

Dear Sir,

I have worked in Scottish local government and with council tax for approximately ten years. This has included substantial involvement in Council Tax training and process and policy development at a large Council. However, all views expressed in this submission are personal ones.

In summary, this submission argues for retaining the Council Tax but reforming it to make it simpler and more progressive. The result would be a fairer tax which would be cheaper to administer and easier to collect.

There are strong arguments in favour of retaining property or land based taxation: It is much harder to avoid than income tax (you can't easily move property to a tax haven) It is an easy way of implementing something close to a wealth or mansion tax

I disagree with those who argue for a local income tax. Taxation should be kept board based, including income, consumption and assets. Council Tax can provide an effective means of taxing assets.

There is also a strong argument, in terms of local accountability, for keeping collection of at least some of a Council's income local. UK and Scottish government is already overly centralised by international standards. In addition, successful councils are able to collect approximately 95% of council tax due, in year. There is a risk in moving to something more radical that collection would be less effective and therefore rates for the law abiding would need consequently to be higher.

However, the Council Tax is extremely complex, and has become more so over the years as more amendments and exceptions have been made to the legislation. There is much scope for simplification. Do we need so many different exemptions and discounts, particularly when uptake outside the three or four most common ones is very low?

It is true that if you did this, there would be losers so it becomes politically more tricky – a big reason for complexity is the various exceptions added to cater for various different interest groups. However simplification could allow for lower rates overall and when coupled with a more progressive system, this could address such concerns.

The empty property rules are particularly complex. What defines furnished? How do you prove a second home is occupied for 25 days a year? (A question which makes it more or less impossible to levy surcharges on long term empty properties). Are the works being done on the property "major structural works"? In addition, the previous owner's exemptions can affect the next owner's, which leads to added confusion and administrative burden.

There is a strong case that the liable person should in all cases be the owner. At present, residency normally takes precedence. As it is almost always very simple to establish ownership, the cost of collection would be much lower. In addition, it would make the tax basically impossible to avoid. (It would remove the issue of having to find long gone tenants and recover money from them). Major arrears could in almost all cases easily be collected when the owner comes to sell. This would not be popular with landlords as effectively the cost of collection would be passed on to them. However, they could easily build that into leases. It might depress the buy to let market, but that would be good news for home buyers. It would be necessary to consider how this affected rates of Housing Benefit and Universal Credit. However, it would have an added benefit of reducing the administrative cost of Council Tax Benefit as well as that of Council Tax.

An additional administrative complexity is introduced by the fact that there is no time limit on claiming discounts. A person could today claim a single discount back to 1993. This would be complicated to assess. There are limits on how far back you can claim overpaid income tax (7 years). There should also be limits for Council Tax. I would recommend 2 years.

The current situation where charges are based on property values from the early 1990s is untenable. It creates added administrative complexity in actually valuing property. The valuation board must determine what the property would have been worth more than 20 years ago. This introduces absurdities such as what happens for newly built properties or for areas that are greatly improved where some people effectively get a council tax free ride. It is also confusing for customers as the bands are based on those values: good luck finding a property in Edinburgh for under £27,000 (band A). Due to political cowardice, revaluation has been put off and off, but it has been done in Wales and the world did not end. Regular automatic revaluation (every few years) must be built into any replacement in such a way that this situation doesn't arise again. Banding would need to be adjusted at the same time (otherwise everyone would end up in the top few bands).

However, banding should be reviewed more thoroughly than this. The current system is not progressive enough. I.e. for a band A property in Edinburgh, Council Tax is approximately £800/yr, whereas at the top a band H property is approximately £2,400/yr, effectively a 3 fold increase from a bottom band property to a top band. However, in real terms this could mean a 3 fold increase when the difference in value of the properties could be as much as 100 fold. The tax is therefore not very progressive. Many political parties support some form of wealth or mansion tax. The easiest way to implement such a tax would be to increase the number of bands and make the charge much more progressive at the top end. This could either enable more revenue raising to offset austerity or be used to reduce the charges for lower banded properties or, say, for social housing.

In short, Council Tax should continue, but it should (and easily can) be made simpler and fairer.