



THE COMMISSION ON LOCAL TAX REFORM

WHAT'S THE FUTURE OF LOCAL TAXATION IN SCOTLAND?

Tell us what you think

We are an independent Commission that brings together expertise and experience from across Scotland to look at ways of delivering a fairer system of local taxation in Scotland. The Commission is chaired by Marco Biagi MSP, Minister for Local Government and Community Empowerment, and Councillor David O'Neill, President of the Convention of Scottish Local Authorities. The Commission will present its findings in late 2015. You can find out more information about our membership and remit at www.localtaxcommission.scot

We want to begin our work by hearing your views and suggestions about what happens now, and what the future might be.

This call for evidence is only our first step in listening to you. Any information that you give us now will help start the debate, but we also want this to be an ongoing conversation. Over the next few months we will be setting up different ways in which you can meet us or tell us what you think. A good way to find out about these is by signing up to our newsletter by following @localtaxscot on Twitter.

How to Respond

We will use your information to develop our work, and so what you tell us is really important. For that reason, we want to hear from you by **22 JUNE 2015**, or sooner if you can. *However, let us know if you need more time.* Please also feel free to share any other information with us.



You can complete and return this form electronically to:
evidence@localtaxcommission.scot



You can also respond online via our website:
<http://localtaxcommission.scot/initial-call-for-evidence/>



Alternatively you can post a copy of this form to:

The Commission on Local Tax Reform
Verity House
19 Haymarket Yards
Edinburgh, EH12 5BH

If you are responding as an individual we would be grateful if you could also provide some other information at the end of this form. This will help us develop an overall picture of the information we have. This is optional and will be used anonymously and remain strictly confidential.

If you have any queries please contact info@localtaxcommission.scot or call us on 0131 474 9332.

RESPONDENT INFORMATION

To help us make the most of your response, please tell us about yourself and how you want us to use the information you provide. There are some questions marked * and these must be answered by all respondents, unless you are directed past this question.

* I am responding as:	<input type="checkbox"/> An individual
	<input checked="" type="checkbox"/> An organisation/group
Name of Organisation (if appropriate)	<i>Argyll and Bute Council</i>
Forename	<i>Judy</i>
Surname	<i>Orr</i>
Address	<i>Council Offices, Witchburn Road Campbeltown Argyll</i>
Postcode	<i>PA28 6JU</i>
Telephone	<i>01586-555280</i>
Email	<i>judy.orr@argyll-bute.gov.uk</i>
Do you consider yourself or your organisation as from or representing?	
<input checked="" type="checkbox"/> a rural area	<input type="checkbox"/> an urban area
	<input type="checkbox"/> an area with both urban and rural parts
	<input type="checkbox"/> don't know / not applicable
Would you be happy to be approached by the Commission for further discussion about your submission?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If you are responding as an individual:	
* Do you agree to your response being made available to the public on the Commission's web site?	<input type="checkbox"/> Yes <input type="checkbox"/> No
* If you have agreed to your response being made available to the public, please tell us if we may also make your name and address available. (Please select one option only)	
<input checked="" type="checkbox"/>	Yes, make my response, name and address all available
<input type="checkbox"/>	Yes, make my response available, but not my name and address
<input type="checkbox"/>	Yes, make my response and name available, but not my address
<i>If you are responding as an individual we would be grateful if you could provide some additional information at the end of this form. This is absolutely optional but will help us get an overall picture of the information we receive.</i>	
If you are responding as a group or organisation:	
* The name and address of your organisation will be made public on the Commission's web site. Are you content for your response to also be made available?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Which of the following best describes your organisation? (Please select one option only)	
<input type="checkbox"/>	Community Group
<input checked="" type="checkbox"/>	Local Authority
<input type="checkbox"/>	Other public sector organisation
<input type="checkbox"/>	Third Sector organisation
<input type="checkbox"/>	Professional body
<input type="checkbox"/>	A business
<input type="checkbox"/>	A government department or agency
<input type="checkbox"/>	A social enterprise
<input type="checkbox"/>	Other (please specify)
Short description of the main purpose of your organisation:	

Tell us what you think

We have not provided a long list of questions, but we do want to hear what you have to say about some themes. Please respond to as few or as many as you wish. If you would prefer to send us other information, please feel free to do so. However, it would be helpful to keep your response to no more than eight pages.

If you are able to, please provide evidence or examples in support of what you say. This will help us explore your ideas further.

1. SCOTLAND'S CURRENT SYSTEM OF COUNCIL TAX

To what extent does the current system of council tax deliver a fair and effective system of local taxation in Scotland? Are there any features of the current system that you wish to see retained or changed?

You may wish to illustrate your answer with examples from your own experience.

The Council Tax system was introduced in 1993 and replaced the community charge, which in turn replaced domestic rates. The amount that households pay in council tax depends on their band (A to H) which is based on the value of the property in 1991, and is worked out from the Band D rate. Billing authorities decide each year on the level at which band D bills will be set in their area, with bills for all other bands then charged at a fixed proportion of the Band D amount. The band values are nationally set.

Special provisions, including those for single person households, disabled persons and students exist which allow people in those groups a discount on their council tax. In addition to these discounts, people with low incomes may be eligible for assistance through Council Tax Reduction, which is a means tested system, and is administered by local authorities. The Council Tax Reduction Scheme replaced the Council Tax Benefit Scheme in April 2013.

The advantages of the council tax system are that it is well understood, efficient to collect, based on a property and therefore hard to evade, clearly accountable locally, transparent, has a stable and predictable yield, and is inherently buoyant due to increasing numbers of properties. So it is effective, but is it fair? A property based tax can be considered a fair basis for taxation as properties often represent a major proportion of a person's wealth, and there is a strong correlation between the value of property rented or owned, and income.

The 2007 Lyons Inquiry into Local Government in England highlighted that fairness is generally accepted as meaning 'ability to pay' but also highlighted that other important dimensions of 'fairness' include the link between tax and property value, and the perceived benefits of local services to taxpayers. In terms of ability to pay, property values are deemed to be a reasonable reflection of ability to pay. However with the current council tax, households with the lowest incomes are liable to pay a higher amount of tax in relation to their income, i.e. the tax is regressive. This is offset to a significant degree by the Council Tax Reduction Scheme (CTRS) which replaced Council Tax Benefit (CTB). CTRS was designed to ensure that the council tax payer would receive a similar level of assistance to that under the CTB. One of the key principles used to develop the new scheme was ability to pay and it was felt that the reduction scheme, as it is, offered the strong link with ability to pay. Like its benefit predecessor, council tax reductions are available to households on low incomes and may reduce all or part of a household's bill. There are around half a million household recipients of Council Tax Reduction in Scotland, accounting for around 25% of households. Of these, around three quarters receive 100% benefit and therefore have no net council tax bill to pay.

The majority of people on CTRS are in houses in bands A and B. Few people living in houses in bands F and above receive CTRS. This strengthens the assertion that property values are a reasonable reflection of ability to pay. Exceptions may be pensioners who continue to live in large houses despite a decline in their income. Whilst theoretically they could move to smaller, more manageable properties, this may not always be practical or there may be sentimental attachments that prevent moving. Such people, may be able to benefit from equity release schemes. If in greater need, they will be assisted through CTRS which does not take into account the value of the house being lived in.

Council Tax applies to occupiers of properties rather than owners. This relates to the principle that all residents in an area should contribute to the funding of local services. Some argue that Council Tax is not fair as they do not directly use local services and particularly those in single households use less than a household of multiple occupants. The single persons discount was introduced to reduce this concern and there are approximately 15,000 households in Argyll and Bute that receive such a discount.

The current system is effective in that it is easy to understand as the structure is relatively straightforward. Each household is issued with a single bill which reflects both the banded value and the effect of any reduction arrangements. The system has high collection rates of c 96% after 1 year, and this is viewed as an indicator that households are aware of their tax and what they need to pay. There may be a little confusion in the billing process (but not the system) from the fact that councils jointly bill council tax along with water and sewerage charges billed on behalf of Scottish Water. Different increases to the individual elements can cause a problem in perception. For example, the Council Tax rate has been frozen for 8 years whereas water and sewerage charges have increased. Most households will only be aware of the bottom line increase in the overall bill and will be unaware of the Council Tax freeze.

However there are issues with the current system which, if addressed, could improve its fairness, and improve the link to local accountability as follows:

1. The difference between current property values and 1991 prices on which council tax is currently based.

Some taxpayers have difficulty seeing how their council tax liability relates to the current value of the property. The current banding structure is based on 8 bands (A to H) based on the value of the property in 1991. There is no straightforward method of linking the value of the property today to its value in 1991. The housing market has moved on significantly since 1991 and many new houses have been built. Furthermore, when a property is improved, for example by adding an extension, legislation prevents the revaluation of that property until a relevant transaction, normally a sale, has taken place. Once a sale has taken place the Assessor has a statutory power to revalue the property. Hence two houses of quite different values due to the added value of the extension can be paying the same in council tax which creates inequities.

Council Tax regulations do not have a requirement for regular revaluation and therefore positive action is required to introduce this. No revaluation has taken place in Scotland or England. In Wales a revaluation was carried out in 2005, and in Northern Ireland in 2007.

2. The banding structure needs to be reviewed as the range of house prices has broadened since 1991.

The current banding structure of 8 bands was introduced in 1993 and effectively puts a ceiling and floor on the amount of council tax households must pay. In the current era there is a large range of property values even in Band H (£212,001 and over) and therefore, as the correlation between property value and ability to pay is strong there is scope for broadening the bands at the higher end of the range. Properties in band H pay twice the amount of band D only. Additionally there is disproportionately more properties in bands A and B. These issues need to be resolved and could be addressed by introducing an additional band at the lower end and another at the higher end of the banding range and a regular revaluation cycle.

3. The council tax freeze has eroded the link between with democratic accountability.

Local people should decide on levels of local taxation which should relate to the levels of services which they want. The council tax freeze over the last 8 years has broken this link and reduced democratic accountability. In Scotland only c 18% of a council's income is raised locally.

2. REFORM OF LOCAL TAXATION

Are there alternatives to the current system of council tax that you think would help to reform local taxation in Scotland? What are the main features of these, and why do you think they would deliver improvement?

Do you have any examples of why this is the case?

We support the CoSLA principles of local taxation:

Principle 1: Local taxation should be fair and easy to understand.

Principle 2: Local taxation should be administratively efficient and difficult to avoid.

Principle 3: Local taxation should have regard to the ability and buoyancy of the underlying tax base.

Principle 4: Local taxation should be determined locally in order to establish and maintain democratic accountability. This includes the local setting of rates.

Principle 5: Local government should have the discretion to determine whether rates and reliefs are set nationally or locally.

Principle 6: Local taxation should allow for local flexibility, empowering local authorities to raise local funding for local priorities. Specifically, individual local authorities should be empowered to introduce local taxes at their discretion to raise additional resource.

Argyll and Bute Council believes that a property based local taxation system like Council Tax is the best and fairest form of local taxation in Scotland. Fundamentally the current system, with some updating and refinement, is considered effective and fit for purpose. It is a hybrid tax which takes account of both property value (a wealth tax) and personal circumstances, recognising ability to pay.

A wholesale revaluation is required, with a regular revaluation cycle introduced thereafter. This will address many of the issues the current system faces in terms of fairness. The ethos of fairness in property taxation exists by the establishment of a single point in time at which all valuations are set. Any other arrangement such as partial or automatic revaluation would not achieve this. A wholesale revaluation is considered to be the best option for ensuring credibility and integrity in the system in order to improve fairness and ease of understanding. An initial revaluation should be followed by regular revaluations thereafter. These would encourage a better understanding of the value of a property and would lead to more stability in the longer term.

A wholesale revaluation would also enable the introduction of more bands and a restructuring of the bands. The structure of the bands should be re-examined at each revaluation cycle. An extension of the bands at both the lower and upper ends would improve the fairness and integrity of the council tax system. Currently the tax liability of a Band A property is one third of that of a Band H property whereas the property value was only one tenth at 1991 prices. The non-linear nature of the multiplier makes the council tax a greater burden on households with lower property values. An extension of the bands would result in a redistribution of the tax burden with those in higher valued properties paying more and those in the lowest valued properties paying less. Since many of the households in the lowest bands received either full or partial council tax reduction, it could also translate into reduced costs for the Council Tax Reduction Scheme (CTRS). CTRS was devolved to Scotland with a 10% funding reduction from the previous cost administered by DWP and the shortfall is funded jointly by local authorities and the Scottish Government.

We are aware that modelling work has been undertaken to determine the impact of a rebanding exercise. The model was developed in one council area and then tested in 3 others. This initial modelling highlighted that:

- It is difficult to add on extra bands without restructuring the existing band widths.*
- The outcome and impact of the extension and rebanding is dependent on the number and width of bands chosen.*
- The impact will vary between local authority areas depending on the number of properties councils have in each of the bands.*
- It may be the case that an initial survey would be required before setting the bands to determine the desired outcome and impact.*
- The impact on the tax base of individual authorities would also vary across the country and therefore there would need to be some form of equalisation with the settlement.*
- Transitional relief would need to be a consideration.*
- Any revaluation would require a legislative change.*

A revaluation would only require secondary legislation but any changes to the band widths or number would require primary legislation. The revaluation and rebanding could be more smoothly introduced if people know their proposed bands well in advance of the changes being effected through billing.

There is considerable scope to build in desired policy objectives when determining the number and width of bands. In terms of improving the integrity of the system, revaluation and rebanding have been looked at on an income neutral basis so that the same amount of council tax is raised overall, but with the tax burden distributed differently between households. There would be scope to do this on an income generation basis should that be the desired result. This could also be looked at in terms of covering the costs of the system alongside raising additional revenue for local government to spend on services. A greater proportion of income generated through the council tax would also improve the balance of funding between that which is locally raised and the amount provided centrally by government.

Council Tax collection levels are generally high. The majority of council tax arrears occur with properties in bands A and B. It can be difficult to recover Council Tax arrears from taxpayers in these bands especially if they are in receipt of full CTRS but need to pay water and sewerage. In Northern Ireland, the landlord rather than the tenant is liable for domestic rates on properties with a capital value of under £150,000. This improves the recoverability of the charge and a similar provision could be considered for Scotland.

3. LOCAL PRIORITIES

How well do you think that communities' local priorities are accounted for in the way that local taxation operates at the moment? If there is room for improvement, how should things change?

Do you have any ideas or examples about how this could improve people's lives?

The Council believes that local taxation should allow for local flexibility empowering local authorities to raise local funding for local priorities. Specifically, individual local authorities should be empowered to introduce local taxes, at their discretion, to raise additional resource. Individual local authorities should have discretion over the rate and discount and relief arrangements for any such taxes.

The Power to Advance Wellbeing is contained in The Local Government in Scotland Act 2003 and allows a local authority to impose a charge, so long as it is reasonable, in return for services provided. However it does not enable a local authority to raise tax. Section 22(7) specifically prohibits local authorities from levying any tax other than council tax. In order for local authorities to raise discretionary taxes, this section would need to be repealed or amended.

In this context, it is important to note the differences between taxes and charges. A charge is a fee, toll or other type of assessment in exchange for particular goods, services, or use of property. These are generally not considered taxes, as long as they are levied as payment for a direct benefit to the individual who is paying. It is clear therefore that local authorities have several avenues under which they can levy charges. However, this call for evidence is specifically concerned with the ability of local authorities to raise taxes. In practical terms, a tax offers local authorities more discretion than a charge with regard to how it is levied and there need not be a direct link between the revenue raised and how it is spent. Taxation is therefore a more empowering financial lever for local government.

The Council considers that Scottish local authorities should have the power to raise discretionary local taxes to spend on local projects and priorities or to use as deterrant to stop aspects of local behaviour. There are some examples of specific local discretionary taxes from Europe, in particular the concept of a tourist tax. A number of European countries have a tourist tax in place. In each instance there exists a specific piece of legislation enabling the tax to be levied.

Scottish local authorities should be able to levy a local tax without having to ask permission from Scottish Government. Ultimately this would be a political decision taken by elected members locally.

Any local discretionary tax levied should be entirely additional to other forms of taxation. There should be no limit to the number of local taxes that could be levied either at the same time or over a period of time. There

should also be no limitations on what local authorities choose to do with the revenue raised from a local discretionary tax. Unlike revenue raised via a charge, tax revenue does not require to be spent in a prescribed way that is directly related to what is being taxed. Therefore a tax being levied to address a specific local issue could be used as a deterrent to a type of behaviour, or to raise funds for a specific project, or other local need.

The rate of tax would be decided and set at local level. Accordingly, the local authority would also be able to set any related discounts and reliefs. For local discretionary taxation to be a tool of empowerment for local government, they must have complete ownership of the tax. Given this complete ownership, local authorities would choose the area over which a tax was levied, be that the whole area or a defined area, adding another level of local control and affording them the flexibility to target or protect certain groups within their local boundary.

The discretionary tax should be administratively efficient and be difficult to avoid. When imposing and collecting a tax, local government needs to be mindful about the sanctions in place for those who chose not to pay. A key part of the definition of a tax is that failure to pay is punishable by law. There must therefore be a legal framework which ensures that people pay, written into the corresponding legislation.

The administration and collection of local discretionary taxes would obviously have an associated cost. This would be taken into consideration whenever a local discretionary tax was being considered. Councils already deal with the collection of a number of revenue streams such as council tax, water and sewerage charges and non-domestic rates. They have a good track record for high level collection rates for these areas and already have the knowledge and ability to collect levies.

On this basis, it is recommended that:

- Individual Local Authorities have the discretion to raise additional income by levying a tax, in addition to Council Tax and Non-Domestic Rates, on either residents, occupants, property owners, or visitors in the Local Authority or within a discrete area of the Local Authority;*
- The power will enable Local Authorities to introduce tax(es) without the need to seek approval from Scottish Government;*
- The rates and reliefs will be determined locally;*
- The Local Authority will be granted powers to ensure that those on which the tax is levied have a legal obligation to pay;*
- The Local Authority has the discretion to determine how the additional revenue is expended.*

4. FURTHER INFORMATION

We would like to keep the conversation going. Please tell us about any events, networks or other ways in which we could help achieve this.

Engagement with local authorities through CoSLA should continue and involve the Scottish branch of the Institute of Revenues Rating and Valuation. Events for members, officers and the Scottish Government would be of benefit. This has successfully been carried out in the past in terms of the changes in respect of the Council Tax Reduction Scheme and the Scottish Welfare Fund.

Thank you for your submission. If you have any queries about the Call for Evidence please contact us at:

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email: info@localtaxcommission.scot
twitter: [@localtaxscot](https://twitter.com/localtaxscot)

ADDITIONAL OPTIONAL INFORMATION IF YOU ARE RESPONDING AS AN INDIVIDUAL

You do not have to provide this information but if you do it will help us build up a picture of the responses that we are receiving. All information that you provide will be used anonymously and will remain strictly confidential. It will not be made available to any other third party.

Are you male or female? Male Female Prefer Not to Say

What was your age at your last birthday? Please select your age

Do you have a physical or mental condition lasting or expected to last 12 months or more? Yes No Prefer Not to Say

Which of the following best describes you? Please select an option
Other

What kind of household do you live in? Please select an option

What is your household's total income from all sources over the last 12 months? *Please select one answer only*
Per week Per Year

Do you own your home, or rent it? Please select an option

If you know it, please tell us the Council Tax Band of this accommodation. Please select an option

What is your ethnic group? Choose one section from A to F, then check one box which best describes your ethnic background or group.

A WHITE

- Scottish
- Other British
- Irish
- Gypsy / Traveller
- Polish
- Other

B MIXED OR MULTIPLE

- Any mixed or multiple ethnic groups (please specify)

C ASIAN, ASIAN SCOTTISH OR ASIAN BRITISH

- Pakistani, Pakistani Scottish, Pakistani British
- Indian, Indian Scottish, Indian British
- Bangladeshi, Bangladeshi Scottish, Bangladeshi British
- Chinese, Chinese Scottish, Chinese English
- Other

D AFRICAN

- African, African Scottish, African British
- Other

E CARIBBEAN OR BLACK

- Caribbean, Caribbean Scottish or Caribbean English
- Black, Black Scottish or Black English
- Other

F OTHER ETHNIC ORIGIN

- Arab, Arab Scottish or Arab English
- Other

This document is available, on request, in easy to read, audio and large print formats, and in community languages. Please contact:

Aby otrzymać niniejszy dokument w innej wersji językowej, na kasecie lub w wersji z powiększonym drukiem, prosimy o kontakt:

اس دستاویز کی مزید کاپیاں آڈیو کیسٹ پر اور بڑے حروف کی چھپائی میں اور کیوٹی کی زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتے پر رابطہ کریں:

এই ডকুমেন্ট-এর (দলিল) অভিন্নতা কপি, অডিও এবং বড় ছাপার আকারে এবং সম্প্রদায়ের ভাষায় অনুরোধের মাধ্যমে পাওয়া যাবে, অনুগ্রহ করে যোগাযোগ করুন:

Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànan coimhearsnachd. Cuir fios gu:

इस दस्तावेज़/कागज़ात की और प्रतियाँ, माँगे जाने पर, ऑडियो टेप पर और बड़े अक्षरों में तथा कम्यूनिटी भाषाओं में मिल सकती हैं, कृपया संपर्क करें:

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ 'ਤੇ, ਅੱਡਿਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

此文件有更多備份，如果需要，語音版本和太字體版本及少數種族語言版本也可提供，請聯絡：

يمكن أن تطلب النسخ الأخرى من هذا المستند كالتسجيل الصوتي والخط الكبير ونسخ بلغات أخرى، يرجى الإتصال على:

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