

A Revenues Practitioner's Perspective and the Institute's work



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Edinburgh



Taxation can be Vexatious

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“No Taxation without representation” – Stamp Act 1765

- American War of Independence – 1775 -1783



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Taxation is Theft

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Taxation can be Vexatious

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“Can’t Pay! Won’t Pay!”

Central London - Saturday, 31 March 1990

The abolition of the poll tax was announced on 21 March 1991



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Council Tax

- Born out of Political Expediency
- Shaped by its predecessors
- Past its sell buy date
- Out of date
- Barely relevant basis for taxation
- No attempt made to keep the tax base up to date
- Ignored by politicians until it becomes absurd
- Contributes comparatively little to meeting the overall cost of local government services

But

- Collectable
- Enforceable
- Stable
- Administratively low cost

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Council Tax - What it is.....

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- Comprises both property and personal elements:
- Charge based on the value of residential property and rates determined by individual councils;
- Discounts for some households to reflect personal circumstances.
- Dwellings split into 8 Council Tax bands (A to H) based on market value as at 1st April 1991.
- Responsibility for setting council tax levels rests with local authorities – but the Scottish Government has worked with Local Government and COSLA to freeze council tax since 2008.
- Collected by Local Government- established operational infrastructure- Scottish Assessors Association, Joint Valuation Boards, IRRV, Valuation Appeal Committees, Council Tax Reduction Review Panel etc.

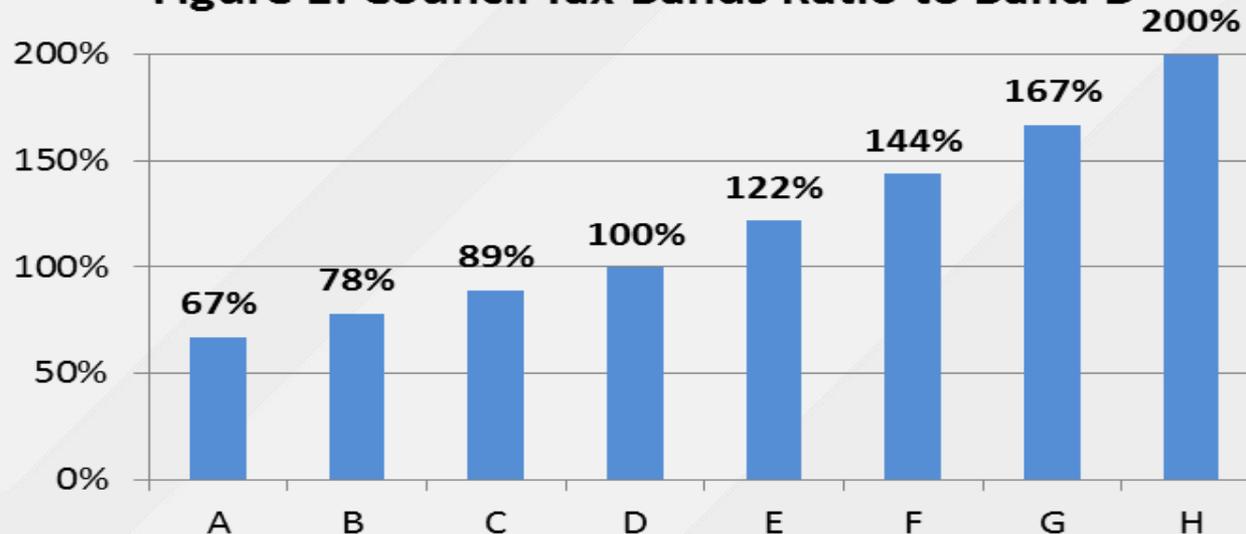


Council Tax - How much?

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- The amount that households pay depends on the Council Tax band that their property sits in.
- Legislation sets out that rates paid in each band are worked out from the Band D rate based on fixed ratios

Figure 1: Council Tax Bands Ratio to Band D



Council Tax - How much?

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- The level of council tax paid varies by local authority area – in 2015-16 the highest Band D rate was £1,230 in Aberdeen and the lowest was £1,024 in Eilean Siar.
- Average Council Tax Per Dwelling in 2015-16 is £991

Council Tax - Collection

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- In 2013-14, the total amount of Council Tax billed in Scotland (excluding Council Tax Reduction) was £2.040 billion. Of this total, £1.942 billion was collected by 31 March 2014.
- Cost of collecting measured on a per property basis
- From 2010/11 to 2013/14 this has reduced by 16.7%, from £14.55 to £12.13.
- Range varies significantly from £5.45 to £23.20, with urban councils reporting higher costs on average (£13.31) than rural councils (£9.60).
- Overall rate of in-year collection for council tax has remained high at 95.2%.
- Increase from the base year where the collection rate was 94.7%.
- Range across councils is 92.7% to 98.5%



Council Tax - The Bands

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Band	Value (£) (as at 1991)	Tax as Proportion of Band D	Tax as approx. % of Band D value	Property value as % of Band D value
A	Up to 27,000	6/9	67%	52% (max)
B	27,001 to 35,000	7/9	78%	60%
C	35,001 to 45,000	8/9	89%	78%
D	45,001 to 58,000	9/9	100%	100%
E	58,001 to 80,000	11/9	122%	134%
F	80,001 to 106,000	13/9	144%	181%
G	106,001 to 212,000	15/9	167%	309%
H	212,001 and over	18/9	200%	412 % (min)

Council Tax - Domestic Properties

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Band	Number of Dwellings (2014)	% of Dwellings
A	508,900	21%
B	569,608	23%
C	391,611	16%
D	320,715	13%
E	323,153	13%
F	183,233	8%
G	118,006	5%
H	12,579	1%
Total	2,427,805	100%



Council Tax - Discount & Exemptions

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	2013
Total dwellings	2,526,703
Dwellings exempt	116,372
Chargeable dwellings	2,410,331
<i>Chargeable dwellings subject to:</i>	
25% discount	952,251
Second Homes	35,734
Long Term Empty	27,327
Occupied entirely by disregarded adults	1,579
Dwellings not subject to discount	1,393,440

Council Tax Reduction

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- UK Welfare Reform Act 2012 abolished Council Tax Benefit
- Replaced in Scotland by national Council Tax Reduction (CTR) Scheme
- Not a benefit – a means tested reduction in Council Tax liability => Council Tax is based on ability to pay
- Biggest single response to welfare reform – at its peak c.550,000 people / 22% of all households
- 2014/15 – 527,000 – fall of 4.5% in amount discounted
- Local Government bears revenue risk of varying uptake

Council Tax Reduction - Eligibility

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- Passporting for some benefits – JSA, Income Support, Income Related Employment Support Allowance or Guaranteed Pension Credit
- Other applicants are subject to a means test, where their income is compared with an applicable amount (to cover living expenses, which varies based on living situation) and a taper is applied to determine how much the household should pay towards CT:

- Weekly eligible Council Tax

Minus

- Allowance/deduction for others in the household who should contribute towards that tax liability or “non-dependant deduction”

Minus

- 20% of [(income) minus (living expenses or “applicable amount”)]

Equals

- Weekly entitlement to Council Tax Reduction.

Council Tax Reduction

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- Worked Example:**

Weekly Income	£150	Eligible Council Tax (weekly)	£23.61
Less applicable amount	£105.95	Less 20% taper	£8.81
= Excess Income	£44.05		
20% taper (amount to be put towards CT Bill)	£8.81	Council Tax Reduction	£14.82

Council Tax Freeze

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How much has the SG provided to fund the Freeze?

Since 2008-09 the SG has provided local authorities with an additional £70 million per annum to freeze CT at 2007-08 levels.

As the freeze will now run for the 8th consecutive year, the cumulative cost in 2015-16 to fund the freeze is £560 million.

In total, over the period 2008-09 to 2015-16, the freeze has cost £2.52 billion (around 1% of the Scottish Budget over this period.)

Council Tax Freeze

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Year	Council Tax Freeze Cumulative Cost (£m)	Total cost (£m)
2008-09	70	70
2009-10	140	210
2010-11	210	420
2011-12	280	700
2012-13	350	1,050
2013-14	420	1,470
2014-15	490	1,960
2015-16	560	2,520

The £70 million initially provided in 2008-09 was equivalent to an annual increase of around 3.2% in council tax income.

However, the additional £70 million in each year accounts for a slightly lower % increase (eg, the £70 million in 2015-16 is equivalent to a 2.6% increase).

If an additional amount equivalent to 3.2% had been provided in each year then this would have resulted in an additional cost of around £195 million over the 8 year period.

If bills grew at 3.5% a year in 2016-17 and onwards, it would be 2039-40 before the £560m was recouped

Council Tax Freeze - Effect

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- The cumulative savings over the period 2008/09 to 2014/15 for the average household (Band D) is over £900.
- It is estimated that this will rise to around £1,200 by 2015/16.
- Before the introduction of the freeze the average council tax per dwelling increased by over 50% between 1997-98 and 2007-08.

	Council Tax Band							
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2008/09	£12	£18	£24	£31	£40	£49	£58	£69
2009/10	£24	£36	£49	£62	£81	£99	£118	£139
2010/11	£36	£55	£75	£94	£123	£152	£179	£212
2011/12	£49	£76	£98	£129	£167	£204	£248	£296
2012/13	£62	£97	£128	£163	£213	£261	£309	£369
2013/14	£75	£118	£157	£199	£259	£318	£376	£450
2014/15	£89	£140	£186	£236	£308	£377	£446	£533
Total	£348	£540	£716	£913	£1,191	£1,461	£1,735	£2,068

Council Tax Freeze

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- In absolute terms households in higher council tax bands have seen the greatest absolute benefit (i.e. in cash terms), on average, as they have the largest bills.
- As a proportion of net income, by 2014/15 the impact is broadly uniform (with exception of Bands A, B and H).

Average Annual Impact of the Freeze by CT Band 2014/15 (% of Net Household Income)

	Council Tax Band							
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2014/15	0.5%	0.6%	0.7%	0.8%	0.8%	0.8%	0.8%	0.9%

Council Tax Freeze

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Impact by Income Deciles

- However, as council tax liability will vary across income deciles – eg, not everyone in the lowest income decile will fall into Council Tax Band A, etc – the impacts of the freeze can be considered by income decile.
- In absolute terms, households in the top half of the income distribution are estimated to gain the most – as they are *more likely* to be in the higher council tax bands.

Average Annual Impact of the Council Tax Freeze by Income Decile

	Income Decile									
	Bottom 10%	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Top 10%
2008/09	£11	£9	£15	£19	£22	£28	£31	£35	£38	£46
2009/10	£22	£20	£31	£38	£45	£57	£63	£72	£77	£93
2010/11	£34	£30	£47	£58	£69	£86	£96	£110	£118	£142
2011/12	£51	£49	£67	£79	£100	£115	£135	£144	£163	£193
2012/13	£57	£64	£90	£99	£123	£152	£166	£191	£201	£245
2013/14	£70	£77	£109	£121	£151	£185	£204	£233	£245	£298
2014/15	£83	£92	£129	£143	£179	£219	£242	£276	£291	£354
Total	£327	£341	£489	£557	£689	£841	£937	£1,061	£1,134	£1,371

Council Tax Freeze

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- However, in relative terms, households in the bottom deciles are estimated to see the greatest benefit as a proportion of their net income, on average.

Average Annual Impact of the Freeze by Income Decile, 2014/15 (% of Net Household Income)

	Income Decile									
	Bottom 10%	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Top 10%
2014/15	1.1%	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%	0.7%	0.5%

Council Tax Freeze

- Regressive - provides the greatest cash gains to the wealthier households,
- Does it have significant economic benefit?
- Centralises power by removing fiscal autonomy
- Councils need fiscal autonomy for effective political choice and accountability.
- What better way to ditch the Council Tax Freeze and indeed CTRS than by switching the local taxation system?

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Council Tax - Other policies

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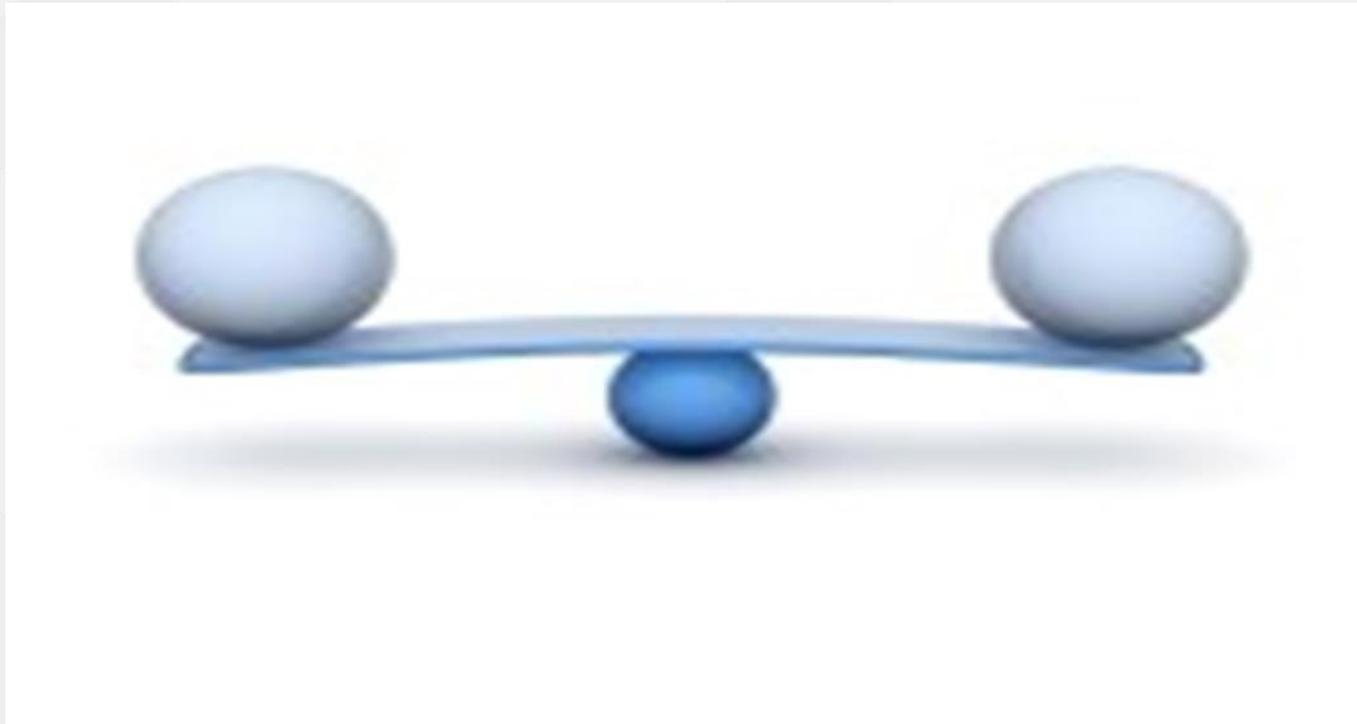
- Changes to treatment of Empty Homes to fulfil policy objectives
- Water Charges in Scotland collected by Local Government with Council Tax (compared to Water Companies in England + Water Direct) impacts upon Council Tax debt
- Energy Efficiency – existing Council Tax Energy Efficiency scheme trivial, likely future pressure to connect home energy efficiency to CO2 emission targets – links to fuel poverty

Considerations

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Tax Raised

Spending Needs



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