

Commission on Local Taxation

David Magor OBE IRRV
Chief Executive
Institute of Revenues Rating and
Valuation

Commission Remit

To identify and examine alternatives that would deliver a fairer system of local taxation to support the funding of services delivered by local government. In doing so, the Commission will consider:

- The impacts on individuals, households and inequalities in income and wealth;
- The wider macro-economic, demographic and fiscal impacts, including housing market and land use;
- The administrative and collection arrangements that apply, including the costs of transition and subsequent operation;
- Potential timetables for transition, with due regard to the 2017 Local Government elections.
- The impacts on supporting local democracy, including on the financial accountability and autonomy of Local Government;
- The revenue raising capacity of the alternatives at both local authority and national levels.

All alternative systems to be within scope - for example, the recommendation of the Land Reform Review Group to consider the merits of a Land Value Tax.

Commission Remit

- The Commission is not tasked with considering alternatives to non-domestic rates - it would not be realistic to task a commission with examining alternative tax systems for both residential and business in the time frame set
- The Commission is not tasked with fulfilling the recommendation of the Commission on Strengthening Local Democracy for a fundamental review of structure, boundaries, functions and democratic arrangements for local governance;
- The Commission is not tasked with considering other issues around Local Government finance more widely or the balance of powers between central and local government – rather it is about identifying an alternative to the present Council Tax system that can be used under either the present relationship between central and local government or a different one.

The Development of Land and Property Taxes

Principles of Local Taxation

- Should be related to the ability to pay
- Should be easily understood
- Should be administratively efficient
- Should be difficult to evade and avoid
- Should be impartial
- Should be economically efficient
- Should benefit those who pay

Criteria for Local Taxation

- The choice of taxable subject
- Tax yield should be certain
- Fit local circumstances
- Local taxes should be a mix of stable and predictable sources such as property/land tax and alternative buoyant sources
- Local authorities should be accountable
- Administration and compliance costs should not be excessive

The Problem of Area Based Property Tax Systems

- Often relied on self declaration
- Incomplete registration of properties
- No relationship with the market value of the real estate being taxed
- Generated limited revenue
- The tax base was narrow and static

Moving to Ad Valorem Property Tax

- Linked with the improved registration of land and buildings
- A larger and more dynamic and buoyant tax base
- Market value based tax more likely to grow in relation with GDP
- A consistent measure of municipal credit worthiness

Land Value Taxation

- Few examples of land taxation studies in the UK
- The Vale of White Horse study
- The review of the Whitstable Study
- The Northern Ireland Study
- A number of challenges
 - Tax levels
 - Liable person
 - The basis of value
 - Highest and Best use

Features of the Valuation Element of Land and Property Taxes

- Choice of taxpayer
- Tax base and rate
- Governmental structure and administration
- Sources of management information
- Basis of valuation
- Valuation standards
- Taxpayer rights and appeal procedures

The Choice of Taxpayer

- The Owner

or

- The User
- Can be a Physical Person or a Legal Entity

The Owner as Taxpayer

- The usual choice if capital value is the base
- Needs a good cadastre or title register
- Easier to maintain and keep up to date
- Occupiers not so aware of the tax burden
- Easier to identify the taxpayer if there is a good cadastre

The User as Taxpayer

- Usual choice if rental value is the base
- Satisfactory choice even if capital value is the base
- Useful choice if cadastral records are incomplete or inaccurate
- More awareness of tax burden
- Can be more difficult to identify the taxpayer

The Tax Base and Rate

- What land or property is taxed?
- On what value base is the tax computed?
- Is property assessed at full value?
- What exemptions and concessions are provided?
- How is the rate of tax determined?

Use of Rental and Capital Values

- The need for a clear definition of value
- The need for accurate evidence of value
- Confidence in the registration of value transactions
- The choice of
 - Individual discreet values, or
 - Banded values
- Using values in automated models

Relief Schemes

- Circuit Breakers
 - Crude
 - By application
 - Financed by the tax base
- Rebate Schemes
 - More precise
 - Contribution from tax base
 - Sometimes linked to social security system
 - By application

Exemptions

- Generally fit local circumstances
- The “traditional” list, property or status based
 - Religion
 - Charities
 - Disability
 - Client groups
 - Government buildings
 - Historic monuments
- Weaken the tax base

Valuation

- Local or central
- Independent of the collection process
- Government run or privatised
- Influenced by International standards
- Sufficiently resourced
- Effective appeals system
- Growing use of technology

Collection

- Local or central
- Efficient and effective
- Government run or privatised
- Quality customer interface
- Sufficiently resourced
- Effective appeals system
- Growing use of technology
- “e” based

Enforcement

- Without effective enforcement the system fails
- Fit local circumstances
- Timely
- Accountability
- Penalties
- Sanctions fit local circumstances

Appeals

- Must be independent
- Properly resourced
- Must not be subordinated
- Accessible to all
- Good customer interface
- Transparent

Examples of National Systems

Domestic Property Tax Reform In Northern Ireland

Background to Valuation Process in Northern Ireland

- 700,000+ domestic properties
- Previous domestic revaluation – 1976
 - Rental values - NAV
 - No Community Charge / Poll Tax!
 - No Council Tax and No Banding!
- Reform of Rating was required
- Average bill - £600 pa with major inequities in distribution

Why Revalue Domestic Properties?

- To restore fairness.
- Revaluation in itself does not increase the take but redistributes it.
- Rateable values, NAVs, were based on late 1960s rental values.
- There were many anomalies and inequities in the distribution of the rating burden.

What Had To Be Valued

Detached	245,000
Semi Detached	170,000
Terrace	220,000
Apartments	65,000
TOTAL	700,000

Why Change Value Basis?

RENTAL VALUE

Restricted evidence and understanding of rental values.
More regressive than capital values.

CAPITAL VALUE

Widespread evidence and understanding of capital values.
More progressive than rental values.

The public consultation generally endorsed this position
therefore valuation to capital value was chosen

The Value of Land and Property

- Valuation is a function of :-
 - Economic
 - Legal
 - Physical, and
 - Locational factors
- Consequently access to :-
 - comprehensive
 - reliable
 - up-to-date transaction evidence
-is a prerequisite to property valuation
- Valuation techniques depend on the collection and analysis of relevant data
- ***It was obvious that Automated Valuation Models appropriate to the task***

The Challenge

- Procure and integrate CAMA system
- Provide market values for residential 704,685 properties at valuation date of 1 January 2005
- Meet international standards for assessment practice
- Meet legislated time limits for publication
- Explain, publish and handle the outcome!

What is an Automated Valuation Model (AVM)?

- “A mathematically based computer software program that produces an estimate of market value based on market analysis of location, market conditions, and real estate characteristics from information that was previously and separately collected. The distinguishing feature of an AVM is that it is a market appraisal produced through mathematical modelling.” (IAAO Standard on AVM, Section 2.1.1)
- “An AVM (Automated Valuation Model) calculates property valuations using a statistical model which computes large amounts of property data to generate an estimate of the market value for an individual property. A confidence level is also produced along with the valuation to indicate how accurate the valuation is.”

Application of AVMs

- AVMs are applicable to any property type for which **adequate market information** and **property data** are available in the relevant market area.
- Mass appraisers in the government sector have been using AVM since the early 1970's (notably in North America and Canada).
- AVMs are being used increasingly elsewhere in the world to support residential revaluations (for taxation purposes).
- The technology is now being embraced by lending institutions & other organisations, though mainly in the residential sector.

CAMA

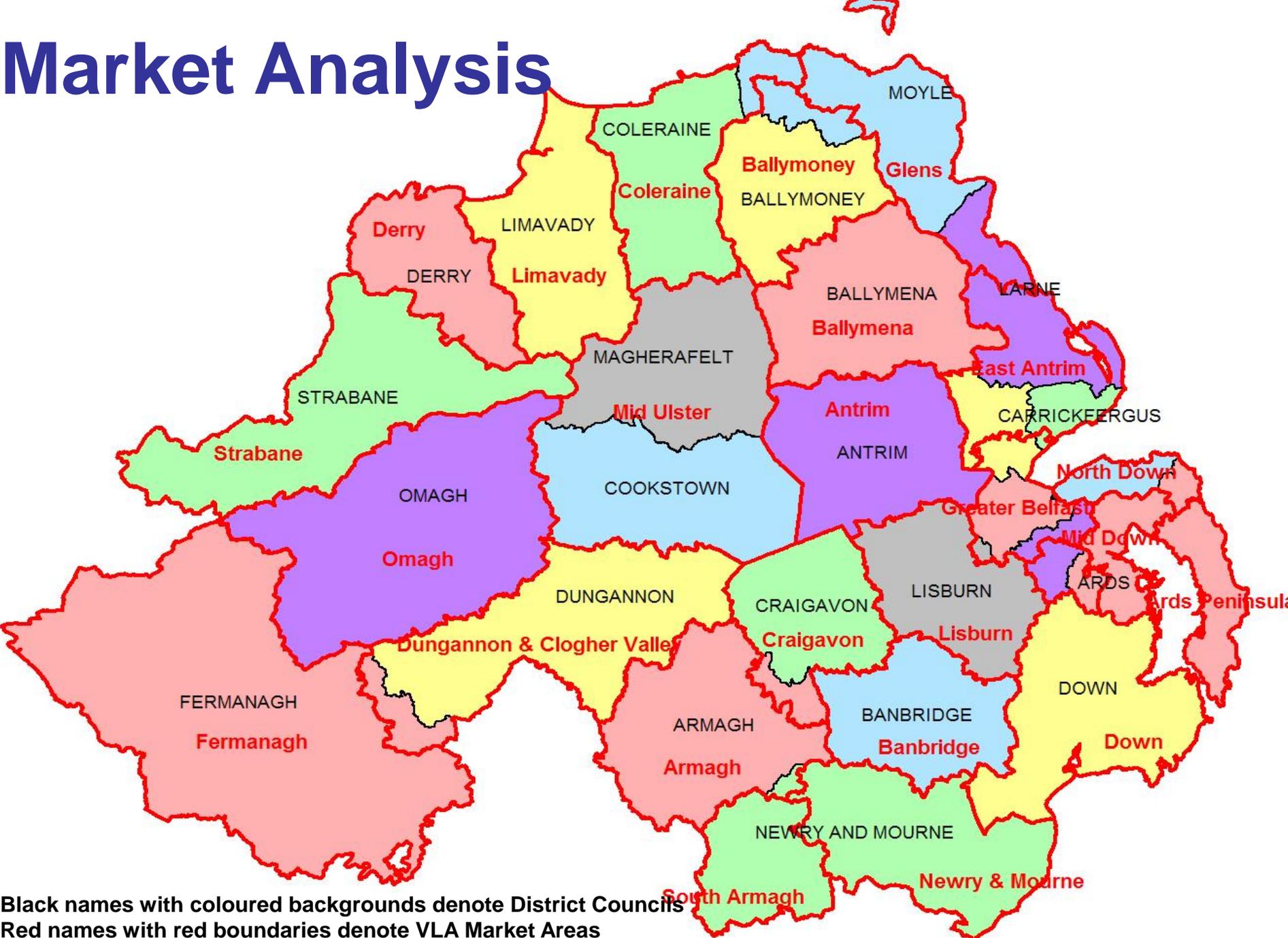
Computer Assisted Mass Appraisal

“A generic term for a system , incorporating an AVM or AVMs, used by government authorised organisations to perform mass evaluations of entire property classes within defined geographic areas at a particular date for public administration purposes”.

Data Preparation & Capacity Building

- Core System Replacement – based on Novalis Assessment Office – convert legacy data files to modern CAMA database and integrate CAMA module.
- Sales Inspection database and validate 2002 – 2005 sales
- Cleanse data for CAMA modeling
- Develop 25 market areas and then neighbourhood delineation
- Acquire Geo-codes
- Software acquisition & training

Market Analysis



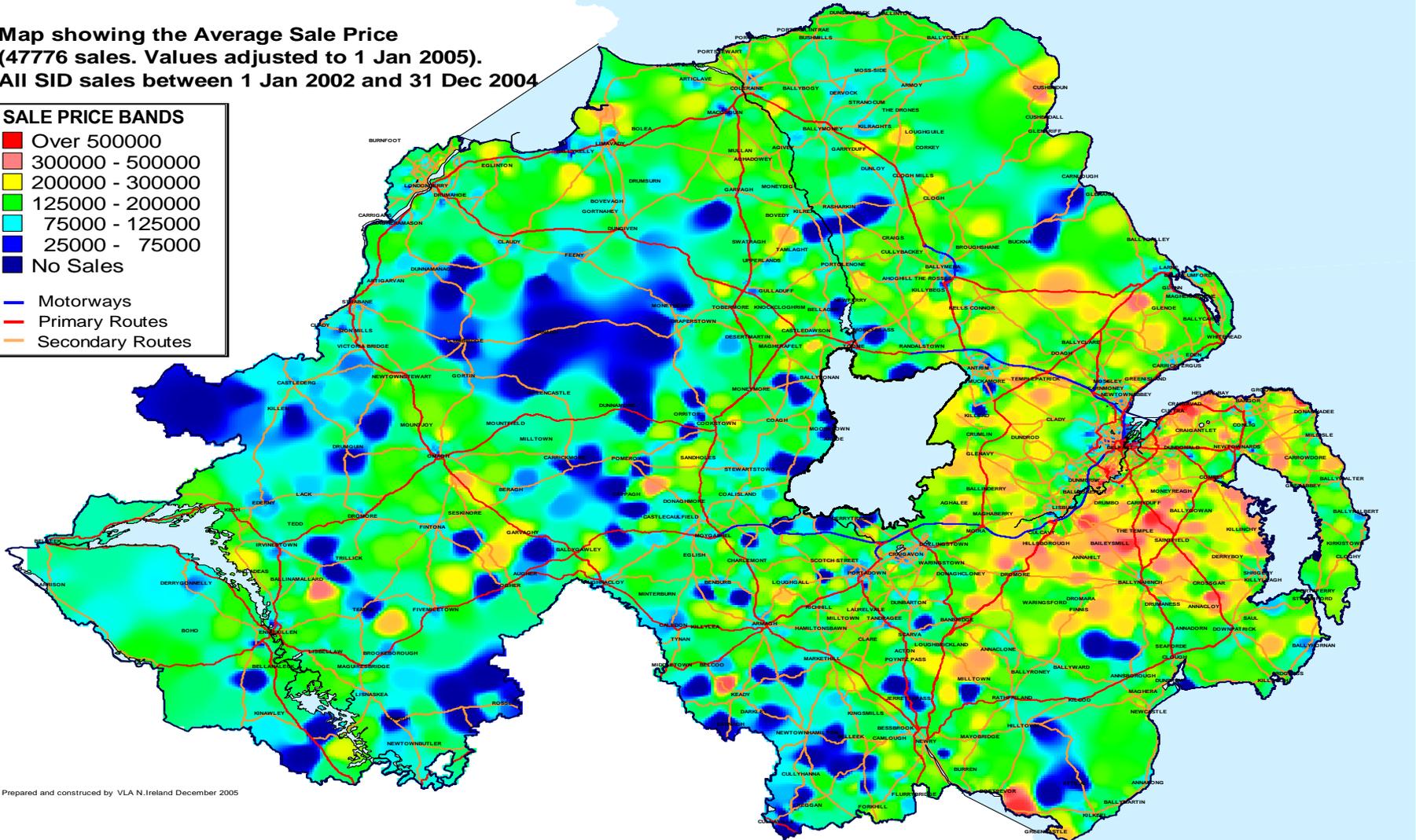
Black names with coloured backgrounds denote District Councils
Red names with red boundaries denote VLA Market Areas

Sales Information

Map showing the Average Sale Price (47776 sales. Values adjusted to 1 Jan 2005). All SID sales between 1 Jan 2002 and 31 Dec 2004

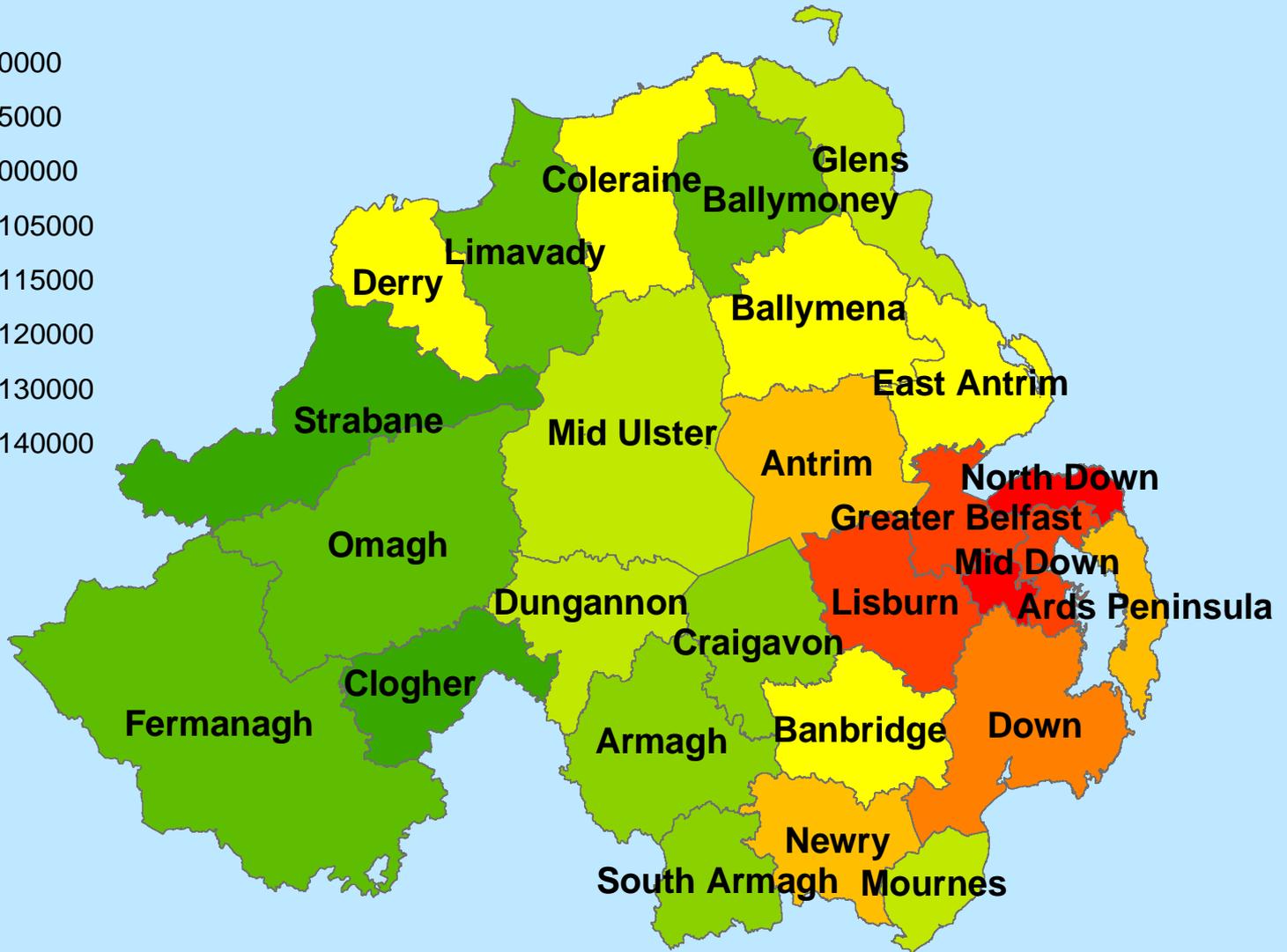
SALE PRICE BANDS

- Over 500000
 - 300000 - 500000
 - 200000 - 300000
 - 125000 - 200000
 - 75000 - 125000
 - 25000 - 75000
 - No Sales
- Motorways
— Primary Routes
— Secondary Routes

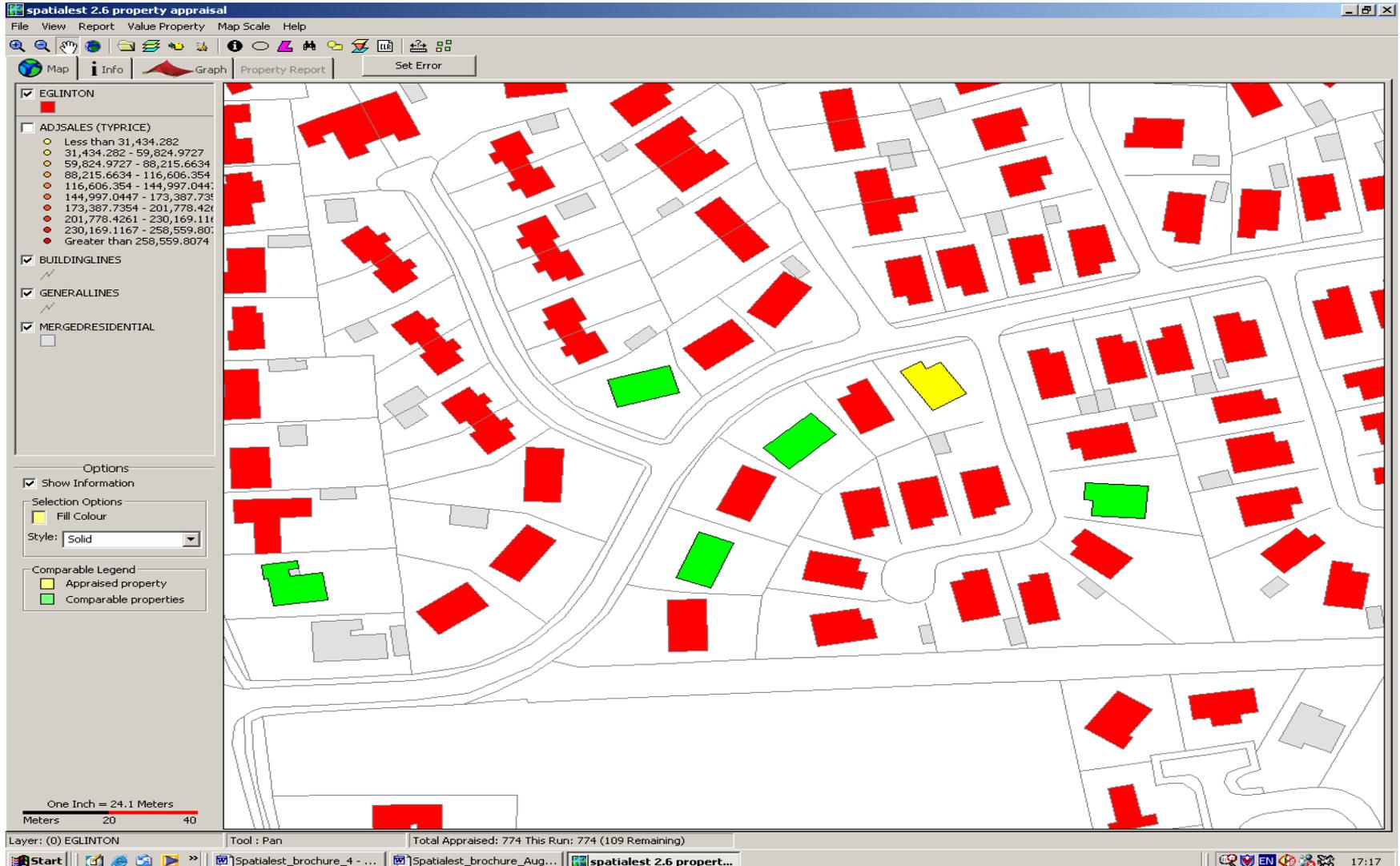


All_Market_Areas

Ave_Value



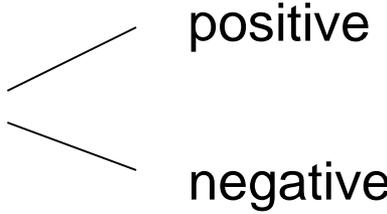
Use of GIS to Map Subjects and Comparative Sales Evidence

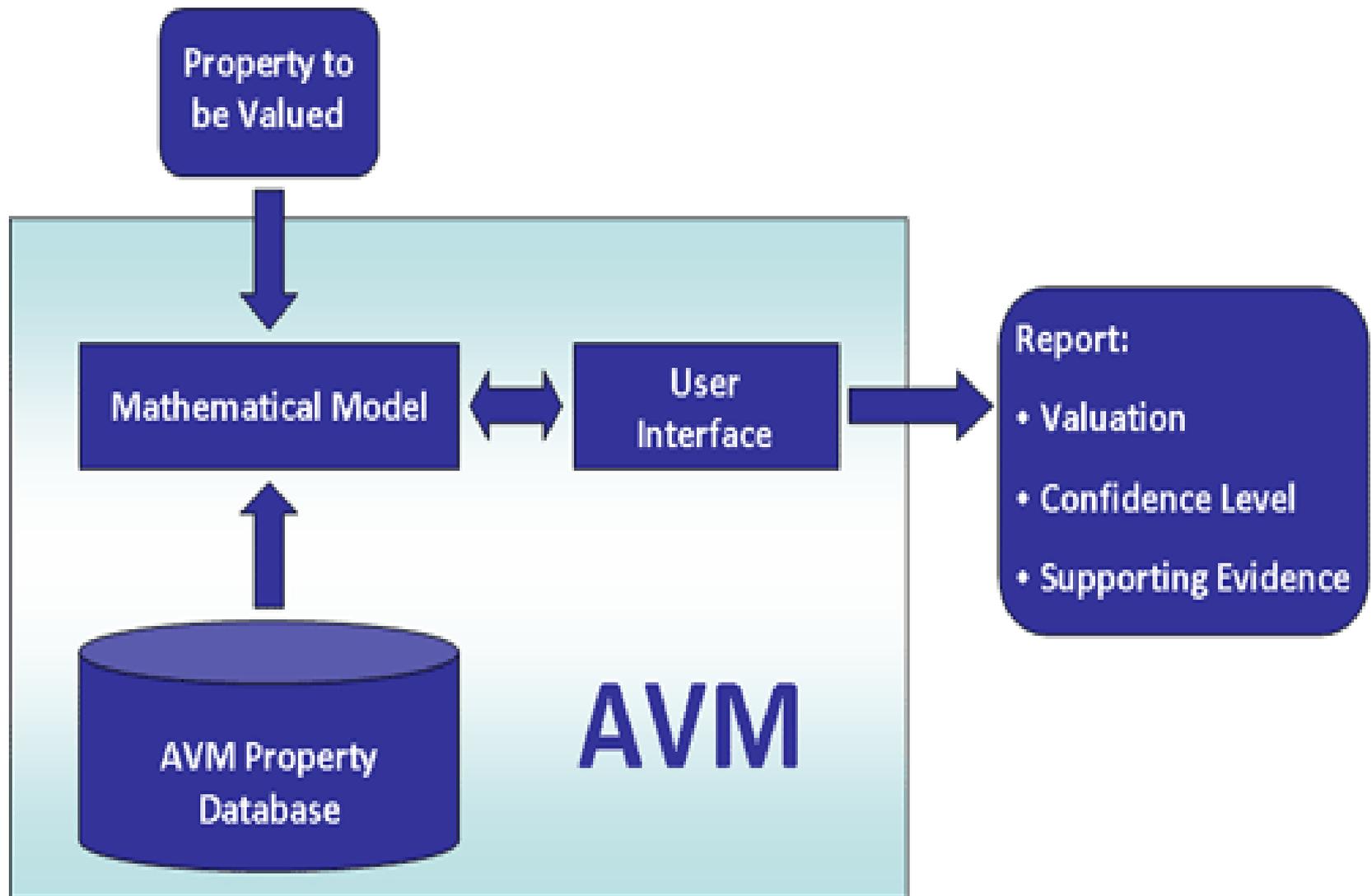


Database all Properties: Value Significant Attributes

- Location
- House Type
- Size – GEA m²
- Construction
- Year Built
- Bedrooms etc
- Heating
- Quality
- Repair
- Date Last Refurbished
- Access
- Outbuildings

Database Enhancement: Value Significant Attributes

- Site Characteristics 
 - positive
 - negative
- Actual External Repair
- Grade of Construction
- Neighbourhood – geo-codes



Viewing outlier property attributes

The screenshot shows the 'spatalest 3.3 property appraisal' software interface. The main window displays a map of a residential area with numerous red dots representing individual properties. A pop-up window titled 'SALES15' is open, showing a photograph of a two-story brick house and a table of its attributes.

SALES15 Attributes Table:

Attribute	Value
QUAL1	SQ
RESERFOR	0
SALEDAY	4
SALEMON	12
SALEYEAR	1998
SC1	0
SEWERAGE	MS
Shape	428
SITE	AV
STREET	SHEARWATER WAY
SUBCLASS	TER
TOWN	LONDONDERRY
TOWNLAND	

Additional interface elements include a menu bar (File, View, Report, Value Property, Map Scale, Help), a toolbar with various icons, a legend on the left with layers 'SALES15', 'BUILDINGLINES', and 'GENERALLINES', and a status bar at the bottom showing 'Layer: (0) SALES15' and 'Tool: Identify'.

Valuation Field Review

- Confidence Indicators
- Outliers: NAV – Capital Value Multiplier
- Review Flags
- Field Review
- Valuer Experience

Field Review Report 1

Value Review

Report 1 (Run 2)

(Review Flags 0-6)

10/03/2006 Page 1 of 17

Market Area:		Derry											Neighbourhood:		ROSSDOWNEY_ESTATES			
No.	C/S/T*	H/A/O*	H/G*	G/R/Sp/Sn*	Era	Multiplier*	NAV	MRA Estimate	£/m2*	Estimate	Flag	Prop ID	Change	Change Code				
Town: Londonderry		Street: Clooney Park West			Properties: 11		Mean £233182	Min: £150000	Max: £450000		(please circle)							
DET (7)		5-95% Range: £46763 - £497522																
9	111 / DET / HO	119 / 0 / 7	Full / MHS	B / AV / 0 / 0	3	735	£245	(£130,000)	£1,513	£180,000	<u>5</u>	418798	£ _____	1 2 3 4 5 6 7 8 9				
17	111 / DET / HO	159 / 0 / 11	Full / MHD	B / AV / 0 / 0	3	678	£355	(£165,000)	£1,509	£240,000	<u>4</u>	418800	£ _____	1 2 3 4 5 6 7 8 9				
19	111 / DET / HO	177 / 0 / 10	Full / MHS	C / AV / 0 / 0	3	520	£375	(£135,000)	£1,102	£195,000	<u>4</u>	418801	£ _____	1 2 3 4 5 6 7 8 9				
15	111 / DET / HO	178 / 0 / 4	Full / MHS	B / AV / 0 / 0	3	658	£385	(£165,000)	£1,348	£240,000	<u>4</u>	418799	£ _____	1 2 3 4 5 6 7 8 9				
23	121 / DET / HO	244 / 0 / 13	Full / MHS	D / AV / 0 / 0	3	378	£425	(£140,000)	£656	£160,000	<u>1</u>	911887	£ _____	1 2 3 4 5 6 7 8 9				
3	111 / DET / HO	371 / 117 / 0	Full / MHS	B / AV / 0 / 0	1	885	£520	(£320,000)	£1,213	£450,000	<u>3</u>	418793	£ _____	1 2 3 4 5 6 7 8 9				
1	111 / DET / HO	419 / 0 / 38	Full / MHD	B / AV / 0 / 0	1	880	£500	(£310,000)	£1,050	£440,000	<u>3</u>	418791	£ _____	1 2 3 4 5 6 7 8 9				
SDT (4)		5-95% Range: £139505 - £190495																
13	111 / SDT / HO	177 / 14 / 0	Full / MHS	B / AV / 0 / 0	2	541	£305	(£155,000)	£932	£165,000	<u>3</u>	418798	£ _____	1 2 3 4 5 6 7 8 9				
11	111 / SDT / HO	182 / 17 / 0	Full / MHD	B / AV / 0 / 0	2	552	£335	(£175,000)	£1,016	£185,000	<u>3</u>	418797	£ _____	1 2 3 4 5 6 7 8 9				
5	111 / SDT / HO	230 / 14 / 13	Full / MHS	B / AV / 0 / 0	2	441	£340	(£185,000)	£652	£150,000	<u>4</u>	418794	£ _____	1 2 3 4 5 6 7 8 9				
7	111 / SDT / HO	238 / 22 / 13	Full / MHS	B / AV / 0 / 0	2	484	£345	(£195,000)	£669	£160,000	<u>4</u>	418795	£ _____	1 2 3 4 5 6 7 8 9				
Town: Londonderry		Street: Curlew Way			Properties: 36		Mean £50569	Min: £48000	Max: £62500		(please circle)							
SDT (10)		5-95% Range: £41843 - £65457																
19	121 / SDT / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	383	£135	(£58,000)	£505	£49,000	1	418825	£ _____	1 2 3 4 5 6 7 8 9				
20	121 / SDT / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	383	£135	(£58,000)	£505	£49,000	1	418826	£ _____	1 2 3 4 5 6 7 8 9				
21	121 / SDT / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	383	£135	(£58,000)	£505	£49,000	1	418827	£ _____	1 2 3 4 5 6 7 8 9				
22	121 / SDT / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	383	£135	(£58,000)	£505	£49,000	1	418828	£ _____	1 2 3 4 5 6 7 8 9				
25	121 / SDT / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	383	£135	(£58,000)	£505	£49,000	1	418831	£ _____	1 2 3 4 5 6 7 8 9				
23	121 / SDT / HO	104 / 0 / 0	Full /	D / AV / 0 / 0	4	371	£140	(£50,000)	£500	£52,000	0	418829	£ _____	1 2 3 4 5 6 7 8 9				
24	121 / SDT / HO	104 / 0 / 0	Full /	D / AV / 0 / 0	4	371	£140	(£50,000)	£500	£52,000	0	418830	£ _____	1 2 3 4 5 6 7 8 9				
26	121 / SDT / HO	125 / 0 / 5	Full /	D / AV / 0 / 0	4	379	£165	(£87,500)	£500	£62,500	0	418832	£ _____	1 2 3 4 5 6 7 8 9				
35	121 / SDT / HO	130 / 0 / 5	Full /	D / AV / 0 / 0	4	388	£170	(£70,000)	£481	£62,500	0	418841	£ _____	1 2 3 4 5 6 7 8 9				
36	121 / SDT / HO	130 / 0 / 5	Full /	D / AV / 0 / 0	4	388	£170	(£70,000)	£481	£62,500	0	418842	£ _____	1 2 3 4 5 6 7 8 9				
TER (26)		5-95% Range: £47538 - £51231																
33	121 / TER / HO	97 / 0 / 6	Full /	D / AV / 0 / 0	4	358	£135	(£58,000)	£495	£48,000	1	418839	£ _____	1 2 3 4 5 6 7 8 9				

*C/S/T: Class / Subclass / Type *H/A/O: Hab. Space / Anc. Space / Outbuildings *H/G: Heating / Garage *G/R/Sp/Sn: Grade / Repair / SitePos / SiteNeg *Multiplier: Estimate / NAV *£/m2 Est: /Hab. Space Era: Year Built Range 1-5

Change Code Descriptions:

1. Data error for subject property
2. Data error for comparables
3. Unique feature(s) of subject property (e.g., large plot)
4. Unique feature(s) of comparable(s) (e.g., large plot) not shared by subject
5. Sale price of comparable(s) not representative of market value
6. Bestcom value(s) assigned to Comparable(s) not representative of market value
7. Other (including Permanent Easement Allowances)
8. Relativity
9. MRA Estimate selected

All estimates are at the AVD of 1st January 2005. Values are on the basis of OMV assuming actual external repair and average internal fit-out and condition for a house of that age and character in that location. All development value is ignored. Valuers should review the estimates on the basis of the data used to value the property. Valuers must follow the Value Review guidelines as set out in GN 28. All values have been rounded in line with GN 17. All changes to estimates and data should be printed clearly in red ink. The original CAMA Estimate should be crossed out in red ink. Any second change to the red figures should be done in green ink.

Flag - a number in the range 0-6. Generally, the lower the value of the flag, the better the estimate.

A Prop ID that is underlined indicates that the Estimate lies outside the 5-95% range.

Value Review Report 2

Value Review Report 2 (Run 2) (Review Flags 3-6)

16/03/2006

Market Area: **Greater Belfast**

Neighbourhood:

STRANMILLIS

Page: 5,761

Subject Property

Prop ID 305643
11 Sharman Way
Belfast BT9 5FU

Class 111
Subclass DET
Type HO
Hab. Space 120
Anc. Space 0
Outbuildings 0
Heating Full
Garage MHS

Grade C
Repair AV
Site P/N 0/0
Era 5
NAV 260
Location SU
Storeys 2.0

Bedrooms 3
Heating Type OIL
Baths 1 Full - 0 Half
Multiplier 962
Flag 4
(MRA Estimate: £300,000)

Estimate: **£250,000**

Est £/m2 **£2,083**

Change: £

Comparisons



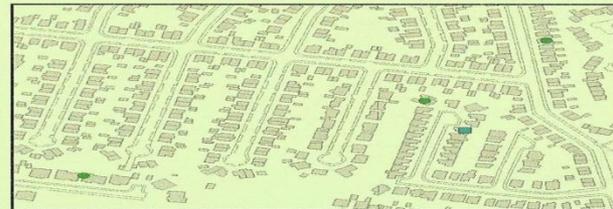
Prop ID 256510
Address 80 Sharman Road
BT9 5FX
FAdj Sale Price **£245,000**
FAdj SP £/m2 **£2,042**
Class 111
Subclass DET
Type HO
Hab. Space 115
Anc. Space 0
Outbuildings 0
Heating Full
Garage MHS
Grade C
Repair AV
Site P/N 0/0
Era 4
NAV@DoS 241
Location SU
Storeys 2.0
Bedrooms 3
Heating Type Oil
Baths 0 Full - 0 Half
Sale Price **£180,000**
Sale Date **12-Sep-02**
TAdj Sale Price **£231,326**
TAdj SP £/m2 **£2,012**

Prop ID 305580
Address 24 Sharman Way
BT9 5FU
FAdj Sale Price **£270,000**
FAdj SP £/m2 **£2,250**
Class 111
Subclass DET
Type HO
Hab. Space 201
Anc. Space 0
Outbuildings 0
Heating Full
Garage MHS
Grade C
Repair AV
Site P/N 0/0
Era 5
NAV@DoS 445
Location SU
Storeys 2.0
Bedrooms 7
Heating Type Oil
Baths 0 Full - 0 Half
Sale Price **£360,000**
Sale Date **1-Jan-05**
TAdj Sale Price **£360,000**
TAdj SP £/m2 **£1,791**

Prop ID 696247
Address 28 Knightsbridge
Manor
BT9 5ET
FAdj Sale Price **£340,000**
FAdj SP £/m2 **£2,833**
Class 111
Subclass DET
Type BU
Hab. Space 155
Anc. Space 0
Outbuildings 0
Heating Full
Garage MHS
Grade C
Repair AV
Site P/N 0/0
Era 5
NAV@DoS 385
Location SU
Storeys 1.0
Bedrooms 4
Heating Type Oil
Baths 0 Full - 0 Half
Sale Price **£425,000**
Sale Date **1-Jan-05**
TAdj Sale Price **£425,000**
TAdj SP £/m2 **£2,742**

MARKET COMPARISON MAP

The map at right shows the location of the subject property (blue square) and the comparisons (green circle). If a property is a comp for itself the green dot will be hidden below the blue dot.



Change Code (please circle)

1. Data error for subject property
2. Data error for comparables
3. Unique feature(s) of subject property (e.g., large plot)
4. Unique feature(s) of comparable(s) (e.g., large plot) not shared by subject
5. Sale price of comparable(s) not representative of market value
6. Beacon value(s) assigned to Comparable(s) not representative of market value
7. Other (including Permanent End Allowances)
8. Relativity
9. MRA Estimate selected

Additional Comments (if any)

Subject Reviewed By _____

Date: _____

Input To AO By _____

Date: _____

All estimates are at the AVD of 1st January 2005. Values are on the basis of OMV assuming actual external repair and average internal fit-out and condition for a house of that age and character in that location. All development value is ignored. Valuers should review the estimates on the basis of the data used to value the property. Valuers must follow the Value Review guidelines as set out in GN 28. All values have been rounded in line with GN 17. The FAdj Sale Price is the sale price of the comp if it was the same size, class, grade etc. as the Subject. It also includes the time adjustment to the AVD. The comparisons listed have been selected automatically by spatiales which compares the subject property to all available sales and beacons within a geographical area. Data inconsistencies can, in a minority of cases, cause obvious comparisons not to be selected. In such instances Valuers should not feel constrained by the listed comparisons but use their local knowledge of better comparisons to adjust the estimate. Beacons - a sale date of 1-Jan-05 indicates a beacon. All changes to estimates and data should be printed clearly in red ink. The original CAMA value should be crossed out in red ink. Any second change to the red figures should be done in green ink. Here - a number in the reverse of 6.

CAMA Value Review Report 2 (Review Flags 3-6)

15/11/2005

Market Area: Omagh

Neighbourhood:

BALLINAMULLAN

Page: 1

Subject Property

Prop ID 833579

1 Mullaghmore Cottages
Unavailable UNKNOWNEstimate: **£75000**

Change: £ _____

Class	121
Subclass	DET
Type	BU
Hab. Space	75
Anc. Space	0
Outbuildings	0
Heating	Full
Garage	

Grade	D
Repair	AV
Site Positive	0
Site Negative	0
NAV	140
Multiplier	536
£/m2	£1000
Flag	3

Bathrooms	1 Full - 0 Half
Heating Type	OIL
Bedrooms:	2
Storeys:	1.0
Era:	5

(MRA Estimate: £70318)

Comparisons



Adjusted Price **£95942**
358404
3 Winters Grove
Unavailable BT79 0EF

Class	111
Subclass	DET
Type	HO
Hab. Space	134

Ancillary Area	0
Outbuildings	0
Heating	Full
Garage	

Grade	C
Repair	AV
Site P/N	0/0
NAV	275

Estimate	£110000
£/m2	£821
Sale Price:	£86000
Sale Date:	19-Mar-04



Adjusted Price **£121837**
869107
1B Pinewood Avenue
Unavailable BT79 0DB

Class	111
Subclass	DET
Type	HO
Hab. Space	121

Ancillary Area	0
Outbuildings	0
Heating	Full
Garage	

Grade	C
Repair	AV
Site P/N	0/0
NAV	245

Estimate	£105000
£/m2	£868
Sale Price:	£90000
Sale Date:	26-Aug-03



Adjusted Price **£140829**
853694
4 Ballymalus Grove
Unavailable BT79 0FB

Class	111
Subclass	DET
Type	HO
Hab. Space	144

Ancillary Area	0
Outbuildings	0
Heating	Full
Garage	

Grade	C
Repair	AV
Site P/N	0/0
NAV	285

Estimate	£115000
£/m2	£799
Sale Price:	£107500
Sale Date:	7-Nov-03



Adjusted Price **£94918**
723229
52 Thornlea
Unavailable BT79 0EL

Class	111
Subclass	DET
Type	BU
Hab. Space	96

Ancillary Area	0
Outbuildings	0
Heating	Full
Garage	

Grade	C
Repair	AV
Site P/N	0/0
NAV	185

Estimate	£80000
£/m2	£833
Sale Price:	£73000
Sale Date:	6-Jan-03



Adjusted Price **£104507**
723795
46 Thornlea
Unavailable BT79 0EL

Class	111
Subclass	DET
Type	CH
Hab. Space	151

Ancillary Area	0
Outbuildings	0
Heating	Full
Garage	

Grade	C
Repair	AV
Site P/N	0/0
NAV	295

Estimate	£115000
£/m2	£762
Sale Price:	£79500
Sale Date:	19-Dec-02

Administrative Features

- One central administration organisation for valuation and collection
- Civil servants as opposed to local government officers
- Early decision on a valuation cap
- Needs and resources based rebate scheme supplemented by a top up scheme
- A range of exemptions and specific circumstance based reliefs

Administrative Features

- Generous schemes for collection by landlords based on discounts
- Discount for prompt payment in lump sum
- Otherwise paid by instalments
- Enforcement by a Government body, the Enforcement and Judgements Office
- Significant arrears in comparison with GB

The Low Income Rate Relief Scheme

- Rate Relief is a completely new scheme coming into effect in April 2007
- It is essentially an extension of the HB system (which already exempts 20%) but it is funded locally
- It applies only in Northern Ireland – there was no equivalent in GB

The Low Income Rate Relief Scheme

- Means tested
- Provides assistance to those most in need – in receipt of part housing benefit or just outside thresholds
- Costs around £4m per year
- Paid for by other ratepayers

Disabled Person's Allowance

- 25% reduction for people with substantial and permanent disability
- Applies where the house has special features to meet needs of disabled person
- This is not a 'vulnerable group' discount but a measure to ensure no disadvantage (by offsetting for extra accommodation or facilities)

Lone Pensioner Allowance

- 20% reduction for lone pensioners aged 70 or over
- Not means tested
- Identified as a particularly vulnerable group
- Designed to overcome issues of poor take up of housing benefit and rate relief
- ('Single person discount' under Council Tax)

Green Rebates

- Designed to encourage households to act in environmentally friendly ways
- Rebates for loft and cavity insulation
- Rates holiday for new low/zero carbon homes
- Introduce April 2010

Deferment

- Allow pensioners who own homes to defer payment until the house is sold
- Popular in other areas (N.America, Australia)
- Minimum equity levels to apply
- Introduce April 2010

The Maximum Cap

- £400k cap – all value above that is disregarded
- Introduced by local Ministers who did not want people in NI paying above the average for the highest CT band in England
- Helps small number at top end (around 5,000)

Special Cases

- Farmhouses get a discount
 - >farmers can't move
 - >protects those in high value areas
- Social rented sector standardised
 - >based on rent
 - >capital values inappropriate

Property Tax Reform in England

English Domestic Property Tax

- Background
- System prior to 1990
- Lack of re-valuations
- Major inflation
- Tax was in disrepute
- Not the fault of the tax - the fault of government

The English System - Residential

- Prior to 1990 was an occupier- based, annual rental value tax, known as “general rates” but
- Infrequent revaluations
- Evidence base for valuation weak
- 1990 replaced by the Community Charge (“Poll Tax”)
- 1993 - Poll Tax replaced by “Council Tax” in a very short timescale

The Council Tax

- Tax related to the ownership or occupation of property
- Hierarchy of liability
- Taxpayer can easily be identified
- Each property put in one of eight broad bands of value
- Task of valuation was carried out very quickly
- On going maintenance of valuation relatively simple

The Council Tax

- Tax is value-based - some element of ability to pay included
- Augmented by a sophisticated benefit system
- Discount for single person occupation
- Other circumstance based discounts
- Limited exemptions
- Council Tax came into force on 1 April 1993

Council Tax Bands

A	up to £40,000	67%
B	£40,001 - £52,000	78%
C	£52,001 - £68,000	89%
D	£68,001 - £88,000	100%
E	£88,001 - £120,000	122%
F	£120,001 - £160,000	144%
G	£160,001 - £320,000	167%
H	over £320,000	200%

Calculation of Amount Payable

- Rate of tax for band D
- 100% of the Council Tax rate
- Band A will pay 67%
- A property in B 78% and H 200%
- Liability ratio of three to one between top and bottom bands

Enforcement of Council Tax

- Attachment of earnings
- Taking Control of Goods
- Obtaining a lien and selling the property to satisfy the debt
- Making the taxpayer bankrupt (rarely used)
- Conduct and means investigation
- Imprisonment.

COUNCIL TAX REVALUATION IN WALES

Background

- Similar scheme to England, but
- There has been a revaluation, and
- An adjustment to the bands
- No increase or decrease in council tax yield for the Wales tax base
- Revaluation should not increase council tax
- Fairness to the taxpayer must be the key

Timetable

- Antecedent Valuation Date - 1st April 2003
- Final sales data October 2002 - March 2003
- Draft list September 2004
- V.O.A./W.A.G mail shot and media - October 2004
- Tax base calculation
- Valuation list issued January 2005

VALUATION BANDS

	1993	December 2002	April 2005
A	Up to £30,000	Up to £36,000	Up to £44,000
B	£ 30,001 - £ 39,000	£ 36,001 - £ 52,000	£ 44,001 - £ 65,000
C	£ 39,001 - £ 51,000	£ 52,001 - £ 73,000	£ 65,001 - £ 91,000
D	£ 51,001 - £ 66,000	£ 73,001 - £100,000	£ 91,001 - £123,000
E	£ 66,001 - £ 90,000	£100,001 - £135,000	£123,001 - £162,000
F	£ 90,001 - £120,000	£135,001 - £191,000	£162,001 - £223,000
G	£120,001 - £240,000	£191,001 - £286,000	£223,001 - £324,000
H	From £240,001	£286,001 - £400,000	£324,001 - £424,000
I		Over £400,001	Over £424,001

Impact of Revaluation

- Properties valued - 1,312,900
- Bands unchanged - 766,733 (58.4%)
- Bands reduced - 107,657 (8.2%)
- One band increase - 371,550 (28.3%)
- Two bands increase - 57,767 (4.4%)
- Three or more bands increase - 9,193 (0.7%)
- All Wales increase - 438,510 (33.4%)

Enquiries and Appeals

- Appeals received - 7,943 (1.8%)
- Appeals cleared - 179
- Enquiries received - 16,355
- Enquiries cleared - 6,118

Council Tax Base

- Variations range from -1.9% to 12.7%
- 20 authorities increase tax base
- 2 authorities reduce tax base
- All Wales tax base increases by 5.4%

Transition Scheme

- Three year protection
- Limited to properties experiencing two or more valuation band increases (5.1% qualify)
- No protection for second homes
- Protection for exempt properties
- No protection for post April composites
- Pensioner rebate

Collection Statistics

- 2005/6 - 96.6% collected, increase of 0.5% on 2004/5
- 2006/7 - 96.6% collected
- 2007/8 - 96.6% collected

Lessons Learnt

- Early liaison with statutory bodies
- Regular sales data essential
- Valuation band widths
- Simplicity
- Regular communication with taxpayers

Denmark

- Three yearly revaluations
- Land tax based on capital values
 - Unimproved land
 - Improvements to land
 - Not buildings
 - Not on business assets
- Service tax on capital values
 - Only on buildings
 - Not on business assets

USA and Canada

- Property tax on land and buildings
- State, Province and municipality level
- Includes unimproved land
- Includes improved land
- Includes buildings
- Based on capital value
- Frequent revaluations

The Baltic States

- Initially a pure land tax in all three countries
- Influenced by cadastre from communist days
- Use of technology supported by US Aid
- Annual revaluations
- Sophisticated and being extended to buildings
- Would be a useful study visit, particularly Lithuania

Australia

- Land tax at State level
 - Unimproved land
 - Generally annual revaluation but varies from state to state
 - Some self Assessment
- Rates at municipality level
 - Unimproved land
 - Buildings in some states
 - Regular revaluations

In Conclusion

- Local taxation must fit and meet local needs
- The yield from taxes must be adequate
- Where possible local taxation should be policy linked
- Certainty in the yield
- Acceptable to the public
- Easy to collect and difficult to evade and avoid