

# **MEETING OF THE PARLIAMENT**

Wednesday 1 February 2006

Session 2

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## CONTENTS

Wednesday 1 February 2006

### Debates

Col.

<b>TIME FOR REFLECTION</b> .....	22871
<b>QUESTION TIME</b> .....	22873
<b>COUNCIL TAX ABOLITION AND SERVICE TAX INTRODUCTION (SCOTLAND) BILL: STAGE 1</b> .....	22879
<i>Motion moved—[Tommy Sheridan].</i>	
Tommy Sheridan (Glasgow) (SSP) .....	22879
The Deputy Minister for Finance, Public Service Reform and Parliamentary Business (George Lyon) .....	22882
Mr John Swinney (North Tayside) (SNP) .....	22885
Mr David Davidson (North East Scotland) (Con).....	22888
Bristow Muldoon (Livingston) (Lab) .....	22891
Alex Neil (Central Scotland) (SNP).....	22894
Mr Andrew Arbuckle (Mid Scotland and Fife) (LD).....	22896
Derek Brownlee (South of Scotland) (Con) .....	22898
Paul Martin (Glasgow Springburn) (Lab).....	22900
Mark Ballard (Lothians) (Green).....	22902
Stewart Stevenson (Banff and Buchan) (SNP) .....	22904
John Swinburne (Central Scotland) (SSCUP).....	22906
Alex Johnstone (North East Scotland) (Con) .....	22908
Dr Sylvia Jackson (Stirling) (Lab) .....	22910
Iain Smith (North East Fife) (LD) .....	22912
Colin Fox (Lothians) (SSP).....	22913
Michael McMahon (Hamilton North and Bellshill) (Lab) .....	22915
Bill Aitken (Glasgow) (Con) .....	22917
Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP).....	22919
George Lyon .....	22921
Tommy Sheridan .....	22923
<b>BUSINESS MOTION</b> .....	22927
<i>Motion moved—[Ms Margaret Curran]—and agreed to.</i>	
<b>PARLIAMENTARY BUREAU MOTIONS</b> .....	22929
<i>Motions moved—[Ms Margaret Curran].</i>	
<b>DECISION TIME</b> .....	22930
<b>COMMUNITY AND VILLAGE HALLS</b> .....	22933
<i>Motion debated—[Mr Andrew Welsh].</i>	
Mr Andrew Welsh (Angus) (SNP).....	22933
Alex Johnstone (North East Scotland) (Con) .....	22935
Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP).....	22936
Shiona Baird (North East Scotland) (Green) .....	22937
Roseanna Cunningham (Perth) (SNP) .....	22939
The Deputy Minister for Environment and Rural Development (Rhona Brankin) .....	22940

### Oral Answers

Col.

<b>SCOTTISH PARLIAMENTARY CORPORATE BODY</b> .....	22873
Flour City Architectural Metals (UK) Ltd .....	22876
Members' Expenses (Publication).....	22875
Oral Questions (Selection) .....	22878
Parliamentary Appointments .....	22874
Public Contact.....	22873

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## Scottish Parliament

*Wednesday 1 February 2006*

[THE DEPUTY PRESIDING OFFICER *opened the meeting at 14:15*]

### Time for Reflection

**The Deputy Presiding Officer (Murray Tosh):**  
Good afternoon. The first item of business is time for reflection. Our time for reflection leader today is the Right Rev David Lacy, who is the Moderator of the General Assembly of the Church of Scotland.

**The Right Rev David Lacy (Moderator of the General Assembly of the Church of Scotland):**  
It is my privilege to bring you the greetings of the General Assembly of the Church of Scotland.

What do you expect from the likes of me? Perhaps you expect some criticism or complaint, or some attempt to persuade you of the moral correctness of one view over another. However, according to St Paul, neither criticism nor lobbying ought to be the Christian's primary attitude to you. In writing to Timothy, he said:

"I urge that petitions, prayers, intercessions, and thanksgivings be offered for all men; for sovereigns and all in high office".

That means that Christians must pray for you.

We pray for good governors. The early church believed that Governments are appointed by God for the protection and well-being of humanity, to create the conditions in which people can live their lives in peace and order. The early Christians were taught to pray for that before they worked for it, offered constructive criticism or encouraged and supported policies that would lead to peace, justice and order. The New Testament says that our governors need our prayers. There should be no fashionable cynicism or voter laziness.

There is another modern reason why you need our prayers. The parliamentarians whom I know and have been privileged to meet this week are busy people. Quite often, they are expected to do more and to be more than is at all reasonable but, through all that, momentous decisions have to be taken—sometimes quite quickly—on matters of great technicality, on which even the acknowledged experts are not agreed. The pressure of the next election—which you, unlike me, face—and of events must sometimes dictate that long-term vision be sacrificed to short-term goals, so if you sometimes deserve our criticism, you need first our understanding and our prayers.

That is true of even the wicked ones. When Paul wrote to Timothy about praying for

"sovereigns and all in high office",

that included Herod, Caesar and Pontius Pilate. Paul said that all those who are in authority over us need to be prayed for, as well as criticised and opposed when necessary.

What should we pray for? We should pray for what Solomon prayed for when he asked:

"Give thy servant a heart with skill to listen, so that he may govern thy people justly and distinguish good from evil".

That is authority that listens; it is the kind of moral authority that can distinguish good from evil. Leaders can easily be tempted to enact policies that are easy rather than right. They can be tempted, in the confusion, to fight for political doctrine more than for the rights of people. You need the church's prayers so that you may be enabled, through all the mess and confusion, to distinguish good from evil, and encouraged to go for the good, no matter what the cost to your political careers.

We believe that moral authority is not a human attribute, skill or ability. It is the gift of God, who is the ultimate authority in this world.

As its moderator, I bring you the greetings of the General Assembly of the Church of Scotland and I come neither with any criticism nor to harangue you with any Kirk opinions—although we have them. I come with the guaranteed promise of our present and continuing prayers. For Christians, praying for those who are in authority must always come first.

## Question Time

### Scottish Parliamentary Corporate Body

14:20

**The Deputy Presiding Officer (Murray Tosh):** Question 1 is in the name of Susan Deacon. She is not in the chamber, but I am told that she is about to arrive. [*Interruption.*]

Once you have inserted your card, Ms Deacon, I will be happy to call you.

#### Public Contact

**1. Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I apologise for my late arrival in the chamber, Presiding Officer. I only just found out about the change in timings for this afternoon's business.

To ask the Scottish Parliamentary Corporate Body whether it has any plans to commission research on the levels of public contact and other activities that are undertaken by MSPs. (S2O-8973)

**Duncan McNeil (Scottish Parliamentary Corporate Body):** The short answer is that there are no plans at present to do so. Of course, we recognise the great deal of work and range of activities that members of the Scottish Parliament undertake, but we take the view that that business is between the MSP and their constituents. It may not therefore be appropriate for the SPCB to commission research in this area.

**Susan Deacon:** Given the amount of information that the SPCB publishes on other matters, will the corporate body at least give consideration to the ways in which it could provide a better picture of the range and scale of work that MSPs carry out in the Parliament, their communities and other areas of public life? Does the member agree that we need to provide that better picture in order to show people what MSPs do and not just what they cost?

**Mr McNeil:** I think that all MSPs would support that sentiment. The SPCB can and should ask the Scottish Parliament information centre to prepare a briefing paper in which some of the issues could be explored. We can provide a description of what MSPs do in and around the parliamentary complex, but it is more difficult to monitor their activities in their constituencies. I give Susan Deacon the assurance that the SPCB will discuss the issue with SPICe to see how best we can take forward the matter.

### Parliamentary Appointments

**2. Margo MacDonald (Lothians) (Ind):** To ask the Scottish Parliamentary Corporate Body whether it will clarify the procedure that is being considered for the appointment and reappointment of commissioners and the ombudsman. (S2O-8979)

**John Scott (Scottish Parliamentary Corporate Body):** Standing orders set out the procedure for the appointment of Crown-appointed and SPCB-nominated commissioners and ombudsmen. On reappointments, we have invited the Procedures Committee to consider a suitable administrative process for the reappointment of Crown appointees. We have given written and oral evidence in support of a non-competitive administrative process and have been invited to give further evidence to the committee on 8 February.

**Margo MacDonald:** I have looked at the correspondence between the Procedures Committee and the SPCB and yet I remain unconvinced that the procedures as recommended satisfy the Parliament's requirement for transparency. My reading of the situation is that the SPCB would hire, assess and recommend for reappointment a commissioner without any professional independent assessment of the quality of the work that the commissioner has done. That seems to me to be bad practice. Will the SPCB give its attention to the way in which an independent evaluation of a commissioner's work could be made available to members in advance of the chamber being asked to endorse the corporate body's recommendation to reappoint or, indeed, not to reappoint?

That brings me to my second area of concern. No provision is made in our standing orders for the procedure that is to be followed if the services of a commissioner have to be terminated. The standing orders also make no reference to what would happen if Parliament decided not to accept an SPCB recommendation to reappoint. I would be grateful for the member's comments.

**John Scott:** There were at least two questions there. We will give further evidence to the Procedures Committee on 8 February and that committee will have further discussions on the matter. A further letter, which, I dare say, the member has not seen, has been sent from the corporate body to the Procedures Committee. It will be in the public domain shortly; indeed, it is probably available now.

The member also asked about the termination of contracts. That is a matter for Parliament. The member will be well aware that all appointees must produce annual reports, which are subject to scrutiny in the press and thereafter to approval by

Parliament. As I understand it—although I stand to be corrected—termination is a matter for Parliament.

**Alex Neil (Central Scotland) (SNP):** Automatic reappointment would be a total absurdity. Will all members be consulted before the corporate body gives evidence to the Procedures Committee on that issue? Will the rest of us have an opportunity to debate the principles before we are bounced into making reappointments?

**John Scott:** The Procedures Committee will meet on 8 February, as I am sure the member is well aware. He would be most welcome to give evidence at that meeting if he feels as strongly as he appears to do about the issue.

### **Members' Expenses (Publication)**

**3. Chris Ballance (South of Scotland) (Green):** To ask the Scottish Parliamentary Corporate Body what future plans it has for the publication of MSPs' expenses and when they will next be published. (S2O-8981)

**Nora Radcliffe (Scottish Parliamentary Corporate Body):** As previously announced, for the financial year 2005-06, an electronic spreadsheet of expenses information will be published, together with supporting claims and appropriate receipts. The information for quarters 1 and 2 of this financial year is scheduled for publication around the end of February 2006; the information for quarter 3 is to be published around the end of April; and that for the final quarter will be published in July or August. A joint working group of MSPs and officials is considering the allowances processes and may make recommendations to the SPCB. Any recommendations from the group will inform the SPCB's consideration of how best and cost effectively future publication of allowances might be undertaken.

**Chris Ballance:** The member will be aware that the way in which the allowances were published the last time so severely misrepresented the finances of the Green group that the Parliament had to issue a correction or clarification later that day. Will she give an assurance that the explanatory comments that are issued the next time will be accurate, clear and prominent? Will she also assure me that Green group in the Parliament will from now on be represented on the working group to which she referred?

**Nora Radcliffe:** I do not believe that the current arrangements led to unfair comparisons. A large number of MSPs from throughout the political parties choose to pool costs for the employment of staff, although the proportions differ according to party arrangements. An explanatory note to that effect was produced. However, we intend to revise

the explanatory notes to improve understanding of the information.

On the issue of Green party representation on the joint working group on allowances, a breakdown in communication resulted in Robin Harper not taking up the place that had been discussed. We hope that that matter has now been rectified. All the information that has been discussed has been passed to the member of the Green party who will be part of the group. We will take it from there.

**Margaret Jamieson (Kilmarnock and Loudoun) (Lab):** I have deep concerns about the language that members of the Parliament and of the press use on the matter. They talk continually about expenses, although in fact it is allowances that are made available to members. I ask that the corporate body refrain from using the word "expenses" in future, because we all know that there will be no reimbursement of allowances without a receipt, even if the claim is for 1p.

**Nora Radcliffe:** The member makes a fair point. As I said, a working group is considering the allowances processes and it will take that point on board in making its recommendations.

**Carolyn Leckie (Central Scotland) (SSP):** The corporate body will know that the Scottish Socialist Party group employs its staff collectively. We are keen that that should be reflected when information is made public. It is in the public interest to know what MSPs are like as employers, what MSPs pay their staff and whether those salaries are fair. Will the corporate body ensure that information about salaries is published equally consistently and transparently—without naming names—to ensure that MSPs are abiding by equal pay legislation, for example? Further, will the corporate body consider—as the unions have asked—separating salaries, and where salaries come from, from allowances as a whole and publishing information about when salaries are forced to compete with other expenses and when people may suffer detriment because MSPs decide to prioritise other spending?

**Nora Radcliffe:** I can say unequivocally that we will not publish information that would enable the salaries of individual members of staff to be identified. That is why we do it in the way that we do it.

### **Flour City Architectural Metals (UK) Ltd**

**4. Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** To ask the Scottish Parliamentary Corporate Body whether it has (a) sought and (b) obtained legal advice on whether the construction managers in the Holyrood project are legally responsible for the losses, or any part thereof, arising from the award of a trade package

to Flour City Architectural Metals (UK) Limited and the subsequent non-performance of the obligations under that package; what the present estimated losses are arising from that contract, and whether the SPCB will make a statement to the Parliament on this matter. (S2O-8980)

**Mr Kenny MacAskill (Scottish Parliamentary Corporate Body):** The corporate body takes legal advice on a wide variety of matters and is actively engaged in bringing all outstanding Holyrood building project matters to a conclusion.

**Fergus Ewing:** That response managed to avoid giving out any information whatever. I congratulate Mr MacAskill on his debut.

To be serious, however, I know that the corporate body is aware that this was a case of a contract worth £7 million being awarded, on Bovis's recommendation, to a company with assets of £2, no directors in the United Kingdom and no work experience, and which subsequently went into liquidation. It is a company that lied in its application form, whose bid was non-compliant and which asked for an up-front payment of a seven-figure sum before it had done any work, did no work at all and was paid more than £1 million.

Does the corporate body agree that, while the public like this building, they are still angry about the fiasco of the process? People have been identified as legally responsible for failures by the Auditor General in his Flour City report, and the public, like me, want cash back. Are not Mr MacAskill and his colleagues in the SPCB concerned that a delay of more than four years since Flour City went into liquidation is in danger of prejudicing recovery and that a perception is arising that that is because the SPCB wishes to sweep the matter under the carpet?

**Mr MacAskill:** I can assure Mr Ewing that that is not the case. The corporate body appreciates his long-standing interest in the matter. It has provided what information it can. It is alert to various legal issues, including the quinquennium that he has correctly flagged up—I refer to the more than four years that have passed to date. However, the project is extremely complex. Nothing can be considered in isolation and resolving such issues takes time. We can assure Mr Ewing that we are on the case. However, nothing more can be said without—as he and I know, as previously practising agents—disclosing information that would be prejudicial, not to the interests of the corporate body but to the interests of the Scottish Parliament in pursuing any matters that, legally, we will require to pursue in the interests of members.

**The Deputy Presiding Officer:** Question 5 is withdrawn.

## Oral Questions (Selection)

**6. Stewart Stevenson (Banff and Buchan) (SNP):** To ask the Scottish Parliamentary Corporate Body whether it is satisfied that the ballot for the selection of questions to ministers provides a random opportunity for MSPs who submit their names to ask a question and that the initial name drawn is determined randomly. (S2O-8971)

**John Scott (Scottish Parliamentary Corporate Body):** As Stewart Stevenson will know, given his expertise in computing, no computerised selection process can be truly random, as the nature of any computerised generating process can only be deterministic. Having said that, the process for selection of oral questions uses a complex algorithm that is recognised to generate sequences of numbers that are virtually indistinguishable from a genuine sequence of random numbers. Therefore, to that extent at least, Stewart Stevenson can be given the assurance that he seeks.

**Stewart Stevenson:** The member will be aware that I accept that the distribution of members selected forms the appropriate Gaussian curve that follows from the use of the pseudo random number algorithm. However, given that the last time I had a question selected was 15 June 2005, I suggest that he consider further whether the genuine randomness of the selection of the initial name, which determines the Gaussian distribution that thereby follows, is working correctly. He has had no questions selected in the same period. My colleague, Mr MacAskill, and I have not had a single opportunity since the summer recess to fulfil our duties to hold the Minister for Justice to account. Is it time to consider distributing the randomness over more than a single week's selection?

**John Scott:** Stewart Stevenson has indeed been less fortunate than a member might have expected to be on average. He has submitted 65 questions since April 2005 and, sadly, has been successful only five times, which is a ratio of 1:13. The average ratio for members is 1:8. That merely emphasises the randomness of the selection procedure. However, I will undertake to ask my colleagues, who are perhaps better equipped than I am, to look into the possibilities that he raised in relation to the Gaussian curve.

**The Deputy Presiding Officer:** I am sure that all members are deeply disappointed that we have to move on to the next item of business.



## Council Tax Abolition and Service Tax Introduction (Scotland) Bill: Stage 1

**The Deputy Presiding Officer:** The next item of business is a debate on motion S2M-3893, in the name of Tommy Sheridan, on the general principles of the Council Tax Abolition and Service Tax Introduction (Scotland) Bill.

14:37

**Tommy Sheridan (Glasgow) (SSP):** Today's debate is about right and wrong, justice and injustice and the unacceptable twin scars of poverty and inequality, which continue to shame our country.

The council tax is a Tory tax. It bears the hallmarks of all Tory taxes. It is regressive and unfair. The council tax hammers pensioners and ordinary workers, but it pampers the very well paid and the wealthy. It is quite simply wrong that even after means-tested benefits are applied, the 20 per cent of Scots who are on the lowest incomes pay more than 5 per cent of their meagre incomes in council tax, while the wealthiest 20 per cent pay only 2 per cent.

According to evidence from Age Concern Scotland, the Scottish Pensioners Forum and others, pensioners have to pay 11 per cent of their incomes in council tax. We in this chamber are completely unrepresentative of Scotland in relation to income. Only 2 per cent of Scottish adults have incomes of more than £50,000 a year. We are part of that 2 per cent. Some 78 per cent of individuals have incomes of less than £20,000 a year. While 52 per cent of Scotland's 2.2 million households survive on less than £20,000 a year, 82 per cent survive on less than £40,000. The Council Tax Abolition and Service Tax Introduction (Scotland) Bill is about those households. It is about Scotland's pensioners, bus drivers, refuse collectors, nurses, teachers, firefighters, nursery nurses, posties and office workers. It is about reversing the Thatcher and Blair practice of making the rich richer at the expense of the poor. It is about taxing the working majority and pensioners less and the best-paid and the millionaires more.

Today is not about more disgraceful council tax rises and consequent condemnation. We have had 13 years of that in which to make up our minds about what we want to do; now is the time for binning the council tax, not bashing it again. This Parliament has the opportunity today to stand up for the majority of Scots and back fair taxation and to vote for higher taxes for those—such as MSPs and others—who are on more than £40,000 a year and lower taxes for the rest. Today, we

should declare our intent to tax the millionaires more so that we can tax our pensioners and ordinary workers less.

How shameful that, today, we have Labour MSPs who defend the Tory council tax. A regressive, unfair Tory tax is defended by the party that used to be on the side of the workers. The old Labour Party of the millions has become the new Labour Party of the millionaires.

The Office of National Statistics reported last August that poverty levels under Labour are broadly the same as they were under the Tories, but that inequality of income has grown wider under new Labour than it was even under Thatcher. Under the new Labour Tories, life is more unequal. One in four of our children across Scotland still lives in poverty. Almost one in three of our pensioners struggles to make ends meet. Some 421,000 workers—28 per cent of the total Scottish workforce—are officially low paid.

Our Parliament has insufficient powers to deal with the problems properly. We have no control over pensions, the minimum wage, social security benefits or economic decisions. We need an independent Scotland with real power to transform our country. We need an independent socialist Scotland—a democratic republic—that can utilise all our resources to raise everyone's standard of living by putting people before profit. However, until we secure an independent socialist Scotland—indeed, as part of that struggle—we must utilise fully the limited powers that we have. The council tax makes inequality worse. It has risen by 101 per cent since its inception and by 65 per cent in the past six years. It will rise above inflation again next week. It is regressive and unfair and we have the power to do something about it. We have the power to scrap the council tax today and I urge the Parliament to use that power on behalf of the majority of ordinary Scots.

Local government jobs and services have to be paid for, but fair taxes must be the order of the day. The Scottish service tax would not only be fairer, but it would raise more money for local government than the council tax does. Even the Scottish Executive had to admit in its evidence on the bill that the Scottish service tax would raise £300 million more than the council tax would.

The primary objective of the bill is to tackle poverty and redistribute income from the very highest earners to the rest. Under the service tax, the bus driver on an average pay of £17,300 a year would pay £722 a year less than the bill for an average band D house. The postie on £15,600 would pay £568 a year less than the bill for an average band B house. The refuse collector in a band A house would pay £497 a year less than they pay at the moment.

According to the Scottish Executive, the average income in Scotland is £20,000 a year. Two individuals on £20,000 a year would have a household income of £40,000. According to the Scottish Executive, only 17 per cent of households actually have that level of income, but even on an average income of £20,000 per year, those workers will pay less. They will pay £450 each in service tax, so their household bill will be £900. The average band D council tax bill is £1,094. Under the bill, even workers on average pay will save £200 per year.

The bill will make ordinary working families better off. The convener of the Local Government and Transport Committee, Bristow Muldoon, tried to undermine the bill by referring to average earners on £25,000 per year, but there is nothing average about that—according to the Scottish Executive, only 10 per cent of Scottish households have an income of £50,000. Secondly, workers on £25,000 per year would pay £675 each in service tax. If their household income is £50,000 per year, it is likely that they will live in homes in band E or above, but even they will pay less under the service tax than they pay under the council tax. The firefighter and the nurse will pay less. The police constable and the nursery nurse will pay less. The teacher and the secretary will pay less. Based on their incomes and on the average council tax bands, ordinary families will pay less. The bill is a worker-friendly bill from a worker-friendly party.

The vast majority of Scotland's workers will pay less, but the biggest winners will be the Scottish pensioners and the lowest paid because the first £10,000 of income will be exempt. Some 450,000 pensioner households live on less than £15,000 per year and 220,000 single pensioners live on less than £10,000 per year. They will not be subjected to humiliating means tests, but will automatically be exempt. The bill is a pensioner-friendly bill from a pensioner-friendly party. Instead of scrimping and saving and worrying about council tax rises, Scotland's pensioners will start to enjoy life a bit more and will have in their pockets an average of £20 to £25 per week extra to spend on themselves.

The bill will help the vast majority of Scotland's workers and pensioners by removing the humiliating means test and increasing to £10,000 the threshold at which people begin to pay additional local government tax. The bill will also generate extra resources for local government services. The bill is backed by three major trade unions: the Public and Commercial Services Union, the National Union of Rail, Maritime and Transport Workers and the Fire Brigades Union; by the respected Scottish Pensioners Forum; by the Poverty Alliance, which represents anti-poverty groups throughout Scotland; and by the Glasgow

city branch of Unison, which is the largest trade union branch in Scotland. Those organisations back the bill because it is beneficial to workers, pensioners and the poor. It effects a redistribution of income that is long overdue.

Of course, not everyone will pay less, because we have to raise enough money to pay for local government jobs and services. Every member in the chamber will pay more. On average, MSPs will pay £2,500 more. The multimillionaires will have to stump up more, including the 277 who live in Edinburgh in postcode district EH4, the 240 who live in Aberdeen in AB15, and the 176 who live in Glasgow in G61. Instead of a piddling £2,800, Mr Brian Souter, on his £3.24 million income, will pay £641,000. That represents less than 20 per cent of his salary and leaves him £2.6 million to keep the wolves from the door and £400 million in the bank. Then there is wee Ephraim Belcher, a friend of the Tories. Wee Ephraim, of Scottish sausage fame, could afford to donate £250,000 to the Tories, so he could afford his new Scottish service tax bill of £555,000. He would survive, given his income of £2.8 million, of which £2.3 million would remain. Of course, he always has the £48 million that is in the bank.

Some have suggested that if we taxed the rich appropriately, they would leave the country. What a shame that would be. I could not give a damn. The concern of this bill and of this party is not for the rich minority, but for the pensioners and the ordinary workers, who are society's real wealth creators. If more money is put into the pockets of the majority of Scots, anyone with a semblance of economic understanding knows that under the marginal propensity to consume, those millions of people will spend the extra income; in doing so, they will generate more demand for jobs and services and a boost in our economic activity.

Today is about general principles, and the general principle of the bill is to replace the council tax with an income-based alternative. The challenge to the Scottish National Party and the Liberal Democrats is this: if they believe in that general principle, they should vote for the bill and lodge their amendments at stage 2. If they refuse to vote for the bill, they will be exposed as political fraudsters and devious deceivers.

On behalf of Scotland's workers and pensioners, I move,

That the Parliament agrees to the general principles of the Council Tax Abolition and Service Tax Introduction (Scotland) Bill.

14:52

**The Deputy Minister for Finance, Public Service Reform and Parliamentary Business (George Lyon):** I thank the Local Government and Transport Committee for all its hard work in

examining Tommy Sheridan's proposal to abolish the council tax and replace it with a national service tax.

As I stated to the committee, the Executive opposes the bill and is committed to the independent review of local government finance. The review team, under the chairmanship of Sir Peter Burt, is examining the range of different local taxation systems and their pros and cons. Every political party in the chamber, including Tommy Sheridan's, has submitted its ideas to that review team. Therefore it would be extremely short sighted to take substantive action before the independent review team has completed its work later this year.

I remind members of the background to the bill. Parliament has debated the Scottish service tax five times since March 2000 and rejected it every time. In 2001-02, the Local Government Committee examined the Scottish service tax and said that it saw

"no merit in this option."

We are now in 2006, and we have been asked to comment once again on the same proposal and to decide whether it should progress.

**Frances Curran (West of Scotland) (SSP):** Will the member take an intervention?

**George Lyon:** I will make some progress, if the member does not mind.

The committee's findings have exposed the fact that the bill represents the greatest gamble since Charles Wells broke the bank at Monte Carlo. The big difference this time is that Mr Sheridan has put on the table—and at risk—every school, care home, leisure centre and highway in Scotland. Yet, with the stakes so high, he has chosen to go forth with the least popular tax ever to have been proposed in Parliament. Five political parties oppose it. Parliament has rejected the proposal five times, and the Local Government and Transport Committee rejected it for the second time last week.

Last week's Local Government and Transport Committee stage 1 report states that the 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".

As a result, the committee

"recommends that the Bill should be rejected by Parliament at Stage 1."

That crushing indictment can be further unpicked to highlight some of the bill's problems.

First, the report says that the bill would not have the impact on poverty that is claimed. Mr Sheridan's calculations on the beneficiaries took

insufficient account of individuals who receive council tax benefit. Council tax benefit of up to 100 per cent is available to those who are on lower incomes. Those people would be no better off under the service tax proposals, as they already have no council tax liability.

Secondly, the report states that the bill would damage the Scottish economy. There has been no substantive consideration of the bill's wider economic impact, most notably with a view to fiscal flight. We just heard Tommy Sheridan say that he does not give a damn who leaves the country. Every entrepreneur can be hounded out of Scotland and he does not care. Given the proximity of England and our common language, it seems plausible that there would be a risk of fiscal flight if we had significantly higher tax rates here in Scotland. Even a small amount of fiscal flight among higher-income earners would significantly affect the revenue forecasts for the service tax and shift the burden to the rest. The research paper on which the proposals are based estimates that more than half of the revenue from the service tax proposals would come from the top 5 per cent of income tax payers—those with the greatest opportunities to relocate if they want to.

The committee concludes that the bill would undermine local democracy. By abolishing the council tax and introducing a nationally set income tax, the bill would strip our local authorities of the important power to set their own council tax levels.

**Mr John Swinney (North Tayside) (SNP):** Does Mr Lyon accept that, if the service tax was introduced and a national rate of taxation for local authorities was to be set, that would give ministers such as himself the ability to deliver continued awful settlements for local authorities, just like the one that he proposes for 2006-07?

**George Lyon:** I thank Mr Swinney for that intervention, which highlights why we oppose the bill. The taxation level would be decided in the Parliament instead of at the local level.

Mr Sheridan claims that that reduction in the powers of local authorities could be balanced if councils were given the power to set their own business rates. However, nowhere does the bill provide for business rates to be returned to local authority control. The bill would nationalise and centralise local taxation decisions, thereby undermining and disfranchising the 1,200 councillors who rightly take the decisions on local council tax levels.

Throughout the bill, there are errors and omissions. For example, the Executive memorandum on the bill points out that the tax bands that are used in the bill are different from the tax bands in the paper that provided the yield forecasts for the bill. That basic error led to a

miscalculation of £192 million in the financial memorandum. I understand that, since then, Mr Sheridan has recalculated the yield forecasts, with a different result. Indeed, since the seven-page financial memorandum was produced, Mr Sheridan has submitted 16 pages of clarifications and corrections to it. There is something wrong with the accounting somewhere. In his policy memorandum, Mr Sheridan is not even certain how many times his proposal has been debated and rejected in the Parliament. A qualified statement in that document refers to four motions in the Parliament, although five dates are cited.

One thing of which Mr Sheridan—and, I think, all of us—can be certain is that Parliament will reject the Scottish socialist tax. Mr Sheridan has at least accepted one thing: regardless of how the Parliament feels about the nine lines in the bill on the council tax, it will want to delete the 104 lines on the Scottish socialist tax. That is Mr Sheridan's great gamble. He wants to use the nine lines that would be left in the bill to delete the council tax, thereby deleting the £2 billion of income that it generates. He gambles that the Parliament would build a consensus on an alternative at stage 2. The Executive will not join him in that gamble. We do not want to risk that £2 billion—and the future of every school, care home, leisure centre and highway in Scotland—on a hope and a hunch.

Mr Sheridan takes a fingers-crossed attitude that admits that the 104 lines on his service tax are expendable; he simply hopes that somehow, somewhere, an alternative will emerge at the Local Government and Transport Committee in the next few weeks. If he was serious, he would recognise that the Scottish service tax is the least popular tax ever to be proposed in the Parliament—it has even less support than the council tax. If he was serious, he would not gamble £2 billion on the least popular tax in the Parliament. He would build consensus and do the work to guarantee money for local government, not gamble away services for young and old alike. He has not done that; therefore, I ask Parliament to reject the Bill.

15:00

**Mr John Swinney (North Tayside) (SNP):** The debate is about a two-part proposal. The first is the abolition of the council tax and the second is its replacement with a Scottish service tax. I will address both of those points in my speech.

The council tax is a live subject of debate, with the concern that has been expressed about the likely size of next week's local authority council tax increases set against a Government target for council tax rises of close to 2.5 per cent. Information that was published yesterday by the Convention of Scottish Local Authorities

highlights—as the Finance Committee highlighted before Christmas and as the SNP highlighted in the debate on local government finance in the Parliament on 12 January—that councils are much more likely to be forced to increase council tax by nearer to 6 per cent than by 2 per cent, or they will have to cut local services dramatically.

The Government is living in cloud-cuckoo-land if it believes that adequate resources have been made available to local authorities to deliver council tax increases of anything like 2.5 per cent. Ministers must recognise that unless more Scottish Executive resources are put on the table, council tax payers will be punished by another above-inflation increase in the tax and that responsibility for that will lie with this short-changing Scottish Executive.

**Mike Rumbles (West Aberdeenshire and Kincardine) (LD):** For the sake of the debate, will the member tell us how much additional money the SNP believes the Scottish Executive should give to the local authorities?

**Mr Swinney:** It is obvious that Mr Rumbles was not present on 12 January when, to many complaints from Labour members, I spoke for 18 minutes and gave an extensive explanation of the SNP's—

**Mike Rumbles:** Will the member just tell us?

**Mr Swinney:** I am just getting to it. I was going to give a long explanation so that Mr Rumbles would get a flavour of the excellence of that speech, in which I said that the Government should find £93.2 million to give to local authorities for the financial year 2006-07.

**Mike Rumbles:** Where would the money come from?

**Mr Swinney:** The member should know that it is more courteous to get up to intervene than it is to shout from the back benches. Of course, his Liberal colleagues on the front benches are used to that kind of behaviour from him.

The money would come from two sources. First, there would be a proportion of the pre-budget report allocations to the Scottish Executive that have not yet been allocated by the Government. Secondly, local authorities would be entitled to retain the £58.5 million that they are making in efficiency savings.

**Mike Rumbles:** Ah. It is coming from nowhere.

**Mr Swinney:** If Mr Rumbles is sceptical about that point, I suggest that he speak to the Liberal Democrat administration in Aberdeenshire, which has made relatively similar points.

There is concern about the council tax and the issues—

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** Will the member take an intervention?

**Mr Swinney:** We have heard enough from the Liberals today. We finished off Mr Purvis the last time and we would do it again in a moment.

We believe that the council tax is unfair. It penalises those who are on low and fixed incomes and involves them paying a higher proportion of their income in council tax than those who are on higher incomes. On average, the proportion of their income that those individuals pay in council tax can be as much as four times higher than that which is paid by those on higher incomes; that is manifestly unfair. Those who are on fixed incomes, particularly pensioners, have seen their income and savings hit hard by the significant rises in council tax over the past eight years. That, too, is manifestly unfair.

If the Labour Party has its way, it is clear that the burden of the council tax will grow as a result of the revaluation of properties under the current system. Labour's submission to the independent review of local government finance makes the case for revaluation, which means the prospect of greater council tax burdens for the people of Scotland under Labour. Again, that is manifestly unfair.

On the question of the council tax, its inequity, and the problems that are associated with it, there is much common ground between the SNP and the proposals in the bill. The problem is that abolition of the council tax represents only one of the 11 sections in the bill that is before us. The other 10 sections provide the detail on the establishment of a scheme that we do not support and which does not conform to the key characteristics that we believe should be in place to govern local taxation.

We support the introduction of a local income tax that is based on the ability to pay. That proposal would have two essential principles. First, the tax would be fair and progressive and would take into account the ability of every individual to pay. We need to rectify—

**Carolyn Leckie (Central Scotland) (SSP):** For how long has it been Scottish National Party policy to support the abolition of the council tax? Where is the SNP's bill to abolish it?

**Mr Swinney:** The SNP has supported the abolition of the council tax for a considerable time, and we produced a paper on the introduction of a local income tax. The SNP wants to replace this discredited Executive and legislate to introduce a local income tax. That is how we will deliver the abolition of the council tax.

We need to rectify the injustice of the council tax by establishing a system that is based on the ability to pay. The benefits of a local income tax are clear. Pensioners and people who are on low incomes would be spared the burden and complexity of the council tax and relief systems. We estimate that 500,000 pensioners would have to pay no local income tax under our proposal.

The second principle of our approach—and our major concern with the bill—is that a local income tax should be exactly what it says it is: local. It should put local communities in charge of their revenue and business. At a time when politics is viewed as distant from communities, the last thing that we need to do is to create more distance between the public and the decision-making process. Under the bill, the local tax would be set directly by national Government, and ministers, who I believe profoundly are depriving local authorities of their fair share of resources, would be given even greater control over local authority finance and services. The Minister for Finance and Public Service Reform and the Deputy Minister for Finance, Public Service Reform and Parliamentary Business would be given absolute control over how much money local authorities would get. They would have an annual opportunity to squeeze local authorities even harder than they are being squeezed today.

**Iain Smith (North East Fife) (LD) rose—**

**The Deputy Presiding Officer:** Mr Swinney is in his last minute.

**Mr Swinney:** Who would suffer if this Administration was able to exert even more control over local authority finance? The usual people would suffer: children with special needs who need educational provision and the elderly who need care home support. The question will be asked why we do not just amend the bill, but we cannot amend 10 of its 11 sections to make it workable. Our conclusion is that there is no point in replacing one bad system with another that does not address people's needs and concerns about local taxation. We reaffirm our commitment to a local income tax that is based on ability to pay, decided on locally and paid for by individuals. We want an income tax that would be accountable to the people and we will argue for that proposal.

15:07

**Mr David Davidson (North East Scotland) (Con):** I congratulate the Local Government and Transport Committee on its conclusion, which it reached as a result of some excellent evidence sessions, and I thank those who gave us that evidence. The bill has also been before the Finance Committee, and my colleague Derek Brownlee will deal with that committee's findings.

As ever, Mr Sheridan has been consistent, unlike the Liberal Democrats and the SNP. Their attitude is, "Maybe we will; maybe we won't," "We're not sure when, but it might happen," and, "We might put a proposal before the chamber, but we're not there yet." However, as has been said, the problem with Mr Sheridan is that he does not propose a local tax; he proposes a massive hike in income tax, which would be expensive to collect and would add to the central, top-down control of public services. It would be a disincentive to many and would damage the economy, hit modestly earning families and do little to relieve poverty. Today, we heard the ultimate: Mr Sheridan wants to promote fiscal flight. I think that that is what he said.

For a start, Mr Sheridan's bill would lose Scotland more than £345 million of council tax benefit. Whether Mr Sheridan argues it or not, he is suggesting a uniform, national tax with no local accountability over the rate. Under his model, why would we have local councils at all? He proposes that local councils would merely deliver systems for local government rather than design and deliver them for their communities and be accountable to those communities. It seems that Mr Sheridan has much in common with the Lib-Lab Scottish Executive, which foisted new burdens, which are not fully funded, on to local councils. The net result is that those who pay council tax have to pick up the tab yet again—we are talking about 29 per cent of our people.

As I said from the beginning, Mr Sheridan's proposal would need either direct Westminster Government permission to allow the Inland Revenue to collect it or primary legislation at Westminster, if he intends to have it backed on to the current taxation system. Quite apart from his political naivety, the delay in delivering his tax would be excessive. If he were allowed to proceed today, it would not benefit anyone for years, although Conservative members disagree about whether people would benefit. Mr Sheridan argues in favour of progressive taxation, but he seems to forget that 80 per cent of council funding comes from general income tax, which is based on an ability to pay. He made no mention of that. He does not say anything about how we should collect the £700 million of uncollected back tax, other than that we should simply write it off. Where is the justice in that for those people who have managed their lives and paid on time, despite the problems that they may have with the size of their council tax bill?

At a stroke, Mr Sheridan intends to lose Scotland £1 billion, if not more, in the first year, with the write-off of £700 million and the £345 million loss of council tax benefit. I do not remember hearing him quote that figure. I have some sympathy with him when he talks of council

tax benefit not working correctly—approximately 30 per cent or more of those who can claim it do not do so. The reason for that is very simple: it is far too complicated and confusing and, for some people, even a little demeaning. Those people account for almost 10 per cent of Scottish households. Conservative members will not ignore that and will encourage their colleagues at Westminster to examine the issue more closely.

Mr Sheridan knows very well that 70 per cent of the households on council tax benefit received the full amount, but he simply ignores that. He is quite happy to have a go at two-income households, which cover about half of workers in Scotland. I have little doubt that, if his tax came into play, we would see a mass of arrears, possibly leading to repossessions, on mortgages that were put in place and budgeted for by such families.

The evidence that the committee received has been mentioned. The approach that the bill proposes would be expensive and bureaucratic. As the minister said, the Burt report is due out fairly soon, which will be a good time for the Parliament to take a constructive view of its contents. We all have a stake in the report, because all members have made an input to the system. In my view, it is not the council tax that is the problem, but the huge rises under Labour and the Lib-Lab coalition, which amount to in excess of 55 per cent since 1997.

I turn to what the Executive has said to date. The First Minister's prediction of a maximum rise of 2.5 per cent is a joke. The Lib Dem Deputy Minister for Finance, Public Service Reform and Parliamentary Business, who is sitting with us, estimated it at 4 per cent, but there has been an almost deafening silence from Tom McCabe, the accountable minister, who seems to do nothing but blame councils for inefficiencies and who fails to acknowledge his responsibility for the additional unfunded burdens that he has imposed on local government, knowing full well that if the sums do not add up, the poor old council tax payer will once again have to pay. As we all know, that hits many pensioners and what I call the new working poor, which Labour has created since it came to power at Westminster—tax-paying families on modest incomes who bear the costs and burdens of starting families and acquiring their first homes.

To an extent, I agree with Tom McCabe that there need to be more efficiencies in local government, through shared procurement, sourcing, contracting and so on, but it is interesting that he totally fails to impose the same rigours on the departments of his fellow ministers. I wonder what has happened to the old notion of collective responsibility in Government.

Mr Sheridan's proposals would be costly and unworkable and would throw away money to

which Scotland is entitled. The bill would foster tax evasion and would even encourage the black economy. It would damage the spending power of many Scots, which would hit the economy, and would make Scotland a place in which no one wants to invest or do business. It might even add to the skills drain that we are currently seeing, which affects not only our economy but public services such as the national health service, which need people to run them. Conservative members will certainly not support the bill and support the committee's conclusion.

15:14

**Bristow Muldoon (Livingston) (Lab):** I want to make one point in response to Tommy Sheridan's speech. I asked before how much people on £25,000 would pay in Scottish service tax. Tommy Sheridan said that there was nothing average about that sort of salary, but I thought that that was approximately the amount of money that the six SSP members retain from their salaries after they have made a donation to their parties. If they want to be consistent, perhaps they should just take what Tommy Sheridan regards as the average salary of someone in Scotland.

**Frances Curran:** How much does the member get?

**Bristow Muldoon:** Exactly the same as other members do.

The Council Tax Abolition and Service Tax Introduction (Scotland) Bill is the most ill-considered and poorly researched piece of legislation to make it to a stage 1 debate in this Parliament. Its rejection has been recommended by the committee that dealt with it at stage 1, by a margin of seven to one, which I believe is the most decisive recommendation against a bill to date. There are many reasons why the bill should be rejected, and I will go into them in detail, but first I note that the Local Government and Transport Committee summarised the matter well by saying that the 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".

What does the bill do? It does two main things. It proposes to replace the council tax with a Scottish service tax, which would introduce nationally set marginal rates of taxation of between 4.5 per cent and 20 per cent. It also proposes to write off outstanding council tax debt that is owed to councils. I shall come back to the main point in due course, but first I want to comment on the proposed write-off of outstanding council tax debt. That would involve writing off £550 million of resources due to councils, and it demonstrates the deep hypocrisy of the SSP, which calls for local

authorities to resolve the single status pay issues—which, of course, councils should do—while at the same time proposing to write off £550 million of potential income.

**Frances Curran:** Will Bristow Muldoon give way?

**Bristow Muldoon:** Not just now. I want to make some progress.

**Frances Curran:** Come on. He should give way.

**The Deputy Presiding Officer (Trish Godman):** The member is not taking an intervention.

**Bristow Muldoon:** The SSP also appears to think that it is fair that the vast majority of council tax payers, from all income brackets, who pay their taxes to fund local services should just sit back and watch as people who have not paid their council tax have their debt written off, irrespective of whether they could have afforded to pay in the first place.

I turn to the impact on poverty. One of the main claims of the bill is that the new taxation regime would redistribute income in favour of low-income citizens, but what Tommy Sheridan and his party have completely refused to address throughout the passage of the bill is the fact that 400,000 of the lowest-income households in Scotland already receive full council tax benefit and would not benefit one penny from the proposed changes. Mr Sheridan claims that there would be a benefit in not having to fill in the complex forms to claim the benefit, but the response from HM Revenue and Customs exposes the fact that, in order to be able to collect the tax—supposing that it had the legal status to do so—every Scottish citizen would be likely to have to complete an end-of-year self-assessment tax form. In addition to the complexity of filling in those forms, that could result in arrears of service tax being pursued if someone had risen into a higher tax bracket during the course of the year, which could put thousands of families every year into debt to the Inland Revenue. I hardly see how that would help the poorest families in the country.

On the economic impact, Mr Sheridan's bill assumes that it is the rich—the millionaire estate owners and the like—who will pay more under the proposed tax. However, as Tommy Sheridan knows, the reality is that the very wealthy would pursue one of two options: either they would ensure that their income was protected so that Tommy's tax collectors could not reach it; or, if they were not confident that they could do that, they would divest themselves of residential property in Scotland. Either way, the very wealthy would not pay the tax and the increased burden would fall on working families. The rich, in Tommy Sheridan's world, are not the millionaire estate

owners. Those who would be hammered are those on pay-as-you-earn tax, such as doctors, dentists, university lecturers, train drivers and teachers. Those are the rich in Tommy's world.

There is a real risk that public sector workers who had to pay higher taxes would consider pursuing their careers in other parts of the United Kingdom. Doctors, for example, are well paid, but they have also undertaken years of education to achieve their qualifications. The modern health service needs to recruit more highly qualified doctors and consultants, but Tommy Sheridan wants to put in place a 15 to 20 per cent tax disincentive to the recruitment of those doctors and consultants. He dismisses the idea that individuals would pursue their careers elsewhere, but he has carried out absolutely no research into that possibility and has said that he would proceed with his bill even if it were proven that such an effect would transpire. That proves that Tommy does not care about the poor in this country. The poorest communities in this country are the ones that would be hardest hit by the loss of trained consultants and doctors from the Scottish national health service, and that includes pensioners, who rely most on those consultants being available. If they ever got the chance—which I do not think they will—Tommy Sheridan and his party would visit the same chaos on public services in Scotland as the militant tendency inflicted upon the people of Liverpool in the 1980s.

As for the private sector, Edinburgh's current position as one of the most important financial services centres in Europe would be devastated if Mr Sheridan's tax plans were implemented. Who in the chamber believes for a moment that any major financial institution would choose to headquarter itself in a Scotland with marginal tax rates that were 15 to 20 per cent higher than those in England? I am sure that Mr Sheridan does not care about such an outcome, because the Scotland that he envisages is one that would turn its back on the modern world and would become an impoverished siege economy.

Tommy Sheridan's lack of concern about the economic impact of the bill is highlighted by his use of a study by the Fraser of Allander institute. He uses as back-up for his bill a report that examined the use of the Scottish variable rate. The study considered the economic impact of varying the basic rate of income tax by 3p in the pound; Mr Sheridan's bill proposes to vary income tax by between 4.5p and 20p in the pound. To refer back to last week's debate, that is similar to a patient who reads the instructions on a prescription that advises them to take two tablets making the illogical assumption that if it is safe to take two, it is equally safe to take 20. If the SSP had the slightest wish for the proposals to be taken seriously, they would have commissioned

rigorous independent research into the economic impact of the bill.

That is why I am amazed that the SNP gives the proposals so much time. I am particularly astounded by John Swinney's comment that there is

"much common ground between the SNP and the proposals in the bill."

The SNP should realise that it lost seats to the SSP—

**Mr Swinney:** On a point of order, Presiding Officer. Is it in order for members deliberately to misrepresent the position of other members—about 25 minutes after they spoke—in the way that Bristow Muldoon has just misrepresented me? I ask the Presiding Officer to reflect on whether such conduct is becoming of a member of Parliament.

**The Deputy Presiding Officer:** I will reflect on that.

**Bristow Muldoon:** I am sure that when you reflect on it, you will find that what I said was pretty much word for word what Mr Swinney said during his speech. According to my notes, he said that there is

"much common ground between the SNP and the proposals in the bill."

I am particularly surprised by that because the SNP lost a number of seats to the SSP at the last Scottish Parliament elections and risks damaging its own already rather fragile economic reputation by linking up with extremists such as the SSP in the independence convention.

The bill is a poorly researched piece of work. It would damage Scotland economically, it would not help the poor and it would damage Scottish public services. Therefore, it should be rejected.

15:23

**Alex Neil (Central Scotland) (SNP):** I suggest that the First Minister sends Bristow Muldoon a copy of his speech about raising our game in the Parliament. Mr Muldoon should apologise to Mr Swinney for totally misrepresenting the SNP position.

At the start of his speech, John Swinney outlined the two major proposals in the bill. The first one is to abolish the council tax—that is long-standing SNP policy and we agree in principle with that proposal. The second proposal is to introduce a national service tax—we do not agree with that proposal. That is the position that John Swinney outlined and it is the one that every SNP member who speaks in the debate will reiterate until Bristow Muldoon recognises reality rather than the myth that he would like to believe.



Let me explain our position. First, we agree totally that the council tax is one of the most unfair taxes ever imposed on the people of Scotland. The council tax bears no relation to the income, the capital assets or the wealth of the person who is being taxed. The council tax is full of anomalies, one of which is that rich students such as Prince William are exempt from it while many of our poor pensioners who earn just enough not to qualify for benefit are not. By any measure of the distribution of income or wealth, the council tax is an unfair tax and should be abolished.

The question is what should replace it. I will outline the main principles that I believe should be applied to a replacement tax. The first principle is fairness, which means that those who earn the most in relative terms would pay a higher amount than those who earn less. However, I make a distinction between being fair and being punitive. The danger is that the Scottish service tax would be a punitive tax. Like Tommy Sheridan, I will not lose much sleep if a handful of extremely rich people leave Scotland. However, that is not where the proposed service tax is flawed; it is flawed in how it would affect the middle-income range, which consists of people we need to retain in Scotland and people we need to bring back to Scotland.

We face proposals to close at least one accident and emergency unit in both Ayrshire and Lanarkshire. The reason that is given for the proposals is the dire shortage of hospital consultants in Scotland. Regardless of the pros and cons of the proposals for the A and E units, there is a dire shortage of hospital consultants in Scotland. Socialism is not about living in cloud-cuckoo-land, so we must face reality, and the reality is that if we introduce a punitive tax on income, the shortage of hospital consultants will get worse and we will end up being forced to close other parts of the national health service. Therefore, on the first principle, I say yes to fairness but no to being punitive, because the economic impact of that would be disastrous, not just for the health service but for other areas of our economy in which there are shortages of people.

The committee's stage 1 report on the bill makes the point that the bill's economic impact has not been measured. I can tell members about the bill's potential economic impact. We have shortages of people in the information technology sector, which is a target growth sector in Scotland. Under the bill, we would lose IT people rather than attract fresh talent to Scotland. We also have shortages in the oil and gas and care sectors in Scotland, and we would lose people we need to retain from those sectors and fail to attract people into them. In my view, the punitive element of the service tax proposal is the most damaging one.

The third principle is that decisions on local taxation must be, by definition, local. The central argument for fiscal autonomy or independence for the Scottish Parliament is that those responsible for spending the money should be responsible for raising the money as well.

**Iain Smith:** Will the member give way?

**Alex Neil:** Not at the moment.

We cannot apply that principle to this institution and not apply it to local government as well.

As a socialist, I believe that the biggest problem in this country is the unfairness of the tax system, which arises primarily because the taxes on capital are less than they are in the United States of America, which is the biggest capitalist economy in the world. We should wait for Professor Burt's report so that we can consider all the pros and cons in the package, because public taxes on income may not hold the whole answer—perhaps assets such as land should also be taxed.

All the principles to which I have referred bring me to the conclusion that, while the Scottish service tax proposal is, I believe, well intentioned, it is, unfortunately, ill thought out.

15:29

**Mr Andrew Arbuckle (Mid Scotland and Fife) (LD):** I thank the convener of the Local Government and Transport Committee, Bristow Muldoon, for his largely successful efforts to prevent this proposal on the abolition of the council tax and the introduction of a service tax from spilling out into other potentially much better options for local taxation, such as a local income tax.

I am sad that the Parliament is once again debating the introduction of a service tax. This may be only my second time speaking on the issue but, as the minister pointed out, others have seen it written off five times. I am also sorry that we are debating the issue despite the setting up by the coalition of the independent Burt review of other options for local government finance. For Mr Davidson's information, the setting up of a review of local taxation does not indicate indecision among various parties. There is no comparison with the headlong rush of the Tories from the poll tax to the council tax.

As the coalition has gone to the trouble of setting up the Burt review, it is only right and proper that we should allow it to complete its research and produce its findings before we set off down any path.

**Mr Davidson:** Will the member give way?

**Mr Arbuckle:** I will in a little while.

There were times during its passage through the Local Government and Transport Committee when the service tax proposal was dressed up as a version of a local income tax. It is decidedly not a local tax. It makes no link between the requirements for local public services and how the money to meet those requirements is raised. Therefore, it fails the most basic requirements of a local taxation system. I agree with Mr Swinney on that point. The service tax substitutes local accountability with centralised decision making.

Mr Swinney has left the chamber but, since I am agreeing with him, I point out that Liberal Democrats believe in local democracy and would not like to influence councils in their setting of the council tax next week—by, for instance, giving them additional cash.

Two years ago, the Scottish Socialist Party carried out a survey that asked people if they agreed with the following statement:

“The Council Tax is unfair as a means of funding local government spending and needs to be replaced with a system of local government taxation based on ability to pay.”

I am not surprised that more than three quarters of the people interviewed agreed with that statement; but I am surprised that the SSP then decided to introduce a national tax scheme for local government. I am holding the evidence for that in my hand. If the service tax were introduced, local authorities would have to wait and see how much they would be allocated from a central pot. We can imagine, at some time in some central location, a divvying-up of the service tax cash. There has been no indication of how quickly that disbursement from the centralised fund could take place. Again, that points to a major flaw in the proposal—the inability to fund local services until the new system came in.

Bristow Muldoon rightly highlighted the massive write-off of debt in any changeover. I believe that the write-off would be far more than the £500 million that he mentioned.

The Scottish Liberal Democrats and I agree with one part of the proposal—the abolition of the unfair council tax. As John Swinney pointed out, that is only one section of the 11 in the bill. We agree with it, but my party feels that there must be a parliamentary majority in favour of a truly fair and local system to replace the council tax. We do not believe for a minute that this bill meets those criteria.

**Mr Davidson:** The member sets great store by the Burt review, and we do not disagree with awaiting the result of it. However, should the review not come out in favour of a local income tax, how will the Liberal Democrats support the coalition?

**Mr Arbuckle:** Mr Davidson is trying to encourage me to jump over hedges and fences that may not exist. I do not deal with interventions on hypothetical issues.

I am very much aware of the problems with the council tax. Earlier this week, I spoke to an elderly retired lady who is on a fixed income and who now lives alone in the large house where she brought up her family. She was worried about whether she could afford the latest instalment of council tax. She may be physically alone in her house but she is not alone among the many who worry about the coming council tax bills.

Earlier this week, Citizens Advice Scotland highlighted its concerns over the council tax, pointing out the major problems that it faces with clients who are unable to deal with the complexities of this property tax hybrid. CAS, which handled some 14,000 inquiries relating to council tax benefit last year, states that the impact is greatest on those people who have the least resources. One in four of the organisation's clients has a council tax debt, and that number will increase as council tax bills rise. CAS states:

“local authority recovery action for those debts has a disproportionate impact on those people on a lower income.”

I look forward to Burt reporting his findings on local government finance, which will allow the Parliament to take an informed position on how to remove the unfair legacy of the council tax while preserving local accountability.

I do not support the bill.

15:35

**Derek Brownlee (South of Scotland) (Con):** It will probably not come as a great surprise to Tommy Sheridan or his colleagues that I do not intend to assist him in his struggle for an independent, republican, socialist Scotland any more than I expect him to advocate the continuation of the union, capitalism or the monarchy. However, I think that there is much in his bill that is interesting—although that is perhaps the accountant in me speaking. Andrew Arbuckle said that today's debate was the second in which he had made a speech on the proposed service tax, but it is my first opportunity to do so.

As Mr Sheridan will be aware from our exchange when he came before the Finance Committee, I think that there are a number of serious flaws in the service tax, but that does not mean that we should reject out of hand every line item in the bill before we consider it.

First, I want to consider the proposed extinction of outstanding liabilities for community charge and council tax. I am sure that there is broad

consensus among members of all parties that it is absolutely wrong to write off the tax arrears of people who are perfectly able to pay their taxes but have chosen not to. No SSP member would expect to get support from the Conservatives on that section of the bill.

I want to get into the detail of the bill. It seems that a game has been played, whereby the comparison between the proposed Scottish service tax and a local income tax is being bounced around between the Scottish National Party, the Liberal Democrats and the Scottish Socialist Party.

I was interested in the submission that the Local Government and Transport Committee received from the Inland Revenue, which does not bode well for any interaction between HM Revenue and Customs—as the Inland Revenue is now called—and any future Executive. I was particularly surprised that that body suggested that it would take nine years to implement a Scottish service tax. That was based largely on the fact that it would take eight years to get the proposal to finance bill stage. Given the number of changes that are made with every finance bill that is introduced by the Government at Westminster, that position does not seem to be credible. HM Revenue and Customs's submission has not been helpful to the success of Mr Sheridan's bill or to the rest of us, who have tried to scrutinise it. That is an area to which we may want to return, should alternative local government taxes be considered in the future.

The proposed SST is explicitly redistributive, which is its key attraction for the SSP. Five different bands are proposed, the top one being for people who earn £90,000 and more. However, as the bill is drafted, the SST would not go after income as we recognise it; for self-employed people, it would apply to every pound that they take in. That is a serious drafting flaw if, indeed, it is a flaw rather than the intent, which should certainly not be the case.

The tax is aimed at capturing people who work in Scotland and those who have assets here. I suspect that a large landowner in the north of Scotland would be a high-profile target of the tax, but according to the bill, anyone who has a large amount of property but does not remit income to the United Kingdom would not be liable for the SST. We need to examine the detail of the financial estimates that have been used, especially those that relate to wealthy people.

A key area in which criticism of the analysis of the financial costs has been made is the comparison between the definition of a taxpayer under the Scottish variable rate and the definition of a taxpayer for the purposes of the SST. If we strip away the idea of catching people who are not

domiciled in Scotland and those who own property in Scotland and just go after people who have income in Scotland, we find that we have essentially the same tax base that operates for the Scottish variable rate.

Any of the difficulties that people say would attach to that tax would therefore operate if any future Executive chose to use the Scottish variable rate. Some of the detail of the administrative difficulties to which members have alluded have been somewhat overstated. In some ways, the Scottish service tax has the potential to be a simpler tax than a local income tax would be. It talks about applying only one set of rates to one set of taxpayers—the one group of Scottish taxpayers who, as I have just said, would be quite easy to capture.

If we were to move to a genuine local income tax, such as that to which the SNP or Liberal Democrats have alluded, there would be 32 different sets of people who would need to be tracked down, which would make it an incredibly difficult tax to administer. Perhaps the publication of the review of local government finance will put paid to the local income tax proposal.

The minister mentioned fiscal flight. I agree with Mr Lyon that, if taxes in Scotland were higher than those in England, our entrepreneurs would be encouraged to go south of the border. However, that poses a question about why business rates in Scotland have been consistently higher than those in England in recent years and what the impact of that has been.

The SSP will not be greatly surprised to hear that I am against the bill. I cannot support an extra 20 per cent on income tax; that is not, as Tommy Sheridan suggested it is, worker friendly.

Alex Neil said:

"Socialism is not about living in cloud-cuckoo-land".

I am afraid that it is. I do not support socialism or the Scottish service tax bill.

15:41

**Paul Martin (Glasgow Springburn) (Lab):** It is important that we acknowledge the efforts of a member who has introduced a member's bill. In his speech, Alex Neil spoke about the SNP's so called long-standing policy of opposition to the council tax. The SNP has had seven years to propose an alternative to the council tax but has not done so. I give credit to Tommy Sheridan when it is due; he deserves credit for his proposal for a Scottish service tax. I note that Alex Neil has not stayed in the chamber to continue his long-standing opposition to the council tax.

The Local Government and Transport Committee reached the correct decision. The bill is

flawed and would not meet its aims and objectives. I will first address the aim of tackling poverty. For the SSP to suggest that we will tackle poverty through a debt write-off is an extreme slur on people who have lived in poverty over the years. My grandparents lived in extreme poverty, but were able to pay their poll tax and council tax. They may not have been happy about paying the poll tax, but they paid it and found themselves in extreme poverty as a result. Tommy Sheridan does people such as my grandparents a great disservice when he suggests a debt write-off for people who were able to pay their poll tax and council tax but did not.

**Frances Curran:** Will the member give way?

**Paul Martin:** Give me one moment. I will come back to the member.

I will not take any lectures from Tommy Sheridan on tackling poverty. I am proud of the Labour Government's record on delivering the minimum wage, achieving the highest employment in living memory and reducing youth unemployment in my constituency by 75 per cent. We now have the most vibrant economy that I have seen in all my adult life. We should be proud of that record; we need no lectures from Tommy Sheridan.

The most effective way of tackling poverty is to direct council tax benefit more beneficially to people who are living at the level of deprivation. We can do that, and the introduction of the SST or a local income tax would not help us in that respect.

I turn to the issue of fiscal flight. The convener of the Local Government and Transport Committee has been persistent in addressing the challenges that we could face in that respect. I disagree with him on one point, however. The removal vans would not arrive the day after Tommy Sheridan's bill was enacted. Instead, no removal vans would arrive in Scotland as a result of Tommy Sheridan's claim that he does not care about the people who would leave Scotland because of his bill. Let him say that to the people who work for Tom Farmer, Brian Souter or Tom Hunter; the successful entrepreneurs who have brought a great deal to Scotland. I am sure that those employees are concerned about Tommy Sheridan's scepticism about their employers.

**Frances Curran:** My question relates to the poll tax. The arrears for that tax have been abolished in England, so if the member's argument holds water, why has that not led to a mass exodus to England by all the people who owe poll tax here? Does the member not agree that they should be written off in Scotland?

**Paul Martin:** I have had in my surgeries many pensioners who live in extreme poverty and who

pay their bills. I am proud that they do that, even when they disagree with some of those bills. Those people take exception to others who do not pay their bills. It has long been the tradition of working-class people in Scotland that they pay their bills despite the challenges that they face.

One major flaw in the bill is that it would lead to the loss of local accountability because local councils would be stripped of decisions. One positive aspect of that would be that we would not see the kind of protest and manning of the barricades that Tommy Sheridan carried out during the setting of the budget in Glasgow in 1995, in which Tommy Sheridan, Bill Aitken and others were involved. The bill would prevent local politicians from setting the local council tax.

**Colin Fox (Lothians) (SSP)** rose—

**Paul Martin:** I am sorry—but I cannot let the member in.

I have always believed strongly in retaining the rights of local councils and I have defended local councils in Parliament on many occasions. Tommy Sheridan has tried to divert attention from the loss of the right to set the tax by talking about business rates. However, in the words of Professor David Bell,

"the redistribution focus of SST weakens the view of the local authorities as being the providers of services to paying customers."

The poll tax was despised for many of its attributes, but it was hated particularly for its personal nature, in that it was levied on individuals. In my constituency, many households with multiple occupants suffered as a result of that. Tommy Sheridan's correspondence to Unison states that the tax that he proposes

"is an individual tax",

which is the sort of comment that we would have heard from Margaret Thatcher when she launched the poll tax, or from Michael Howard. I rest my case: the bill proposes a Scottish poll tax number 2.

15:47

**Mark Ballard (Lothians) (Green):** I congratulate Tommy Sheridan on his bill. The amount of work that goes into members' bills cannot be underestimated. As I sat on the Finance Committee when we scrutinised the bill's financial memorandum, I am aware of the huge amount of work that went into that and the near impossibility of finding the correct figures. We do not have figures for individuals' incomes, so we had to try to assess the memorandum on the basis of household incomes. I have a lot of respect for the effort that Tommy Sheridan and Gordon Morgan put into the bill, especially as they had no support

from the non-Executive bills unit. The bill is a good example of the potential of members' bills and it is the sort of bill that the mechanism should be used for. Parliament should provide support for such uses of the mechanism.

I agree with the SSP that the council tax needs to be replaced, because it was not well thought through. It was dreamed up in a panic as a replacement for the poll tax and it is unfair and illogical. As Alex Neil said, it is a muddled tax that contains service and personal elements but is not properly related to income or wealth. The council tax is regressive with respect to income and the notional property values on which it is calculated. As we heard from Tommy Sheridan, the poorest fifth of the population pay as much as 5 per cent of their income in council tax, while the richest fifth pay only 2 per cent.

As other members have done, I will diverge from Tommy Sheridan at that point. We do not agree with the SSP that the Scottish service tax is the best replacement for the council tax, although we agree that a replacement is needed urgently. We do not agree with the Scottish service tax, because it would narrow the tax base by, in effect, removing property from taxation. Tommy Sheridan mentioned the Poverty Alliance but, in its evidence to the committee, it highlighted its unease at the proposal to remove property from taxation.

Unison Scotland said:

"We believe that a basket of taxation that includes taxes on income, sales and property offers a better chance of recouping a larger amount of income ... than would be the case if you put all your eggs in one basket."—[*Official Report, Local Government and Transport Committee*, 13 September 2005; c 2815-2816.]

That is the problem with the Scottish service tax: it puts all the taxation eggs in a single income tax basket and therefore represents a missed opportunity to create greater fairness in where tax burdens rest. It will increase the relative burden that wage earners who have little property face in comparison to those who have large property holdings and small incomes. A better solution must be to broaden the tax base rather than to narrow it down to income tax alone. Land and property taxes are the most appropriate taxes for local government finance. Income-tax paying individuals move between local authorities, but land and property does not, so local authorities have a clear basis on which to plan and assess revenue. We have heard talk of fiscal flight. Individuals may leave Scotland and they may leave local authority areas, but land does not. It is therefore the best basis for local authority taxation.

As we have heard, the service tax proposals would deal a blow to hopes for greater accountability for local government in Scotland. We believe in the right of local councillors to vary

their spending in response to local circumstances. A nationally set service tax would break the link between local taxpayers and their councils, thereby eroding local democracy and accountability. That is the problem for this institution: the fact that we receive only a block grant from Westminster and do not set taxes here at Holyrood means that we lose accountability. Rather than extend that to local government, we should give it the tax-varying power and let voters decide what the level of spending should be. That will mean great differences from what Derek Brownlee and the Tories propose, but it will mean that the voters decide.

That is why the Scottish Greens believe that a land-value tax is a better alternative to the council tax. Our proposal is that a tax that is based on the value of land based on its permissible use should be the basis for local government finance.

LVT would succeed in each area in which I have suggested the Scottish service tax would fail. It would broaden the base of government revenue and complement United Kingdom income tax by ensuring that taxation was based on a balanced appraisal of income and wealth levels. Under our proposals, LVT would allow greater local accountability and democracy for Scotland. LVT is just one component of a wider Green agenda for tax reform that would reorient taxation towards providing incentives for socially beneficial activities, which would also mean disincentives for socially and environmentally undesirable activities. LVT would offer local authorities a tool with which to tackle poverty and inappropriate land use; it therefore has much to recommend it to the independent review of local government finance.

As Alex Neil does, I hope that the independent review will be bold. I share his hope that it will thoroughly consider taxing property and land. We need to move towards a fair taxation system; on that basis I share the SSP's concerns about the council tax.

The Greens will abstain in tonight's vote.

15:54

**Stewart Stevenson (Banff and Buchan) (SNP):** Tommy Sheridan opened his speech by talking about justice and injustice, which is the correct context for the debate, so I will talk about whether the bill addresses that issue. As I will explain later, I welcome in particular the bill's support for family values and for marriage. I want to make it clear that the Scottish National Party unambiguously agrees with the first 21 words of the bill and to a lesser and qualified extent with lines 5 to 13 on page 4. We agree that the present system is unfair, but I will argue, as my colleagues have done, that the bill is not the solution.

I say to Tommy Sheridan that volume is no substitute for reason and analysis.

It is worth making one or two important points. Ephraim Belcher and Brian Souter will welcome the bill with open arms, because the tax that is proposed in it is entirely optional. Very few MSPs will have to pay it and no MSP who has bought parliamentary accommodation would have to pay tax on it if the bill were passed.

Let me explain. I refer in particular to the meaning of "qualifying individual", for which three tests are provided as alternatives. The first is that the person "is domiciled in Scotland". That is fair enough. The second is that the individual

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

That would allow a person to be present for 270 days—members should speak to the Inland Revenue if they doubt me—because it is the number of periods from midnight to midnight that determine the 91 days. Thirdly, the qualifying individual would be

"the owner of heritable property in Scotland."

Section 3 qualifies that.

Here is how I would avoid the tax in total and pay not a penny. Almost all members could do this. I would transfer my house to the sole ownership of my wife—that is all I would need to do. As long as her income was below £10,000 per year, she would pay no tax on the house. I would own no house, so I would pay no tax. It is that simple. Members do not need a high-powered accountant to advise them on that; I have just completed the task for them and what I have told them is all they need to know. Members might think that there are capital gains implications in doing what I have outlined, but if one is married or in a civil partnership there would be no capital gains implications in such a transfer. Lest they think that they would lose the right to live in that house, I tell members that the Matrimonial Homes (Family Protection) (Scotland) Act 1981 preserves that right. They would hold no title or real right to such property in the land register of Scotland or the register of sasines, nor would they be the beneficiary of a trust deed conferring rights to heritable property. If one was in a legal partnership with someone who earned less than £10,000 a year, it would be quite easy to avoid paying the tax.

There is more. I direct members' attention to my register of interests, where I say voluntarily that I am the owner of some 40,000 shares in the Bank of Scotland. They can look it up, so I will tell members that they are worth £14,000 a year to me in dividend payments. Even if I did not want to change the ownership of my house, I would have only to transfer the shares to my wife and I would

eliminate the taxation on them. That would be worth a £540 reduction in my taxation each and every year under the bill.

If I had £60,000 in unearned income, as many rich people do, and four kids and a wife, I could distribute my assets among them and pay no tax whatever.

Ownership of property is not as clear as one might think. For the past five years, we have been trying on behalf of the community of Longmanhill in my constituency to find the owner of a property in the village. In the past couple of months, we have tracked down the owner; it is a company in the state of Panama. It would be a bit difficult to get the money off the people in Panama.

It is interesting that there might be an effect that the SSP would welcome. If the bill were to be passed, there would be a huge advantage in renting property rather than buying it, and in transferring property into companies. Incidentally, if I were not married, I would be able to transfer my house to a company and so avoid the tax. There would be capital gains implications to that in that I would not be an individual owning a property.

**Frances Curran:** Will the member take an intervention?

**Stewart Stevenson:** It is too late.

In refusing to come before the Local Government and Transport Committee, the Inland Revenue denied us the opportunity to see the flaws in the bill.

My good friend and former boss, Sir Peter Burt—who used to be the boss of the Bank of Scotland—used to run everywhere. On one famous occasion, when he was in charge of our international division in the office in St Andrew Square, he ran down the stairs, tripped, fell, did two somersaults, landed on the floor and continued running as if nothing had happened. I must say to Tommy Sheridan that his bill is going to trip and fall, but I do not think that it is going to get up again.

16:00

**John Swinburne (Central Scotland) (SSCUP):** As he demonstrated when asking a question of the Scottish Parliamentary Corporate Body earlier, the previous speaker is obviously blinded by the exuberance of his own verbosity. However, he actually says little.

Some 21 per cent of pensioners are living below the Government's poverty level, but pensioners are asked to pay council tax at a level that is a tremendous percentage of their income, which is unacceptable. Tommy Sheridan's bill, although it

is not perfect, has raised the issue and that is the important thing. He has highlighted in the Scottish Parliament the inequality and the unfairness of the council tax. How any MSP can stand by year after year and see the level of the income of their constituents being eroded by increases in council tax that are above the increases that senior citizens get in their pensions is beyond my comprehension. To agree with that policy is not acceptable to the people in a generation that Paul Martin rightly described as a proud generation. They pay their bills, but often do without necessities to do so. If there is a choice between heating and feeding themselves and paying their council tax, they will tighten their belts, turn the heating down and pay their council tax. That is what my generation is all about.

To condone the situation and to worsen it by twisting the knife and saying that a 7 per cent rise means nothing to many people is unacceptable. Some people who have to pay an extra 7 per cent on their council tax will go further into penury and poverty. That is not fair.

The council tax knows no barriers. It does not distinguish between Conservatives, nationalists, Labour Party members, Greens, Scottish socialists or independent MSPs. Everyone has to pay it apart from those who are found to be below the threshold when they are means tested. They get a 100 per cent exemption, which puts them in the same category as the 60 per cent who do not pay a penny for local services. Unless a person is a house owner, they do not pay council tax. Only 40 per cent of the population own houses and a fair percentage—I think that it is about 10 per cent or 11 per cent—do not pay council tax at all. David Davidson said that 29 per cent of people pay council tax. All the rest are freeloaders who live on the backs of people who can afford to pay council tax and pensioners who cannot.

The figures go on and on. I have many things written down on the pages before me. Honest to goodness, to listen to the verbiage that gets thrown around and the justifications for something that is so unjust—

There was a revolution in America based on the principle that there should be no taxation without representation. Should we take away the right to vote in local elections of people who do not pay council tax? The ideas of taxation and representation seem to be linked in the United States of America, but not in this country. Every council area is filled with freeloaders who pay nothing toward their amenities while pensioners get their arms twisted up their backs.

About £500 million of council tax is uncollected. How dilatory are the councils who are attempting to collect that money? The money could be collected through income tax. It costs 1.75p per pound to collect income tax, but it costs councils

4.5p to 7p in the pound to collect the unfair council tax, so it is not even financially viable. It is not a sensible way of collecting taxes and has proved to be a tremendous burden on senior citizens, in particular, and on other people on fixed incomes.

People talk about accountability. Councillors are judged on whether they perform the duties that they were elected to carry out—that is accountability. On universality, people ask why we should give a reduction to a poor pensioner when we do not give it to a rich pensioner, but family allowance is paid across the board to everyone who has children. Tony Blair gets family allowance for Leo. However, a pensioner who lives in a council house or a house of his own has to pay council tax. While we are deliberating and awaiting the independent review on local taxation, we should consider a 50 per cent reduction in council tax for all pensioners. Single pensioners who live alone, as many do, should pay only 25 per cent. I say to members: give pensioners a break, for goodness' sake, and justify your existence when they put their cross next to your name on the ballot paper. Show them some support and give them some help, because they badly need it.

16:06

**Alex Johnstone (North East Scotland) (Con):**

As I am sure members are aware, there is no need to tell a Conservative that, when we talk about local taxation, we are walking on broken glass. Local taxation has been a bane for many in Government, including those who are in the Parliament today and those who represented Scottish constituencies in the past.

The Council Tax Abolition and Service Tax Introduction (Scotland) Bill is designed to make local government taxation a centrally organised and defined procedure. We must remember that, to some extent, we already have such a procedure. A large proportion of the money that is paid to and spent by local authorities is raised by central taxation, so we have already had our experiment with that approach. What it has got us is local government that is not properly accountable to the electors. We would do well to reflect that fact in any decisions that we make after today's debate. Any changes that we make to local government should add to local accountability, not detract from it.

Mark Ballard and the other members who spoke about that made a lot of good sense. I would probably disagree with Mark Ballard on some of the tax proposals that he would make, but I certainly agree that the solution to many of our problems is to broaden the local tax base and to spread the load more widely, not to concentrate it in the hands of fewer and fewer individuals. That will not necessarily protect the people who we think we are protecting.

If we suspend disbelief for a moment and imagine that the general principles of the bill are agreed to at stage 1, we will get to the stage that Tommy Sheridan mentioned earlier. He suggested that we could lodge amendments at stage 2 to make the service tax a more local tax. However, where would that get us? If we move towards a local income tax—such a tax is supported by a number of parties in the Parliament—who will end up paying it? If I consider income tax payers in the area that I come from, it seems that the people who are likely to face the biggest burden are those who are at the stage of life when they have families, mortgages, pension contributions and insurance premiums to pay—and all the other burdens that families typically have. If both partners work, two people would be paying local income tax. The danger is that we might concentrate significant amounts of additional taxation on the very people we want to help.

I have a great deal of sympathy for pensioners and, whatever we end up doing, we must remove the burden of local taxation from pensioners who are unable to pay. Tommy Sheridan talked about millionaires in his opening speech. I know only one or two millionaires, but they are above the pension age. Are we suggesting that some of the wealthiest people in the country should be exempt from paying the service tax? We must think more rationally about how we will structure local taxation in future.

One or two other aspects of local taxation concern me. Those concerns come from my experience of dealing with environmental matters in the Parliament. I increasingly take the view that redistributive taxation pays for too much of what we fund through our local authorities. The time has come to look at what we pay for through taxation and what we pay for on the basis of how we use services. If charges were made on the basis of use, we would influence people in this country to make better use of the available water and sewerage provision, which we have to finance.

Similarly, a lot is being done to encourage people to be more responsible about recycling. I know how important it is, but we would recycle more and do more to save our environment if we were charged by volume or weight of the material that we put out for the bin men. That charge should reflect use and should not be funded through local taxation.

As I come from a rural area, I constantly get my ear bent about the fact that people there pay the same council tax as people in towns, yet rural areas have no street lights, no buses and bad roads. The quality of their services is extremely poor, yet they get no advantage when it comes to paying local taxation.

I have covered areas that other members have perhaps not discussed. I am the first to agree that our current system has come about as a result of a series of incidents in which the Conservative party played its part during its years in Government. However, the solution to the problem is not simple. We must work together to find a fair way to levy local taxation, but that is not as easy as the bill suggests.

**The Deputy Presiding Officer:** I call Dr Sylvia Jackson, to be followed by Iain Smith. They will each have three minutes, and I will try to get Colin Fox in for three minutes. I am trying to get everyone in.

16:12

**Dr Sylvia Jackson (Stirling) (Lab):** As has already been mentioned, the Scottish service tax has been debated several times. However, today's debate is particularly important because more information is available, and not just about the tax, from the evidence that witnesses gave to the Local Government and Transport Committee, which led to the stage 1 report. I thank the convener, committee members and clerks for all the hard work that was involved in bringing that report together.

Four issues of particular concern were mentioned in the Scottish Parliament information centre's briefing on the previous debates. The first concern was whether the tax was a local tax. Some members have mentioned that. The second concern was the impact on council tax benefit; the third was about fiscal flight; and the final concern was about the impact on local authority staff. As my speaking time is limited, I will deal with the first three, but I will have to leave the fourth.

Is any aspect of the Scottish service tax local? It is clear that it is local only in the sense that the collected money is redistributed having regard to the

"relative levels of poverty and deprivation in each local authority area".

There is no variation in the rate of taxation for different income groups in local authorities. If the Inland Revenue—or HMRC, as it is now known—collected the Scottish service tax, that collection would not be local either.

The committee looked at the redistribution mechanism. In written evidence, the Society of Local Authority Chief Executives and Senior Managers made the committee aware of concerns about the bill's lack of information on a mechanism for distributing funds among councils. SOLACE said:

"The Bill does not provide any information on the distribution mechanism which would be used to distribute the revenue amongst councils. The proposed consultation



arrangements regarding distribution are vague and would by-pass existing processes such as the three-year settlement group. It is likely that a considerable amount of equalisation would be required."

The second issue was council tax benefit. The committee heard evidence from Professor David Bell of the University of Stirling on the loss to Scotland of money that is currently provided for council tax benefit. He said:

"The Department for Work and Pensions will put £400 million less into the economy. You will raise more money to circulate within the economy from high earners—although it does not matter whether that money comes from high earners or low earners—but there will be a net withdrawal from the Scottish economy of £400 million per year. You might well raise more in total from the service tax than you do from the council tax, but that money has been generated within Scotland; it has not come from outside Scotland."—[*Official Report, Local Government and Transport Committee*, 8 September 2005; c 2760-61.]

The third issue was fiscal flight. The committee concluded that no relevant research had been carried out on the economic impact of the bill, including the potential impact of fiscal flight on public services and the economy. Alex Neil said quite a lot about that. The committee found that it was unrealistic to expect that the bill—which would introduce marginal income tax rates that were between 15 and 20 per cent higher in Scotland than in the rest of the UK—would have no impact on the economic choices made by individuals. There is a clear lack of research on that, as on other areas. The on-going local government finance review committee is able to consider the issue now, and we should wait until that work is done.

Of particular concern regarding fiscal flight is the likely impact of the bill on skilled medical professionals such as hospital consultants, which the health service needs not only to attract to Scotland, but to retain in Scotland. Tommy Sheridan does not care a damn about getting those consultants to come to Scotland or about keeping them here. That is the worst thing that we have heard in the whole debate—that he does not care a damn about our health services. That is exactly what he said: he did not care a damn about those high earners.

**The Deputy Presiding Officer (Murray Tosh):** One minute.

**Dr Jackson:** I made that point in committee and John Park of the Scottish Trades Union Congress, said:

"The wider issue of retention is something that struck me when I read the paper. We could take it on the chin if some jobs and professions went, but in respect of others such as those Dr Jackson mentioned, there would be severe implications if such people were to consider leaving Scotland because of the local income tax."—[*Official Report, Local Government and Transport Committee*, 13 September 2005; c 2821.]

Professor David Bell said:

"I do not have direct evidence on doctors, but one response might be—and this has happened elsewhere in the UK where there has been an attempt to attract people into public sector professions—that the health service in Scotland simply has to pay them more. If they face a £20,000 bill, their pay is upped by £20,000. Ultimately, that money comes out of the Scottish Executive's budget, which means that it will have less to spend on other things."—[*Official Report, Local Government and Transport Committee*, 8 September 2005; c 2749-50.]

That is another possible implication of the SST. Dr Peter Kenway of the New Policy Institute considered that

"Tax is clearly a factor."—[*Official Report, Local Government and Transport Committee*, 13 September 2005; c2805.]

**The Deputy Presiding Officer:** You must close.

**Dr Jackson:** In addition to the three issues that I have raised, there were many others.

**The Deputy Presiding Officer:** You must close.

**Dr Jackson:** In conclusion—

**The Deputy Presiding Officer:** No. "You must close" means now. The member knows how short of time we are.

**Dr Jackson:** The motion should be rejected.

16:19

**Iain Smith (North East Fife) (LD):** To conclude in three minutes, I will have to be extremely brief; I will not be able to cover everything in the debate that I would have liked.

The Liberal Democrat position is totally consistent and has been for many years. We think that the council tax is unfair and we support the introduction of a local income tax. That is the case that we have put to the Burt committee and it is the case that I will repeat to Sir Peter Burt when I give oral evidence to his committee on Monday. We believe that the council tax penalises those who can least afford to pay. The poorest 20 per cent of pensioners pay six times more of their income than the richest 20 per cent of non-pensioners. That just is not right.

Council tax takes no account of ability to pay. Council tax banding puts a low ceiling on the richest people in the most expensive homes, who pay only two and a half times the amount that a person in the least expensive home pays. We think that council tax revaluation—which will have to come if council tax is retained—will hit pensioners hard in many households. They may see their council tax bills increase by more than a third simply because of where they live, if property prices have gone up significantly in those areas. That will result in even more unfairness in certain areas.

That is why we support a local income tax as the fair alternative to the council tax. It is fair because it is based on ability to pay; it is efficient; it is cheaper to administer than council tax when council tax benefit is included; it is decentralised because it is about setting local priorities; it increases accountability because people know how much they are paying for the services they receive locally; and it is tried and tested. International experience has shown that it has been successful in countries from the United States of America to Sweden.

The Scottish socialist tax proposed by Tommy Sheridan is fatally flawed. It could not be introduced for many years, for a start. We would not be able to get rid of the council tax overnight. The HMRC report made it clear that because the SST could not be bolted on to existing HMRC systems, it would be a considerable number of years before the SST could be implemented, so we might be stuck with the council tax for up to eight years if the bill is passed.

The SST is not a local tax. It would be set and distributed centrally, which would result in less accountability and more centralised control of local government. It is a penal tax and not fair. It would severely damage our economy by taking £1 billion net additional tax revenues out of the Scottish economy every year. It would result in a massive loss of jobs as people would not come to invest in Scotland. In the public sector it would result in significant cuts in services. The 15 per cent extra tax on earnings of more than £30,000 per year would affect many in the public sector such as general practitioners, head teachers and senior police officers. They would not come here to work; they would want more money and we would have to increase their salaries to keep them working in Scotland. That would mean that there would be less money to spend on services such as schools and care for the elderly.

The proposed Scottish socialist tax would hit the poor harder than it would hit anyone else. Tommy Sheridan's proposals would cut the gap between the richest and poorest in Scotland, because the rich would leave Scotland and the rest of us would be poorer.

16:21

**Colin Fox (Lothians) (SSP):** In his reply to Tommy Sheridan, the minister claimed that the Scottish service tax is the most unpopular tax ever put in front of the Parliament. I would like to tell the minister that he is deluding himself if he thinks that the feeling for the proposed tax comes anywhere near the hatred in this country of the council tax. It is especially despised because it is unfair, unjust and, above all, the rich do not pay their share. That is why 77 per cent of Scots want the council

tax to be abolished. No other tax is loathed as much. The Parliament has a responsibility to listen to that message.

The Tories argue in defence of the rich who they represent that since the rich use only the same services as the poor, or even fewer services because they go private for education and health, they should pay only the same tax as the poor. It is upon that ideology that the council tax was built. As a socialist, I believe that it is only right that the rich should pay more tax than the poor. It is, unfortunately, a fact that in Tony Blair's Britain, the rich pay less in taxes than they did under his mentor, Mrs Thatcher.

In his contribution, Bristow Muldoon said that he was proud of that and he warned us that we must not introduce tax disincentives for the rich. But it is okay to do that for the poor, according to Bristow, and that is precisely what the council tax does. It bears no relation to ability to pay; it hammers pensioners and low-paid workers; and it lets the rich off lightly. The richest man in Scotland, with £500 million in the bank, pays just twice the average council tax that the rest of us pay.

The Scottish Socialist Party wants to end all that. Under the Scottish service tax proposals, 83 per cent of Scots would be better off. All those who are on incomes of less than £10,000 would be exempt. The burden of taxation would be lifted off the shoulders of those who can least afford to carry it.

Whereas other parties have talked and talked, the Scottish Socialist Party has produced, consulted on, costed and presented a bill to the Parliament. Where is the Liberal Democrats' income-based alternative? Where is the Scottish National Party's income-based alternative? It is groundhog Wednesday for the Liberal Democrats.

**Iain Smith** rose—

**Colin Fox:** I have no time.

Last Wednesday, they were in favour of scrapping prescription charges, but they voted to keep them. Today they are in favour of scrapping the council tax, but they will vote to keep that too. Whatever will they do with their axe the tax campaign website after tonight? It says:

"Labour is clearly running scared in the face of the powerful Liberal Democrat campaign to scrap council tax."

I am not kidding. It goes on:

"The only fair solution is to scrap council tax and replace it with local income tax, based on the ability to pay."

The Liberal Democrats are standing in the Dunfermline by-election this week on a ticket of scrapping the council tax, but at 5 o'clock today, they will vote to keep it. It is enough to drive a leader to drink.

The Scottish National Party need not laugh, because it is in the same sinking boat. Fergus Ewing's motion S2M-1050 in 2004 said:

"That the Parliament believes that the council tax should be abolished and replaced with a fair system of local income taxation based on ability to pay".—[*Official Report*, 18 March 2004; c 6801.]

That was the SNP's motion: scrap the council tax. Translated into today's SNPspeak, it reads, "We will vote to keep the tax on 1 February." Let the whole country take note of a new date in the calendar: February fools' day. That is the day when the SNP and the Liberal Democrats say that they are in favour of abolishing something and then vote to keep it. In all the years that they have been here, neither the Liberals nor the SNP have come forward with a proposal to abolish the council tax and replace it with an income-based alternative. The people of Scotland want to see the back of this hated tax, and they will take a dim view of the double-dealing, double-speak and dishonesty on the Liberal and SNP benches.

16:25

**Michael McMahon (Hamilton North and Bellshill) (Lab):** Throughout the passage of the bill, Tommy Sheridan has proclaimed that his proposals would deliver fairness and would allow us to take from those who have and give to those who have not. Unfortunately for Mr Sheridan, the Local Government and Transport Committee's scrutiny of his bill has shown that to be a fallacy.

I began by believing that he proposed to rob the well-earning Peter to pay the low-paid or pensioner Paul. The none-too-subtle intention was to secure the support of Paul but, as Paul would be left no better off, the SSP tactic will surely fail. Equally, I am not convinced that Peter would have to be very wealthy to be robbed by the SST, and those at the top of the economic tree would be best placed to avoid being affected by it. Stewart Stevenson cleverly argued that point, although we need a bit of scrutiny of his argument.

David Davidson and Alex Neil provided evidence that Tommy Sheridan's bill would lead to fiscal flight, and that has to be a major consideration. Mr Sheridan is right about one thing: the SNP and the Liberal Democrats, in proposing a local income tax, would hurt the same people in the same way and their tax would have the same practical and costly problems of collection as Mr Sheridan's proposal, given the spanner that HM Revenue and Customs threw into the works. The Labour Party would like to thank Mr Sheridan for this little gift, which, I am sure, will keep on giving.

**Iain Smith:** I want to make it perfectly clear that our local income tax proposal would not have the same cost implications for HM Revenue and

Customs, because it would bolt on to the existing Revenue and Customs system in the same way as a Scottish variable rate would.

**Michael McMahon:** If the member had looked at the report of the scrutiny of the bill, he would have seen that HM Revenue and Customs said that it could not get involved with a Scottish service tax. At least Mr Sheridan's bill would establish only one overbureaucratic collection agency, whereas the Liberal Democrats would establish 32—one for each local authority. That would be even worse. The one real benefit of scrutinising the Council Tax Abolition and Service Tax Introduction (Scotland) Bill is that it has undermined the idea of a local income tax as much as it has undermined the idea of a Scottish service tax.

It took some chutzpah for Alex Neil to offer such indignation at Bristow Muldoon's comments on the points that John Swinney made. The only reason that Mr Swinney is speaking in the debate is that he is no longer the SNP leader—and he is no longer leader because Alex Neil attacked and undermined his position.

One of the biggest problems with the Scottish service tax is that it would undermine local democracy by breaking the link between those who use and pay for public services locally and their councillors, and that point was well made by Paul Martin and others. Mr Sheridan and his academic acolytes argued that that link could be retained by allowing local authorities to set local business rates. However, they undermined their contention by omitting to include that in the bill. When the oversight was pointed out to him, Mr Sheridan said that it would have made the bill too complex. I ask members to imagine a minister coming to the Parliament with a bill and telling us that they know that its provisions have a hole in them the size of that in the ozone layer, but asking us to vote it through anyway because it would make things less complicated.

**Tommy Sheridan:** Michael McMahon and I disagree, but will he be honest enough to tell the chamber that the advice about the complexity of the bill came from the non-Executive bills unit and not from me? Does he agree with me that non-domestic rates should be returned to local councils?

**Michael McMahon:** There is an argument to be made for that. However, we are scrutinising Mr Sheridan's bill, which has a hole in it because he did not include in it the return of business rates to local councils to create the democratic situation that his bill otherwise undermines.

The bill is no more than an endeavour by the SSP to stake a claim to be more compassionate than the rest of us. All it shows, however, is that

compassion is not a substitute for justice. The Scottish service tax would give nothing to those who already pay nothing, while shifting the burden on to people at or below average earnings, as Bristow Muldoon pointed out. The Scottish service tax would seriously reduce the Scottish tax base, be more costly to collect, destabilise the Scottish economy and place extreme pressure on local government and its ability to maintain service provision.

This afternoon, here in the Athens of the north, we heard an argument from the SSP to create the Albania of the north. Whereas we want to move forward into the 21<sup>st</sup> century with a strong economy, the Scottish Socialist Party wants to take us back to 1980s Liverpool. The SSP can claim to defend the poor all that it wants, but the reality is that it would increase levels of poverty by risking jobs and undermining our economy. By taxing people individually, it would tax people inequitably, leading to bizarre situations where families living side by side on similar household incomes would be taxed differently and unfairly.

The bill is patently and fundamentally flawed. It is an ill-conceived attempt to deceive the poor into believing that they will gain something from the creation of a new tax. Parliament should not be so easily fooled and should reject the bill for the con that it is.

16:31

**Bill Aitken (Glasgow) (Con):** This is the fifth time that the proposed Scottish service tax has been debated. As usual on these occasions, Tommy Sheridan has advanced his arguments powerfully and with a sense of principle. For that, he is due credit. However, he and his colleagues are due no credit whatever for bringing before the Parliament proposals that are so poorly researched, verging on the economically illiterate, that they are, frankly, risible.

Have any of the proposals been thought through? Clearly, they have not. The lack of research showing the economic impact of the proposed tax is alarming. The committee's conclusion was correct, as the research seems to have been limited to the input of the Fraser of Allander institute on the application of the Scottish variable rate. If that is as far as the research goes, it is hardly surprising that such nonsensical propositions are being put forward today. To suggest that increasing by between 15 and 20 per cent marginal income tax rates in Scotland would not have a significant impact is nonsense. I do not think that the argument needs to be advanced much further.

A number of members have spoken about the democratic deficit that the bill would introduce.

Local government should have independence of action in so far as that is possible. Under the proposals, it would not—it would simply be spending money. One must look at where the money comes from at the moment. Of course taxation should in general terms be related to the means to pay. However, at the moment approximately 80 per cent of local government expenditure is funded by money coming from the Exchequer via the Scottish Executive. The last time that I looked, the percentage in Glasgow was 84 per cent. That 84 per cent in Glasgow and 80 per cent elsewhere comes from income tax, which is clearly related to the means to pay. We are talking only about the remainder. It would seem that the interests of the argument for fairness are met under the heading of income tax.

**Tommy Sheridan:** I hope that Bill Aitken will accept that he is plain wrong. Only 60 per cent of local authority funding comes from general taxation. Twenty per cent comes from the business rate and another 20 per cent comes from council tax. Does he support returning the non-domestic rate to local authority control, as we do?

**Bill Aitken:** I am on public record as saying that I do not. What cannot be gainsaid is that only a very small proportion of the taxation that is used to fund local authorities comes from the local component. That deals with the argument about fairness.

What really concerns me about the proposals is the economic impact that they would have. All of us have to make personal choices in life, but it is naive not to think that, if some people found that their household was having to pay an additional £5,000 a year to live in the socialist paradise that Tommy Sheridan and his comrades seek to impose on the rest of us, they would at some stage consider voting with their feet.

What worries me more is the impact that the bill would have on business and jobs. In this highly competitive world, businesspeople are required to ensure that the costs of running their businesses are kept to a minimum. If it became much more expensive to employ people in Scotland, what would happen? Employers would also vote with their feet and we would lose jobs, which would go down south—unless, that is, businesses were to say, "Right, in order to keep and placate our higher-paid employees, we are prepared to reduce the salaries of our lower-paid workers, who will make a saving under the new regime." That would not be fair—I am not suggesting for a moment that it would be—but it is one of the arguments that would have to be advanced.

What is likely to happen to house prices? We have a real problem with the house price explosion, and first-time house buyers find great difficulty in getting a home. With the property-

owning component removed from the tax base, house prices would rise to such an extent that the current difficulty would pale into insignificance compared with what might happen in future.

I think that it was Disraeli who once said that the ability to tax and please is a gift not given to man. I accept that there is a problem. I frankly and freely concede that everything is not perfect with the status quo. When we consider how we might change things, we realise that we reach an impasse to a certain extent, but we could examine collection rates and the way in which we could get our local authorities' collection rates up to the level that is achieved down south. We must also look at the real problem, which is the 55 per cent increase in council tax bills that we have seen since 1997, and for that George Lyon and his Executive colleagues must carry the can.

The bill that has come before the Parliament today is a hotch-potch of measures that attempt, however naively, to obtain social justice. The result would certainly not obtain social justice and could create a lot of problems for the very people whom the socialists seek to defend. The bill should be voted down today.

16:37

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** There is no such thing as a perfect tax that everyone will support and believe to be fair. It is reasonable to say that the council tax per se is not unfair, but because of the high level that it has now reached, its unfairness is becoming increasingly manifest year on year. It would be better if the Conservatives could acknowledge that they raised the council tax substantially after it was introduced, and if Labour members and their Liberal junior colleagues could acknowledge that they, too, have raised the council tax far higher than is fair. That is why we are here today, and I think that there is a common recognition of that fact. Indeed, the First Minister himself has said from time to time—by implication, if not expressly—that the current system will not do. Otherwise, I guess that we would not have the Burt commission, although there is no doubt that an element of playing for time is involved in that review.

**Bristow Muldoon:** Will Fergus Ewing give way?

**Fergus Ewing:** I will not give way yet.

My colleague, John Swinney, hit the button when he explained why the system is unfair. It is unfair to pensioners, to people on low incomes and to people on fixed incomes. There is absolutely no doubt that that is the case, as John Swinburne also pointed out, and the question is what is to be done about it. It is reasonable to say that there has been an awful lot of point scoring in today's debate. It has been the fifth debate on the

matter, and I am glad that I have not participated in all five. I doubt very much that I would have managed to persuade any of my colleagues on the SSP benches, with whom I have very little, if anything, in common.

The problem faces the people who come to my surgeries week in, week out, complaining about the burden of meeting their council tax bills and about the level of the council tax. If the answer, as Mr McConnell and his Labour colleagues contend, is to reform the council tax, that just will not work, because it is now too high.

The reason why reform will not work is that just because someone lives in a big house, that does not mean that they have a high income, particularly in the case of widows and widowers. That factor was one of the prime reasons why Phil Gallie played such a part in persuading his party to end domestic rates back in 1985-86. The plight of the widow or widower on a fixed low income in a large house is why reform of the council tax will not work.

**Mark Ballard:** The converse is that just because someone is on a low income, that does not mean that they are not wealthy. Over-reliance on income tax misses those who get their wealth from investment in land and from other forms of unearned income.

**Fergus Ewing:** That is a general point, but it ignores the fact that a plethora of taxes seek to tax capital, such as capital gains tax, inheritance tax and tax on spending. There are a variety of taxes, and any responsible party will always have a variety of taxes—that is not a contentious point.

If the Greens were to ask me for some advice, I would suggest that they would be best to go away, preferably to a darkened room, and come out with some detailed proposals that we can examine. That would be very good.

**Carolyn Leckie:** Will the member take an intervention?

**Fergus Ewing:** No.

John Swinney put forward detailed, thorough proposals on a local income tax. Since he published those detailed proposals, nobody has laid a finger on them. *[Laughter.]* That is true. I note the laughter from those on the Labour back benches who chose to take a certain approach in their speeches in the debate. I was not going to say this, but as Bristow Muldoon laughed, I will say it for the first time. We were told that we all had to raise our game when we came to this building, but I have listened to him and others make cheap ad hominem attacks in speech after speech, in which they have played the man, not the ball. I will leave that to them and get back to the debate.

We have put forward detailed local income tax plans: it is a matter of fact that those are serious, thought-out proposals.

I will attack the last cheap argument that has been used against the SNP, which is that we have not produced a bill. Forgive me if I am wrong, but is there in the Parliament, as it is currently constituted, a majority for local income tax that would result in our not just sounding off about but delivering change? No, there is not. That was pointed out by Mr Arbuckle. He said that it is important that we have the parliamentary majority to deliver change. That is what is important. We can have as many debates between now and the Scottish general election in May 2007 as we like, but we know what the outcome will be. That is why Tommy Sheridan's bill is a complete and utter waste of time and why the SNP, which has a convincing, thought-out, worked-out, sensible and practical proposal that will benefit pensioners and other people on low and fixed incomes, is the right way to go for Scotland. I am confident that we will win support for our proposal.

16:43

**George Lyon:** This has been a reasonably good-tempered debate. It has been worth listening to and taking note of speeches from all sides of the chamber.

All the parties have restated their positions on the matter. Mr Swinney, in his speech at the beginning of the debate, rightly highlighted that there were two separate components to the bill. He highlighted his party's support for section 7—at nine lines, it is very short—which is devoted to the removal of the council tax, and he outlined his party's position on the substantive element of the bill. Andrew Arbuckle outlined the Liberal Democrat position. David Davidson outlined the Conservative position in support of council tax. Bristow Muldoon and other Labour members outlined the Labour Party's position. Mark Ballard outlined the Greens' position on land-value tax.

With the exception of Mr Sheridan's socialists, there is agreement across the parties—although there are differences in their approaches to how the debate on local taxation should progress—that they oppose the proposal for a national service tax. Many members had similar reasons why their opposition to the proposal was warranted.

I guess that the debate comes down to the Local Government and Transport Committee's report, which stated that the bill is a "flawed proposal" that overstates the real impact that the bill would have on poverty. The report also states that the bill would harm the Scottish economy. There was consensus across the parties that the bill's impact on tax and rates would harm the Scottish

economy. The report also said that the bill would "undermine local democracy". I think that a crucial aspect of any local tax system is that it is seen to be accountable to the locally elected members who make the decisions about it. The report recommended that Parliament should reject the bill.

The devolved Government of Scotland is committed to the independent local government finance review as the way forward on the issue of local taxation. As I said earlier, every party has contributed its ideas to that review. Until the review is complete and we see what Sir Peter Burt and his colleagues produce, it would be inappropriate to consider adopting other possible taxation systems. We need a careful and independent consideration of different models for local taxation, which is what the review team is doing.

I remind members that Mr Sheridan's figures are based on a number of assumptions. The possibility of fiscal flight has not been a real consideration of his. Indeed, I was surprised, as many members were, to hear his attitude to the possibility of fiscal flight. He basically said, "I don't give a damn—we don't give a damn." What signal does that send out to those who are going to create the wealth and the jobs that will benefit Scotland in the future? What message is given by an attitude that says, "Well, we don't want you. We don't care whether you're here"? With such an attitude, how on earth are we going to create jobs, wealth and the amount of money that we need to raise through taxation to ensure that we tackle poverty and the real deprivation issues that face us? I thought that those remarks were probably the most revealing in the whole debate.

Mr Sheridan went on to suggest that a Scottish service tax would benefit 72 per cent of households in Scotland. I cannot see the benefit to that 72 per cent if many of our most affluent people decide to live in England, which would mean that those who were left would have to make up the resulting shortfall in tax revenues. In addition to that risk, I understand that the 72 per cent figure for potential beneficiaries takes little account of council tax benefit or the 25 per cent discount that is available to one-person households. That omission means that the financial impact that the bill would have on the poorest members of our society is exaggerated. It is simply not true to suggest that a service tax would benefit all those who currently earn less than £10,000, as many of them receive full council tax benefit and pay nothing anyway.

The bill's proposals would also represent a real reduction in local democracy because they are about national Government and centralised decision making. Mr Sheridan offered the

throwaway line that he would give local authorities control over business rates, but that proposal is not in the bill. It is in the explanatory notes, but of course there is no follow through to actual delivery. The bill would take away from our locally elected representatives the power to set council tax levels.

**Tommy Sheridan:** Will the minister give way on that point? I think that he has time.

**George Lyon:** I want to make some progress, Mr Sheridan.

I believe that everyone present, apart from members of Mr Sheridan's party, agrees about the impact that the bill would have on local democracy. Local accountability and decision making are crucial to the process of setting local taxation, but nowhere in the bill is provision made for them.

Although I sympathise with any measure that would reduce poverty, I do not believe that the bill would do that in a sustainable way. The independent review committee will issue its report this year and we should await the outcome of that work.

As I said, the Local Government and Transport Committee concluded that the bill is a "flawed proposal" that would not have the impact on poverty that Mr Sheridan and his party claim and which would undermine local democracy by nationalising and centralising decision making. On the basis of those conclusions, I believe that the Parliament should do as the committee recommended and reject the bill that is before us today.

16:49

**Tommy Sheridan:** The minister would not give way to me, but he misled Parliament—not deliberately, I hope—when he said that we had not followed through on the proposal to return non-domestic rates to local control. If the minister had read Tuesday's business bulletin, he would have seen that a draft proposal for a setting and retention of non-domestic rates bill has been lodged. I look forward to Liberal Democrat members and their SNP colleagues signing up to the returning of non-domestic rates to local control. Of course, I may wait a long time for that.

The debate has exposed the very kernel of politics. It has explained why so many people are disengaging from politics and why so few people bother to vote at elections. Today we have seen a bunch of politicians showing clearly that they say one thing before elections and do the exact opposite after elections.

I will read members a very good quote:

"The people of Scotland want the council tax abolished and the parliament of Scotland should do the job the people elected it to do. No reviews, no task-forces, no inquiries. Let's get the job done—let's axe the tax."

That was said by John Swinney 22 months—almost two years—ago, when he was leader of the SNP. I think that it is sad that the SNP has not taken the advice of Bristow Muldoon, the convener of the Local Government and Transport Committee, who made it clear that the general principle of the bill is to establish an income-based tax to replace the council tax and that it is perfectly legitimate for the bill to be amended at stage 2. It is therefore a shame that SNP members will vote against the bill today even though it does exactly what their former leader said that the Parliament should do, 22 months ago.

**Mr Swinney:** The bill does not do exactly what I was asking for 22 months ago. It introduces a system that will nationalise and centralise local taxation—something with which I profoundly disagree. Notwithstanding that, does Mr Sheridan think, on the basis of Bristow Muldoon's contribution today, that I would be more or less likely to take advice from Bristow Muldoon than from Coco the clown?

**Tommy Sheridan:** It is fair enough to make a cheap point at Bristow's expense, and I will not defend Bristow, because he has made enough cheap points at my expense. However, the point is that the SNP today stands accused of hypocrisy. SNP members have the opportunity to vote today for an income-based tax to replace the council tax. They could then amend the bill at stage 2 to introduce local setting.

Of course, I would oppose the views of SNP members on local setting, because I think that that would be unfair. We think that it would be unfair to set the tax locally—with 32 different rates and 32 different collection points. We think that it would be unfair that a worker on £20,000 in Paisley should pay less or more than a worker on £20,000 in Perth. We believe in national setting, but the point is that, even though the bill would be open to amendment, the SNP has refused to raise a finger to try to amend it.

What about the Lib Dems? George Lyon hasnae listened. He hasnae listened to Iain Smith of the Lib Dems and he told us that it is terrible that he has had to debate this tax for the sixth time. We consider that a badge of honour. We have been here for only seven years, but the SSP has, on six occasions, brought forward proposals to replace the council tax. Do members know what that is? That is doing after elections what we said we would do before elections. The Lib Dems ought to try that some time.

**Jeremy Purvis** *rose—*

**Tommy Sheridan:** Sit down.

Ten months ago, Iain Smith said that there was no more unfair tax than the council tax. Iain Smith thinks that the council tax is more unfair than our tax, but George Lyon says that our tax is more unfair than the council tax.

I have here a Lib Dem bulletin that went out in Fife today. It says:

"Scrap the council tax campaign receives massive support".

Brilliant—they are gonnae vote for it after all! A petition inside the bulletin says:

"we the undersigned object to the unfair council tax and call for it to be scrapped and replaced with a local income tax based on the ability to pay".

What it does not add is, "but only when we've got a consensus." Why do the Lib Dems not add that to the bill?

The SNP and the Lib Dems are saying, "We can't support this proposal because there isn't a consensus." For goodness' sake, if that was how we were to proceed in politics, we would bring forward nothing for debate because the very fact of being in opposition means that a party does not have a consensus; if it did, it would have won the election.

**Iain Smith** *rose*—

**Tommy Sheridan:** I am sorry, but I do not have time to go over the argument. Axing the tax is point 5 in the list of reasons why people should vote for the Lib Dems. The people of Dunfermline West now know that if they intend to vote Lib Dem or SNP next Thursday, they had better not do so on the basis that those parties will scrap the council tax, because those parties have no intention of scrapping the council tax.

It is sad to hear members talk about the proposed level of taxation as being too punitive. They say that our service tax's marginal rate of 20 per cent would be too punitive, but to whom would it apply? The marginal rate of 20 per cent would apply only to those people who earned £90,000 a year or more. Together, what do the marginal rates of service tax and of national income tax amount to? They amount to a rate of 60 per cent. It is strange that the SNP tells us that such a rate is too punitive when Thatcher had a top-rate tax of 60 per cent between 1980 and 1988. The SNP and the Labour new Tories now think that that is too punitive. Let us have a reality check.

Bristow Muldoon talks about average workers. According to his Executive, average workers in this country earn £20,000 a year. According to his Executive, 90 per cent of individuals earn less than £30,000 a year. Our bill is not about making average workers pay less; it is about making

people such as Bristow Muldoon, Michael McMahon and me pay more. It is about redistribution of income.

Bristow Muldoon asked why the SSP MSPs take £25,000 if the average income is £20,000.

**Bristow Muldoon** *rose*—

**Tommy Sheridan:** Let me explain the point. The average income is £20,000 and the average skilled worker's wage is £25,000—that is in our manifesto. Given that the SSP MSPs can live on £25,000 a year, the question for Bristow Muldoon and the other 122 MSPs who are not members of the SSP is why they cannot do so, too.

I give way quickly to Bristow Muldoon. *[Interruption.]*

**The Deputy Presiding Officer:** Order.

**Bristow Muldoon:** Will the member clarify whether he cares that an impact of his bill would be to reduce the number of consultants working in the Scottish national health service?

**Tommy Sheridan:** I am extremely glad that Bristow Muldoon has raised that point. Sylvia Jackson, Bristow Muldoon and others have tried to misrepresent what I said. The multimillionaires are the friends of the other parties in the Parliament and the ones who pour money into their coffers—that is why those parties want to defend them. What the Scottish Socialist Party is saying—I say it clearly so that I will not be misinterpreted—is that we will tax the millionaires more. We will tax them appropriately and if they decide to leave our country after we have taxed them more, I repeat that I could not give a damn. All the members of the other parties are frightened of the millionaires and the editors of the newspapers, who make up a tiny minority at the top of society. We are not frightened of them because we think that it is time to stand up for the majority and to stop kowtowing to the minority. That is why we want fair taxation.

In a few moments' time, members will have the opportunity to use their votes on behalf of Scotland's pensioners and workers. Members should use their votes to scrap the unfair council tax. At long last, let us redistribute the income of this country; let us divert it from those who have plenty to the ordinary working-class people who are the real wealth creators. They are the people whom we want to keep in our country. Vote for the bill tonight.



## Business Motion

17:00

### **The Deputy Presiding Officer (Murray Tosh):**

The next item of business is consideration of business motion S2M-3905, in the name of Margaret Curran, on behalf of the Parliamentary Bureau, setting out a business programme.

*Motion moved,*

That the Parliament agrees the following programme of business—

Wednesday 8 February 2006

2.30 pm Time for Reflection

*followed by* Parliamentary Bureau Motions

*followed by* Executive Debate: Local Government Settlement 2006-2007

*followed by* Business Motion

*followed by* Parliamentary Bureau Motions

5.00 pm Decision Time

*followed by* Members' Business

Thursday 9 February 2006

9.15 am Parliamentary Bureau Motions

*followed by* Stage 3 Proceedings: Budget (Scotland) (No.3) Bill

*followed by* Executive Debate: Volunteering

11.40 am General Question Time

12 noon First Minister's Question Time

2.15 pm Themed Question Time—  
Enterprise, Transport and Lifelong Learning;  
Justice and Law Officers

2.55 pm Executive Debate: Social Work for the 21<sup>st</sup> Century

*followed by* Parliamentary Bureau Motions

5.00 pm Decision Time

*followed by* Members' Business

Wednesday 22 February 2006

2.30 pm Time for Reflection

*followed by* Parliamentary Bureau Motions

*followed by* Executive Business

*followed by* Business Motion

*followed by* Parliamentary Bureau Motions

5.00 pm Decision Time

*followed by* Members' Business

Thursday 23 February 2006

9.15 am Parliamentary Bureau Motions

*followed by* Executive Business

11.40 am General Question Time

12 noon

2.15 pm

2.55 pm

*followed by*

5.00 pm

*followed by*  
*Curran.]*

*Motion agreed to.*

First Minister's Question Time

Themed Question Time—

Education and Young People,  
Tourism, Culture and Sport;  
Finance and Public Services and  
Communities

Executive Business

Parliamentary Bureau Motions

Decision Time

Members' Business.—[*Ms Margaret*

## Parliamentary Bureau Motions

17:00

**The Deputy Presiding Officer (Murray Tosh):** The next item of business is consideration of Parliamentary Bureau motions S2M-3903 and S2M-3904, on the approval of Scottish statutory instruments.

*Motions moved,*

That the Parliament agrees that the draft Budget (Scotland) Act 2005 Amendment Order 2006 be approved.

That the Parliament agrees that the draft Police Act 1997 Amendment (Scotland) Order 2006 be approved.—[*Ms Margaret Curran.*]

**The Deputy Presiding Officer:** The question on the motions will be put at decision time.

## Decision Time

17:00

**The Deputy Presiding Officer (Murray Tosh):** There are three questions to be put as a result of today's business. The first question is, that motion S2M-3893, in the name of Tommy Sheridan, on the general principles of the Council Tax Abolition and Service Tax Introduction (Scotland) Bill, be agreed to. Are we agreed?

**Members:** No.

**The Deputy Presiding Officer:** There will be a division.

### FOR

Byrne, Ms Rosemary (South of Scotland) (SSP)  
 Canavan, Dennis (Falkirk West) (Ind)  
 Curran, Frances (West of Scotland) (SSP)  
 Fox, Colin (Lothians) (SSP)  
 Kane, Rosie (Glasgow) (SSP)  
 Leckie, Carolyn (Central Scotland) (SSP)  
 MacDonald, Margo (Lothians) (Ind)  
 Martin, Campbell (West of Scotland) (Ind)  
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)  
 Sheridan, Tommy (Glasgow) (SSP)  
 Swinburne, John (Central Scotland) (SSCUP)  
 Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)

### AGAINST

Adam, Brian (Aberdeen North) (SNP)  
 Aitken, Bill (Glasgow) (Con)  
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)  
 Baillie, Jackie (Dumbarton) (Lab)  
 Baker, Richard (North East Scotland) (Lab)  
 Barrie, Scott (Dunfermline West) (Lab)  
 Boyack, Sarah (Edinburgh Central) (Lab)  
 Brankin, Rhona (Midlothian) (Lab)  
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)  
 Brown, Robert (Glasgow) (LD)  
 Brownlee, Derek (South of Scotland) (Con)  
 Butler, Bill (Glasgow Anniesland) (Lab)  
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)  
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)  
 Crawford, Bruce (Mid Scotland and Fife) (SNP)  
 Cunningham, Roseanna (Perth) (SNP)  
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)  
 Davidson, Mr David (North East Scotland) (Con)  
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)  
 Douglas-Hamilton, Lord James (Lothians) (Con)  
 Eadie, Helen (Dunfermline East) (Lab)  
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)  
 Fabiani, Linda (Central Scotland) (SNP)  
 Ferguson, Patricia (Glasgow Maryhill) (Lab)  
 Fergusson, Alex (Galloway and Upper Nithsdale) (Con)  
 Finnie, Ross (West of Scotland) (LD)  
 Fraser, Murdo (Mid Scotland and Fife) (Con)  
 Gibson, Rob (Highlands and Islands) (SNP)  
 Gillon, Karen (Clydesdale) (Lab)  
 Glen, Marlyn (North East Scotland) (Lab)  
 Godman, Trish (West Renfrewshire) (Lab)  
 Goldie, Miss Annabel (West of Scotland) (Con)  
 Gorrie, Donald (Central Scotland) (LD)  
 Grahame, Christine (South of Scotland) (SNP)  
 Henry, Hugh (Paisley South) (Lab)  
 Home Robertson, John (East Lothian) (Lab)  
 Hughes, Janis (Glasgow Rutherglen) (Lab)

Hyslop, Fiona (Lothians) (SNP)  
 Jackson, Dr Sylvia (Stirling) (Lab)  
 Jackson, Gordon (Glasgow Govan) (Lab)  
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)  
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)  
 Johnstone, Alex (North East Scotland) (Con)  
 Kerr, Mr Andy (East Kilbride) (Lab)  
 Lamont, Johann (Glasgow Pollok) (Lab)  
 Lyon, George (Argyll and Bute) (LD)  
 MacAskill, Mr Kenny (Lothians) (SNP)  
 Macdonald, Lewis (Aberdeen Central) (Lab)  
 Macintosh, Mr Kenneth (Eastwood) (Lab)  
 Maclean, Kate (Dundee West) (Lab)  
 Macmillan, Maureen (Highlands and Islands) (Lab)  
 Martin, Paul (Glasgow Springburn) (Lab)  
 Marwick, Tricia (Mid Scotland and Fife) (SNP)  
 Matheson, Michael (Central Scotland) (SNP)  
 Maxwell, Mr Stewart (West of Scotland) (SNP)  
 May, Christine (Central Fife) (Lab)  
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)  
 McCabe, Mr Tom (Hamilton South) (Lab)  
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)  
 McFee, Mr Bruce (West of Scotland) (SNP)  
 McLetchie, David (Edinburgh Pentlands) (Con)  
 McMahon, Michael (Hamilton North and Bellshill) (Lab)  
 McNeill, Pauline (Glasgow Kelvin) (Lab)  
 McNulty, Des (Clydebank and Milngavie) (Lab)  
 Milne, Mrs Nanette (North East Scotland) (Con)  
 Mitchell, Margaret (Central Scotland) (Con)  
 Monteith, Mr Brian (Mid Scotland and Fife) (Ind)  
 Morrison, Mr Alasdair (Western Isles) (Lab)  
 Muldoon, Bristow (Livingston) (Lab)  
 Mulligan, Mrs Mary (Linlithgow) (Lab)  
 Murray, Dr Elaine (Dumfries) (Lab)  
 Neil, Alex (Central Scotland) (SNP)  
 Oldfather, Irene (Cunninghame South) (Lab)  
 Peacock, Peter (Highlands and Islands) (Lab)  
 Pringle, Mike (Edinburgh South) (LD)  
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)  
 Radcliffe, Nora (Gordon) (LD)  
 Robison, Shona (Dundee East) (SNP)  
 Robson, Euan (Roxburgh and Berwickshire) (LD)  
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)  
 Scanlon, Mary (Highlands and Islands) (Con)  
 Scott, John (Ayr) (Con)  
 Scott, Tavish (Shetland) (LD)  
 Smith, Elaine (Coatbridge and Chryston) (Lab)  
 Smith, Iain (North East Fife) (LD)  
 Smith, Margaret (Edinburgh West) (LD)  
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)  
 Sturgeon, Nicola (Glasgow) (SNP)  
 Swinney, Mr John (North Tayside) (SNP)  
 Wallace, Mr Jim (Orkney) (LD)  
 Welsh, Mr Andrew (Angus) (SNP)  
 White, Ms Sandra (Glasgow) (SNP)  
 Whitefield, Karen (Airdrie and Shotts) (Lab)  
 Wilson, Allan (Cunninghame North) (Lab)

#### ABSTENTIONS

Baird, Shiona (North East Scotland) (Green)  
 Ballance, Chris (South of Scotland) (Green)  
 Ballard, Mark (Lothians) (Green)  
 Harper, Robin (Lothians) (Green)  
 Ruskell, Mr Mark (Mid Scotland and Fife) (Green)  
 Scott, Eleanor (Highlands and Islands) (Green)

**The Deputy Presiding Officer:** The result of the division is: For 12, Against 94, Abstentions 6.

*Motion disagreed to.*

**The Deputy Presiding Officer:** I will put a single question on motions S2M-3093 and S2M-3094. The question is, that motions S2M-3903 and S2M-3094, in the name of Margaret Curran, on the approval of Scottish statutory instruments, be agreed to.

*Motions agreed to.*

That the Parliament agrees that the draft Budget (Scotland) Act 2005 Amendment Order 2006 be approved.

That the Parliament agrees that the draft Police Act 1997 Amendment (Scotland) Order 2006 be approved.

## Community and Village Halls

**The Deputy Presiding Officer (Trish Godman):** The final item of business is a members' business debate on motion S2M-3839, in the name of Andrew Welsh, on community and village halls. The debate will be concluded without any question being put.

### *Motion debated,*

That the Parliament notes with concern the increased costs of water charges paid by new village and community halls and that these will also be imposed on older halls after 2010; recognises that these halls play a vital role as the hub of the community by providing a venue for educational classes, Scottish dancing, recreation, Scottish Women's Rural Institute meetings, keep-fit classes, youth clubs, scouts, brownies and other activities; believes that these charges to charitable organisations are an undue burden on local rural communities in Angus; notes that the Scottish Executive has partly funded numerous new halls and refurbishments for many more which has caused an increase in the rateable value burden, and believes that the Executive should extend the exemption scheme to all community and village halls with charitable status and introduce legislation to reinstate the exemption for community and village halls which have charitable status.

17:03

**Mr Andrew Welsh (Angus) (SNP):** This debate is about the future viability of charitable organisations. More than 2,300 community and village halls throughout Scotland face massive increases in water charges because legislation is forcing Scottish Water to end exemption from water charges for new buildings now and for all such buildings run by charitable bodies by 2010.

Muirhead and Birkhill villages in Angus are rightly proud of the Muirhead and Birkhill Millennium Hall, which was built in 2002 as a result of local fundraising, lottery grants and Scottish Executive funding. However, those running the hall now find themselves hit by massive water bills, increased rateable values and a raft of compulsory regulation costs, which is a situation that every community hall will face in 2010 unless the Government reinstates sensible exemptions for the small charitable organisations that run these community resources.

Village and community halls are run not by large organisations with huge operating budgets but by small groups that are run by local people in and for local communities. They are non-profit bodies that raise funds through the hard work of unpaid volunteers. In rural areas, they are the backbone of community life. They support a vast range of activities, from education classes and Scottish dancing to meetings of the Scottish Women's Rural Institutes, the scouts, youth clubs and other organisations. All those activities are essential to the well-being of the local communities that the

halls serve. Many halls have tiny operating budgets, so any income that is saved on water charges will free up essential resources, in terms of money and volunteer time spent on raising money.

Similarly, for charities, water supply has become a major operating cost. For example, Scotland's first children's hospice, Rachel House, would have had to pay water bills the equivalent of the salaries of two nurses had the Executive not given Scots hospices provision for that. Why then should a rape and sexual abuse centre in Stirling have to pay a water bill that is equivalent to the salary of one of its sessional workers? That is the situation that charities now face.

All this takes place in a charging system that is riddled with anomalies. Roughly speaking, some halls that were built before 1999 are exempt from water charges, but those that have been built since then are not. I say "roughly", because the exemptions are complex and are due to finish in four years. I do not underestimate the problems that Scottish Water faces in making good the past neglect of water services infrastructure, in meeting European Union quality standards and as a result of the ministers' decision that the cost of infrastructure improvements must be recovered from existing customers. Another issue, according to the Scottish Council for Voluntary Organisations, is the level of anarchy in the customer databases, which have been massively inaccurate from 1996 right up to the present. Those problems have led to some amazing situations. For example, a Gaelic-medium unit for eight under-fives on the Balivanich airfield found itself liable for the water charge for the entire base when the Ministry of Defence closed it down. A veteran's charity was faced with a six-figure water charge when it was billed for all the water from a leaky pipe that had wayleave through its grounds and which served abandoned properties that were owned by others.

Scottish Water has fixed some anomalies, only to be faced with the water industry commissioner's statement that the issue of concessions is a political matter for ministers to determine. Therefore, the responsibility is clear: the Scottish Executive can retain a rebate scheme if it so chooses. It is difficult enough to recruit volunteers in today's world, but constant, unattainable financial targets will make the time and effort demands on individuals impossible. Ministers must make clear what their policy intentions are in relation to charge relief for charities. Are ministers committed in any way to helping village halls and charitable organisations by exempting them from water charges? I look forward to the minister's response on that. The Executive's stated commitment to developing the social economy in Scotland and to a wider inclusion agenda is totally

undermined when the voluntary sector is about to be hammered with increases in water charges and other compliance costs. Currently, seven hurdles stop charities from being exempt. Will the Executive remove any or all of those barriers? Again, I hope that the minister will make the Executive's policy clear tonight.

Villages and community halls provide a platform for community life to flourish, yet SCVO research shows that almost 85 per cent of the halls have an annual income of less than £5,000. On top of that, the Government is constructing even more regulations and barriers. The introduction of private water supply regulations in January means that community halls with private water supplies face a £350 cost for the initial test of water. Some, because of the nature of their supplies, will have further on-going costs from the testing regime. There are believed to be at least 150 halls for which that initial cost alone will be 10 per cent or more of their annual income.

The advent of the new Scottish charities regime some time this year will make it more imperative for hall committees to recruit and retain a good mix of people to ensure that halls not only survive but flourish and develop new activities that are suited to modern demands of new local residents. Is the Scottish Executive considering any specific provision for the training of members of those committees to reflect the recent marked increase in obligations on such volunteers? What training will be given to people to help them to perform better? We know that to get anybody to volunteer nowadays is very difficult. Whether it is the scouts or any other organisation, there are many hurdles that prevent decent, straightforward, honest people from coming forward. We must do everything in our power to ease that entry into helping voluntary organisations.

Village and community halls are the life-blood of local communities; indeed, more than 20 per cent of them are war memorials to Scots who fought and died overseas to defend our democracy. Scotland's charitable and voluntary organisations and their army of volunteers are a national asset, to be treasured and encouraged.

In the 15<sup>th</sup> century, the royal burgh of Canongate granted permission to freely draw water to organisations dealing with the sick and dying. It would be to the shame of the Scottish Executive if it failed to respond to similar charitable and voluntary needs in the 21<sup>st</sup> century.

17:11

**Alex Johnstone (North East Scotland) (Con):** I congratulate Andrew Welsh and thank him for introducing this issue for discussion. It is ironic that we have dealt with much legislation that has

restructured the water industry, yet we still seem to be discussing its impact on community halls and buildings that are used by voluntary organisations. While the structure of the debate does not allow us the opportunity to ask for a commitment from the Executive that would cost it resources, it is important that we take the opportunity to ask the minister what can be done to consider in greater detail what has been happening to community halls and buildings that are owned by voluntary organisations, and how the impact on them can be alleviated over time.

The change in the water industry structure has meant that Scottish Water—although perhaps not as deeply involved in the commercial world as it ought to be—requires to reflect commercial reality in the way in which it operates, yet we know, through our contact with businesses, which also have problems with water charging, that there is a degree of unfairness in how water charges are levied against organisations of all kinds. It is, therefore, important that the minister gives us a commitment that she will at least consider the situation that has been brought about and the injustices that appear to exist. For example, some halls that have not been adjusted since 1999 still have their charitable status, while those that have been built since then are struggling to cope with their water bills. Will the minister tell us whether there is any provision in the structure to rectify that?

As we heard from Andrew Welsh, the water industry commissioner has made it clear that this is a political matter, and therefore a matter for ministers. It is important that the minister takes the opportunity to clarify what the commissioner said. She should answer these questions: is it within the power of ministers to grant relief to such halls on a charitable basis, and does she intend to consider whether that can be done in the near future?

17:14

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** I congratulate Andrew Welsh on raising an extremely important issue with a great deal of passion, and at the right time, because there is time to deal with it.

I circulated a copy of the motion to all the community councils in my constituency and received a great many responses. Inverness south community council, which does not yet have a community hall, pointed out that heaping more charges on it would deter it from creating a community hall.

The association of Cairngorms community councils made the point that a number of the committees that run halls do not have charitable status. If the minister is looking to extend the

exemption scheme, I hope that she will take account of the fact that not all community halls have charitable status, which, as I understand it, means tax clearance from the Inland Revenue.

Boat of Garten community council has just received money from the lottery to establish a hall, and it is trying to raise the final £80,000 to achieve its aim. It is already struggling with strict requirements in relation to health and safety, public entertainment licences and the provisions of the Disability Discrimination Act 1995, as well as the cost of heating. The water charges could well be the last straw. Iain Murray of the community council points out that in the average hall, water demands are confined most of the time to little more than tea making and the use of toilets. The use of the water has to be considered; I hope that the minister will cover that.

Lochaber federation of village halls points out that it already has cash-flow problems and that increased rates could lead to the closure of many village halls, as Andrew Welsh was quite right to point out.

Kincraig community hall committee points out that it runs a wide variety of events, such as health and fitness classes, youth clubs, children's dance classes, children's football, the partially sighted bowling club, volleyball, yoga and pipe band practices. Some of those activities will cease because the hall committee cannot afford to pay the rates.

I am passionate about this subject, because community halls—many of which are in small areas—provide a focal point for the community at a time when the post office and the petrol station are under threat in rural Scotland, which has suffered at the hands of successive Governments.

Although I am pleased that the minister is here to respond—I have great respect for her and the obvious sincerity that she brings to the task—and that the Deputy Presiding Officer is here, for whom I have nothing but praise, not one Scottish Socialist Party member, Labour back bencher or Liberal Democrat member is present. I do not often say something when members are not here, because there might be reasons for it, but I cannot think of any reason why there are no Labour, Lib Dem or SSP members here to discuss an issue that is so crucial to communities.

I have covered more territory than I expected to cover in such a short space of time by the expedient of speaking extremely quickly. I look forward to the minister's response.

17:17

**Shiona Baird (North East Scotland) (Green):**  
Andrew Welsh is to be congratulated on bringing

forward a debate that has so much resonance in communities throughout Scotland.

The community or village hall is the hub of the community and the focus of many activities and events. It has the capacity to bring local people together for socialising, fundraising, learning or even protesting. Like the local school, shop or church, it helps to define the community and gives people a sense of belonging. All in all, such halls enrich communities, whether they are small isolated villages or bustling city suburbs.

People in many communities, often driven by a few dedicated individuals, have worked incredibly hard as volunteers to fundraise to improve or even build new community halls. I know from my many years on Auchterhouse hall committee the amount of effort that goes into years of working to support and improve local facilities. I know that many communities feel frustrated by the lack of support from those who advocate supporting rural communities but who do not always translate that rhetoric into action.

In Muirhead and Birkhill, which are next to where I live, the committee and community spent five long years fundraising for what is now a tremendous new hall. For people there to face the possible closure of that hall due to high water rates is unacceptable and must be soul-destroying for those involved. It simply must be recognised that community halls are in a different category and provide valuable services. Support must be given to sustain them in the most effective way possible. An exemption from water charges for halls with charitable status is one solution, but, as we have heard, not all halls have charitable status.

I would like Scottish Water to be more flexible with regard to the possibility of apportioning reduced costs where community facilities are involved. I am sure that no one would deny that halls have to pay something for the water and sewerage facilities that they use. However, the costs have to be commensurate with a recognition of the benefits that the facility offers the local community.

Why is it so difficult to apply a bit of lateral thinking to this issue and to consider the savings to the health service that are due to the activities that are offered by community facilities, or the savings to the justice system that must result from our young folk being offered alternative activities that can help to keep them out of trouble? Some halls provide internet facilities, which offer a wide range of opportunities to the more disadvantaged people in the community. In rural areas, all the facilities offer a much improved quality of life that, if taken away, cannot easily be replaced.

There is a need for more thought to be given to the sustainable design of halls. Many halls, such

as our one in Auchterhouse, which is an old, stone, high-ceilinged building, are crying out for improvements in energy efficiency to make them warm, welcoming and cheap to run. It is not only water bills that are rising; increasingly high fuel bills will also create problems.

Hall committees need to be given maximum information and support to incorporate energy efficiency, grey water use, water-saving devices and even microrenewable alternatives that will enable them to generate their own energy. I hope that it is not too late for people to investigate how cost and environment-saving solutions can be incorporated in halls such as the one in Muirhead.

Perhaps the Executive can review its support and advice to ensure that there are sufficient opportunities for local communities to reduce the long-term burden of utility bills through the use of more sustainable solutions.

17:21

**Roseanna Cunningham (Perth) (SNP):** I congratulate Andrew Welsh on securing the debate.

We should be aware of some of the background to today's debate. We are discussing the problem of water charges, but a broader crisis is emerging for village and community halls throughout Scotland, which is a result of the drying up of sources of funding and withdrawal by the Scottish Executive of the capital grant scheme. That is creating difficulties for the future of many community and village halls.

Halls will face all sorts of challenges over the next few years; one of the big challenges for many will be the need to bring them up to scratch in terms of access for disabled people. We want to achieve that as far as possible, but the reality is that the cost of that is often prohibitive for small community-led ventures. Maintenance and insurance costs increase all the time, but essential modernisation and repairs are important and must be paid for.

Halls are vital to communities. In my constituency, challenges and increasing problems confront Crieff community hall, Madderty village hall, the Bridge of Earn institute, Glenfarg village hall and Forgandenny village hall. When the problem that Andrew Welsh has brought before us today is added to their situations, the scale of the difficulty that confronts many small communities across Scotland becomes clear. They fear that their local halls might have to close because they cannot be sustained in the longer term.

If rural halls areas are closed, it will be a tragedy for the social cohesion of the communities. People who are not connected with rural areas do not understand the extent to which the local hall is a lynchpin of many communities.

The dearth of MSPs of all parties who have attended this debate—which Fergus Ewing noted—suggests that the extent to which halls are fundamental to communities throughout the country is not appreciated by members of the Scottish Parliament. That is the only lesson that I can take from the low attendance. The problems relating to water charges are but one part of an enormous crisis that faces village and community halls across Scotland. I do not want to diminish the issue of water charges, but the crisis is not only to do with them. Andrew Welsh knows that the problem is about more than just water charges. He chose to highlight that issue today, but there is a greater issue about the social inclusion of people who live in rural areas, who need places that act as a focus for their communities. If the halls close, the guts will be taken out of many communities. I, for one, do not want that to happen.

17:25

**The Deputy Minister for Environment and Rural Development (Rhona Brankin):** As other members have done, I congratulate Andrew Welsh on bringing the debate to Parliament. I thank members who stayed to contribute to the debate.

I am originally from Glasgow, but I have spent most of my adult life in rural constituencies. Indeed, my first sally into public involvement was as a member of the Ferintosh school and hall committee on the Black Isle. I represent Midlothian; a large part of my constituency is rural so I am cognisant of the important and often central role that village halls play in communities. Village halls are a vital part of the infrastructure that supports rural communities throughout Scotland.

The Executive has provided direct support for village halls through grants under the local capital grants scheme. That support has been provided in recognition of the role that community halls play in strengthening the social cohesion of rural and urban communities. I understand that village halls in the Angus area have benefited under that programme.

The Scottish rural partnership fund has provided rural communities with grant aid to build community capacity and to help communities to find local solutions to local problems. In 2005-06, some £3 million was awarded under the SRPF to projects in rural communities in Scotland. About £9 million has been awarded during the past three years. Those figures illustrate the Executive's commitment to supporting and enhancing rural and urban communities in Scotland. We also provided support to the Scottish Council for Voluntary Organisations, which manages a village halls website that offers guidance and advice to people who seek support in developing and

running village halls. It is a good website and it would be useful for those who are involved in village halls to look at it. It can genuinely help to support the work that is done by volunteers.

**Mr Welsh:** Does the minister accept that we have a crisis with running costs? How can the Executive help voluntary organisations that raise relatively small amounts of money but which are the lynchpins of their communities? How is the Executive helping such organisations to deal with the crisis with running costs?

**Rhona Brankin:** As we look to the future, we are continuing to focus on fair water charges for all. That is the right way forward. We will consult in the period up to 2010 so that everybody will be on a level playing field. We need to ensure that, through that consultation, we arrive at a fair system of charging. The recent final determination of the water industry commissioner ensures that water bills will not increase above the rate of inflation. That is good news for village halls.

Our support is designed to enable the development of new halls and the refurbishment of existing halls. An example of an application from the Angus area is Kilry village hall. The approved works to that community facility will lead to increased year-round use and comfort, especially for the older members of the community.

The sustainable management of community facilities rests with the community bodies that run them. That includes work to ensure that all the costs of running a hall are built into its business plan. That touches on points that Andrew Welsh and Shiona Baird made about the complexity of ensuring that the range of running costs are considered. Those costs include utility costs such as water charges, and there is a range of other costs.

Shiona Baird mentioned provision of advice on renewable energy. I hope that, as part of our support for rural communities, we can provide much better information on energy-efficient ways of heating village halls, for example. I know that some people who run village halls are considering imaginative ways to use resources efficiently—I encourage others to learn from them. That is exactly the kind of information that we can disseminate through the SCVO's website. I am more than happy to consider that suggestion and to take it forward. Of course, mandatory and discretionary business rates relief also help to support community and village halls.

I have a difficulty in that I am not comfortable about cross-subsidising from some water customers to others to support halls, which is what would, in effect, happen if Andrew Welsh's suggestions were accepted.

**Alex Johnstone:** As the minister will know from my previous speeches on water legislation, I do not support cross-subsidisation where it can be avoided. Is not it the case that in many village halls, particularly smaller ones, charges massively exceed the level of services that are used? Is there nothing we can do to reduce the charges to reflect the level of service that is used?

**Rhona Brankin:** As I have said, we must look toward the fundamental change that will be implemented in 2010. We will fundamentally change the basis on which we will charge non-household customers for water and water services. We will consider the concerns that are expressed in the consultation, but we must look to 2010 to secure a more level playing field for village halls. I have said that is neither right nor fair that some customers are charged less, in some cases potentially at the expense of others who pay more. It is a complex issue.

As a result, we have no plans to extend the scope of the current water charges exemption scheme to assist organisations that do not meet, or which no longer meet, the statutory eligibility criteria. Any move towards abolishing charges for particular groups would, as I have said, place an undue burden on other customers. It would also run counter to Scottish ministers' policy that all customers should contribute to the cost of the water and waste water services that they receive.

The aim of the exemption scheme is to allow small organisations that occupy premises that had formerly been getting relief to prepare to pay for services from 2010. The deadline for the exemption scheme was extended from 2006 to 2010 to allow more time for preparation and to ensure that those who would pay for the first time would not start payments until a new fairer and more transparent system of charging all non-household customers is introduced. In this regard the Scottish Executive is planning a fundamental change to—

**Mr Welsh:** On cross-subsidies, the Scots are known for their generosity and we have seen that they dig deep into their pockets for charities, whether for Bosnia, Malawi or other parts of the world. I remind the minister that we are dealing with charitable organisations. She has to cope with the fact that Scottish Water pays for capital projects through revenue, which is the worst way to fund such schemes, because every customer is immediately hit. We are talking about the effects on charitable organisations that are crucial to rural areas and to some towns. Does the minister accept that Scots would be much more generous to charities than the Executive seems to want to be?

**Rhona Brankin:** Given the level of exemptions to which the Executive has agreed, the member



would not expect me to agree with that. We are saying that we have to look forward to the change that will happen in 2010, which will fundamentally change the basis on which non-household customers pay for their water services. As I have said, we will consult on the proposals for introducing general non-household metering and banded drainage charges, which will be implemented—as far as possible—by 2010.

The new basis for charging non-household customers will break the existing link with rateable values and replace it with a regime that reflects the cost to customers of using the system. That will be a fairer and more transparent means of charging non-household customers.

Looking forward, Ministers have put in place a regulatory regime that is keeping charges down for all customers. I have referred to it already, but the recent good news on water charges demonstrates our policy of subjecting Scottish Water to rigorous independent economic regulation. That is paying dividends for all customers, who can look forward to bills rising by less than the rate of inflation, while bills in England and Wales rise by 18 per cent above inflation. Our continuing focus on fair bills and on keeping all customers' bills down is the right way forward. I hope that members will agree with that approach.

*Meeting closed at 17:35.*



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