Band B, 4.5 per cent;
(c) for Band C, 15 per cent;
(d) for Band D, 18 per cent; and
(e) for Band E, 20 per cent.

(5) The full liability of each qualifying individual for the tax is to be the sum of all liabilities calculated by virtue of subsections (3) and (4).

(6) The Scottish Ministers may by order—
(a) amend any of the amounts mentioned in subsection (3) (but they may not reduce Band A below £10,000);
(b) amend any of the rates mentioned in subsection (4) (other than that pertaining to Band A);
(c) create additional bands of income and set rates for those bands.

5 Levying and remitting of Scottish service tax
(1) It is the duty of each local authority to secure that in each financial year—
(a) the tax is—
(i) imposed on, and
(ii) collected from,
any qualifying individual who is domiciled, resides or is the owner of heritable property in that local authority area for any part of the financial year; and
(b) the total revenue collected is remitted to the Scottish Ministers.

(2) But the tax may not be imposed on or collected from any individual by two or more local authorities in any one financial year; and the Scottish Ministers must by order determine which local authority should impose and collect the tax where a qualifying individual is domiciled, resides or is the owner of heritable property in two or more local authority areas in any one financial year.

(3) In complying with the duty referred to in subsection (1), a local authority may enter into arrangements with any other person (including the Scottish Ministers) to enable that other person (either or both) to impose or collect the tax, and (if the other person is not the Scottish Ministers) to remit any revenue collected to the Scottish Ministers; and the local authority may pay the other person such fee for carrying out this service as the local authority considers reasonable.

(4) The Scottish Ministers must by order make provision—

(a) as to how information about a qualifying individual’s relevant income may be obtained;

(b) as to the means by which the tax may be paid (including provision allowing payment in monthly instalments and deduction of the tax at source from the qualifying individual’s relevant income);

(c) as to the means by which the tax is to be collected;

(d) as to the method of enforcement for collecting the tax;

(e) as to any penalties which may be imposed for failure to pay the tax;

(f) allowing the tax to be levied on a qualifying individual based on an estimate of the individual’s relevant income during the financial year for which the individual is being taxed;

(g) for a mechanism to enable refunds of, or (as the case may be) further demands for, the tax to be made after the end of each financial year where a qualifying individual’s relevant income was, by virtue of paragraph (f), inaccurately estimated; and

(h) on any other matter which the Scottish Ministers consider necessary or desirable under this section.

(5) In this section, “owner” has the same meaning as in section 2.

6 Distribution of revenue to local authorities

(1) All revenue remitted to or collected by the Scottish Ministers in respect of any one financial year by virtue of section 5 (the “total revenue”), including revenue obtained by virtue of section 5(4)(g), is to be divided amongst local authorities for the purpose set out in subsection (2).

(2) That purpose is to contribute towards meeting the expense of each local authority in discharging its functions or exercising its powers.

(3) In each financial year, the Scottish Ministers are to divide the total revenue amongst local authorities as they consider appropriate having regard to relative levels of poverty and deprivation in each local authority area and the likely financial needs of each local authority after consultation with—

(a) the Convention of Scottish Local Authorities;
(b) the Scottish Trade Unions Congress; and
(c) such other persons as the Scottish Ministers consider appropriate.

(4) Money paid out under subsection (1) may be paid out in instalments.

Council tax and community charge

7 Abolition of council tax

(1) As from the appointed day—
   (a) Part II and sections 107 to 112 of; and
   (b) Schedules 1 to 8 and 10 to 12 (inasmuch as any provision in those Schedules applies to Scotland and does not relate to reserved matters within the meaning of Schedule 5 to the Scotland Act 1998 (c.46)) to,
   the Local Government Finance Act 1992 (c.14) are repealed.

(2) The Scottish Ministers must, before the appointed day, by order amend or repeal any enactment to such extent as they consider necessary for the purposes of this section.

8 Extinction of outstanding liabilities to community charge and council tax

(1) Any liability arising—
   (a) under the Abolition of Domestic Rates etc. (Scotland) Act 1987 (c.47);
   (b) from before 1 April 2004 under the Local Government Finance Act 1992 (c.14) in respect of any property in Scotland,
   is extinguished on the appointed day; and, for the avoidance of doubt, any ongoing legal action arising in consequence of any such liability is also extinguished on the appointed day.

(2) The Scottish Ministers must, before the appointed day, by order amend or repeal any enactment to such extent as they consider necessary for the purposes of this section.

General

9 Interpretation

In this Act—

“appointed day” means 1 April 2006 or such other day as the Scottish Ministers may by order appoint;
“financial year” means the period of one year running from the date of the appointed day or, as the case may be, from every date that is the anniversary of the appointed day;
“local authority” means a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994 (c.39).

Orders

(1) Any power of the Scottish Ministers to make orders under this Act is exercisable by statutory instrument.

(2) Any such power includes power to make—
(a) such incidental, supplemental, consequential, transitional, transitory or saving provision as the Scottish Ministers consider necessary or expedient (including power to amend existing Acts); and

(b) different provision for different purposes.

(3) A statutory instrument containing an order under this Act must not be made unless a draft of the instrument has been laid before, and approved by resolution of, the Scottish Parliament.

11 Short title

This Act may be cited as the Council Tax Abolition and Service Tax Introduction (Scotland) Act 2004.
Council Tax Abolition and Service Tax Introduction
(Scotland) Bill
[AS INTRODUCED]

An Act of the Scottish Parliament to abolish council tax and replace it with a local tax levied on individual income; and to extinguish outstanding liabilities for community charge and certain liabilities for council tax.

Introduced by: Tommy Sheridan
On: 11 November 2004
Bill type: Member's Bill


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