



The Commission on Local Tax Reform

1. The Historic Houses Association for Scotland (HHAS) represents around 250 individually owned historic castles, houses and gardens throughout Scotland. Of these, some 40 are regularly open to the public, with another 100 or so available for public access on a less frequent or formal basis: nearly 60 run educational programmes. Collectively, HHAS member properties make a major contribution to employment in Scotland, often in fragile rural economies with few alternative sources of jobs available and to the Scottish economy as a whole.
2. The bulk of Scotland's built heritage is in independent ownership which means that its future stewardship is secured for the benefit of Scotland and the Scottish people, not least as a key part of the nation's tourism offer, at little or no public expense.
3. Scotland's castles and historic houses are a major reason for overseas tourists to visit our country instead of the many other tourist destinations on offer around the world. The HHAS is delighted to be able to take part in attracting these overseas visitors. At the same time, however, HHAS is conscious of the equally important part it plays in conserving these assets for the Scottish people both now and for future generations. They are an integral part of our national life, conserving cultural treasures in their historical setting, telling stories of the families who have looked after them and those who care for them today, creating inspiring places for learning and providing spaces for people to come together and enjoy a shared history.
4. The HHAS vision, which it believes is shared by the Scottish Government, is for continued stewardship and creative management enabling our heritage to play a vital part in contributing to sustainable economic growth, building a low carbon economy and championing Scotland's rich heritage.
5. To allow historic houses to make a key contribution to Scotland's heritage, a sympathetic legislative and policy framework is necessary. As such, the HHAS would support the broad objectives of this consultation except where they are unclear, impractical or would not help achieve the objective of positive land management, stewardship of heritage and economic growth.
6. A strong and effective private ownership within a sector which encompasses diverse models of ownership, each operating to their own strengths, is the best form of ownership for Scotland's needs.
7. The HHAS response to this consultation has been developed in co-operation with Scottish Land and Estates, but it includes issues which relate specifically to historic houses rather than to land or estates.

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?

Local taxation should be transparently, comprehensibly and consistently applied and operational costs should be minimised. The costs in collecting Council Tax are low cost and there are high collection rates and little avoidance, with all sales being registered and available to the assessor and the asset obvious to all.

The current system has been in place for some time and there is an inherent risk with bringing in any new tax in place of Council Tax, because it would be untested and could present difficulties in introduction and collection. There is general public acceptance of Council Tax, while there could be a less positive reaction for a replacement tax.

In general, the Council Tax system is stable and enforceable and meets many of the tenets which a tax should meet.

The main current issues with the Council Tax are that:

- The appeals process can be difficult to understand and simplifying this procedure would be welcome, including a plain English guide. Appeals should be independent and there should be good interface with taxpayers.
- There are fewer comparable properties for valuation purposes when re-assessing in rural or less densely populated areas as opposed to urban housing estates.
- Basing the tax on 1991 sale levels is outdated and the absence of legislation for automatic revaluation politicises this issue.

We do not consider these insurmountable problems and review of the existing processes would be much preferable to establishing an entirely new tax, which would need to be fully assessed.

In terms of Council Tax banding, only 1% of dwellings are currently in H, the highest band. In any reform it is important that simplistic changes to bands are not made which simply penalise some, without consequent advantage in overall government revenue and potentially serious detriment to investment in historic properties and local investment more widely.

It is vital that any changes to local taxation do not undermine the benefits which Scotland derives from historic houses.

The public benefits provided by historic houses, whether in terms of people and communities or tourism and the wider economy, are dependent on the viability of these buildings. Nearly 70% of Scotland's HHA member houses open their doors to the public, whether through pay-at-the-gate visitors, special tours, or by hosting events. They stand at the heart of their local communities and

provide a focus for community life with 54% of HHA houses in Scotland supporting charitable and community events.

However, the conservation of listed buildings is an expensive business, as specialist labour and materials are needed to meet the standards of heritage regulation. Costs of conservation and compliance with regulation have risen faster than incomes and the backlog of urgent repairs at HHA houses in Scotland has increased by 125% since 2009, and now stands at more than £57m.

Should historic house businesses fail or be sold and then close, the effects on local employment and incomes will be multiplied, in fragile rural economies. The closure of Torosay Castle, on Mull, quickly led to the closure of the nearby tourist railway and ancillary shops

Any increase in Council Tax bands at the upper end could have the effect of draining historic houses of the funds desperately needed for their maintenance. If any such increase in bands was to take place there must be exemptions for historic houses providing public benefits. If a model for exemptions is required it could, for example, be based on those related to the Annual Tax on Enveloped Dwellings.

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?

The premise of the question is that alternatives to Council Tax will necessarily bring about improvements. In fact, Scottish Land & Estates believes that there could be serious detriment with some potential reforms which have been mooted.

As we indicated to the Land Reform Review Group we do not support Land Value Taxation, either as a replacement for or as an addition to Council Tax or Business Rates. Many land based business are already experiencing difficulties in this challenging economic climate, and any tax imposed on the value of the land could have negative implications for a number of industry sectors, including farming. Land Value Taxation, if an additional tax, could have the effect of driving weaker farmers out of business.

We are also opposed to a form of Local Income Taxation which would potentially pose a threat to inward investment in Scotland and prejudice Scotland's ability to attract major operations to Scotland, as a result of any income tax differential on higher paid staff. It would also be a tax on labour, and it should be noted that employment patterns can change swiftly which may consequently affect the strategic budgetary planning of local authorities. It would be highly volatile, for instance farm income dependent upon the weather, whereas Council's need a stable source of revenue. A tax on labour as opposed to property could also create an imbalance in the housing market affecting mobility and this would pose particular problems for rural areas. Local Income Taxation, as with Land Value Taxation would also presumably result in administrative costs in terms of implementation and indeed Local Income Tax may require further amendment to the Scotland Bill. Generally, local income tax is likely to be disproportionately expensive to administer compared to a property tax and issues of taxpayer confidentiality are even greater.

LOCAL PRIORITIES

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

Our members regularly engage with their local authorities and local councillors. As an organisation we have been heavily involved in the work of the Community Empowerment Scotland Bill, which if successfully implemented may go some way to assist in changing the culture in local authorities to be more outward facing and better with their internal and external communication and community planning. Generally local authorities require to fully engage with the private, independent and third sectors as our members have been doing with local councils on issues such as allotment provision and providing amenity areas.

We are aware of an increase in participatory budgeting over recent years. We believe that permitting local communities to have a greater say on local budgets is beneficial, provided the process is equitable, transparent and properly accounted. It is vital that rural areas of urban authorities are not forgotten.

The Scottish Government Council Tax freeze while welcome for household budgets has reduced the discretion of local authorities, but that is for others to make comment.

In addition to the operation of local taxation, it is of course incumbent upon local authorities to properly budget and account for their spending of income.