



The Commission on Local Tax Reform

Evidence Statement from the Centre for Scottish Public Policy [The CSPP]

The Centre of Scottish Public Policy [cspp.org.uk] is an independent public policy think tank . Our unique voice stems from our cross party and no-party approach, as well as our membership base which includes individuals, trusts, public, private and voluntary organisations. We are a not for profit guarantee company .

This submission is made on behalf of the CSPP by Professor Richard Kerley, Chair of the Centre [see below].

In terms of your evidence categorisation criteria :

- We are a Third Sector organisation ;
- We are agreed that our response and web site address can be made public;
- We have in our membership and amongst supporters people living in various parts of Scotland ; the largest number are located in the Central Belt.

The Commission

We are delighted that the Scottish Government and CoSLA have collaborated to create the Commission on Local Tax Reform [CLTR] and regret that one of the parties represented in the Scottish Parliament has chosen to absent itself from the discussions and debate .

We are encouraged by the creation of the CLTR as this matter has in the past proved more often to be a matter for political evasion rather than serious and considered debate [and possible legitimate disagreement]. We therefore hope that the work you put in to this , and the evidence you have submitted to you, is treated appropriately by all parties in the Parliament .

We hope the output of this Commission will not be dismissed in the manner the very substantial work and the serious conclusions of the Burt Committee were by *both* the largest parties represented at Holyrood in 2007.

Our views

We cover a range of matters here , and have not confined our comments to just a consideration of the approximately 18-20% of council income that is covered by the council tax. We also urge the Commission to look wider than simply that £2Bn envelope .

A major theme of the work of the CSPP and a statement we often use is to stress the importance of ‘people and place ‘.

There are clearly many ways of interpreting this phrase, but central to this theme is that for us, great emphasis should be given to people determining what is, in their views, appropriate for their place – whether that place is the UK, Scotland, a given council area, or a community within that council area. Of course all of that has to be set in the context of shared rights, and the responsibilities we believe we all share to ensure equitable and appropriate treatment of all peoples regardless of what place they live in.

1] For us that is an argument for a default assumption that specific competences and decisions – e.g. on local tax levels, should be made as locally as possible. Local government data already shows an assessment of Scotland wide per capita spend [excluding the Islands] that ranges between a little over £2000 to a little over £3000. Such a variation on spend should logically be matched by a variation of local tax raising.

This is why we consider the current system of council tax, limited by the current ‘freeze’, which will have been in place for 8 years by the next election, to be a flawed system.

The standstill on council tax levels is regressive, not providing material advantage to the lowest income households, and also infantilises local authorities and those who elect them by denying them options of specifically increasing local taxes to support proposed initiatives and expenditure.

We therefore urge the Commission to recommend that any such central control of Scotland wide local taxes be ended and not re-introduced.

2] It seems very limiting for the review to confine itself only to Council Tax [CT], particularly when the Chancellor in England has initiated a review of NDR [Non Domestic Rates]. Previous Scottish governments have followed NDR policies from England closely, and there are clear reference points here for the many multi-site businesses that operate across the UK; if this is not reviewed in Scotland there is a clear risk of the government being caught on the hop by an announcement in England [and Wales?].

We would urge the government to review NDR reach by ending agricultural and rural estate de-rating along with the de-rating for various other subjects that are category exempt from NDR.

We would also urge the government to re-localise NDR and enable councils to make choices on NDR that they consider appropriate to their areas, with a legislative requirement to consult with all representative local business organisations on proposed budget changes that impact on NDR. We consider that all councils are now far more conscious of the impact of charges and taxes on local businesses and other organisations than they were some years ago.

If such relocalisation of NDR were to happen then both CT and NDR, along with local fees and charges, would approximate to some 60% of local council spend and echo the kind of revenue raising financial balance *likely* to emerge from the current Scotland Bill.

3] Aspects of the Council Tax itself are flawed: this partly arises from the artificially created multipliers built into the original scheme; the failure to revalue since 1991; and the constrained banding. It also arises from the hybrid nature of the tax: it is partially a charge for services [hence the discount for 2nd homes and the reduction for solo occupancy]; partially a property tax; and partially income contingent [the rebate scheme].

We do favour a form of tax that relates to property . Property is the most substantial real asset most people own or enjoy and it would seem odd to have no tax on it at all.

In the longer term we think there is a lot to be said for land value taxation. LVT could help produce a more rational approach to land ownership and use in Scotland and it would contribute to the broad sustainable development aims already set out in discussions land reform in Scotland.

That may be too ambitious for any agreement now , although if there is as collective consensus on this then we would encourage a clear statement that we wish to move toward that.

However , in the meantime various changes could be made to CT .

For instance:

- Revaluation in the near future – and the creation of a formalised mandatory quinquennial review of domestic subject values to prevent future governments avoiding this sensible necessity .
- The extension of bands above H , and the precise number of bands, would depend upon the nature of the revaluation . we consider that perhaps 3 further bands are appropriate . At the top end , while there may be little popular sympathy for people owning properties valued in excess of, say £1M, it would be equally as inequitable to lump them in with £5M + properties as it currently is to cap values at an adjusted historic £212k figure.
- Alternatively , CT could take the form of domestic property taxation based on capital values and annual percentage levies [as recommended in the Burt Report].
- In either case we would also urge:
- The removal of the single person discount; this could be phased out over time , allowing say a transition period of 5 years for current single household occupants and a 3 year horizon for movement into other properties by single person households .
- The removal of discount for 2nd homes . Under- occupancy and rural housing shortages are a socially damaging linked phenomenon that would be positively influenced by such changes .
- Revaluation and therefore possible re-banding of improved or extended properties should be triggered on issue of a completion certificate for building works, not – as at present – on future resale .Particularly in the period since 2008 – according to press reports and trade reports – there is a large backlog of extended properties that may not yet have been re-sold and hence revalued .

4] We also recommend a programme of public education and reference to experience in , say Wales , in relation to any suggested changes in banding and valuation . There appears to be a broadly held view that both banding and revaluation equate to a massive increase in local taxation and the Welsh experience has shown that this is not the case .

5] We recommend the committee also consider alternative forms of taxation that might be available to different councils to determine locally both within council areas and as between different parts of council areas. . Specifically this would relate to ‘Tourist Taxes ‘ and ‘ Workplace Parking Taxes ‘ .

- A study of hotel charges in Edinburgh over 3 years suggests that hotel overnight rates can vary [upward] by as much as 400-500% in peak periods [festivals; Hogmanay ; sporting events]. A per room , per night charge of , say 1% would generate revenues that could specifically be directed to visitor activities / public costs. It may well be that some councils might want to introduce such charges in part of their

areas , but not all ; and at different time of year , but not all . Legislation could enable local discretionary choice on this .

- Street and off – street parking in many town and city centres is both limited and charged . Such public good behavioural charges do not apply to work place parking; although increasing numbers of employers do charge staff for parking access. Legacy parking volumes also disadvantage new developments where planning permissions always allow for much less parking space than typically was made available for older developments . Introducing the powers for councils to levy taxes on workplace parking would both be revenue generative and contribute to other social benefits .
- Similar powers for off-centre retail locations would also be socially beneficial .

CSPP
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