



## A Common Weal approach to local taxation in Scotland

Common Weal is committed to a different Scotland. A Scotland that puts All of Us First. One of the most important issues in creating an All of Us first Scotland will be a shift to the taxation of high incomes and assets. In that context Common Weal welcomes the Inquiry into Local Government Taxation as a much needed opportunity to rebalance local taxation to better meet the needs of our communities and society.

A Common Weal Scotland will have substantially more local democracy, and control over the resources required to provide services and infrastructure at local level is a fundamental part of relocalising our democracy. For this reason we want to see local authorities substantially less dependent on central government for revenue. We believe this will increase willingness to pay tax and satisfaction with local government by restoring accountability.

The temptation to displace tax raised at local level by expanding block grants from central government is one that should be resisted. While a characteristic of some Local Income Tax proposals, further reductions in the quantum of tax raised locally only serve to undermine local democracy. One of the most important elements of political consensus in Scotland, and one of the fundamental strands of a Common Weal Scotland is further empowerment for people and communities. For that reason we reject calls to reduce the financial responsibilities of local government.

We reject the Council Tax, which is widely discredited, and through its banding fails to capture the value of higher value estates. We set out below principles and proposals upon which a replacement should be based, and suggest some policy proposals.

### Principles of Taxation

Common Weal believes there are three principles that should underpin taxation. Wealth is based in social interaction, and taxation should recognise this by ensuring that the conditions for social interaction are properly resourced from taxation. The principles we believe should underpin taxation are:

1. To reduce inequality by redistributing wealth;
2. To discourage undesirable activities through making them less attractive;
3. To provide funding for public services and infrastructure.

There are three key proposals in this paper:

## **1. Widening the opportunity to raise levies and charges at local level**

We suggest that the group consider proposals for local authorities to have a general competence to raise charges and levies that could strengthen the local tax base

At present Scottish local authorities are prevented from raising revenues that are uniformly controlled by local authorities elsewhere in the UK and Europe. Examples of these charges may include a transient visitor levy (which City of Edinburgh Council argues would help it to invest in Edinburgh's festivals), a charge on parking spaces attached to workplaces (which can be levied in England) and a supermarket levy (which is available to Northern Irish local authorities).

There appears to be no reason why a general competence allowing local authorities to raise levies and charges is undesirable. At the very least there should be a review of what charges and levies local government should be responsible.

## **2. A Land Value Tax**

Land Value Tax would function to reduce the overaccumulation of land, to encourage more equitable land ownership and to reduce the role of assets in accumulation of wealth.

Land Value Taxes have a number of significant benefits. LVT is an asset tax, which helps to reduce speculation and reduces the value of both land. This reduces the housing component of the cost of living and the cost of business premises. Both are clear benefits for people, the economy and Scotland more broadly. There are clear links with the broader issue of land reform. An effective land tax will help to release land for use in meeting social and economic needs.

Land Value Taxes are the hardest taxes to avoid. This is because land cannot be hidden or off-shored. Given the substantial work by Thomas Piketty on the role of inherited wealth in driving inequality, reducing the value of assets, and making it hard to avoid taxes on those assets diminishes the ability to accrue substantial assets across generations.

### 3. A Scottish Service Tax

This would reduce inequality by shifting responsibility for local services and infrastructure to those most able to pay

There have been various attempts to create a local income tax, with the policy having been supported by a range of parties. The Scottish Service Tax is a local income tax that ensures redistribution of wealth. Other iterations of local income tax would have shifted the responsibility for funding services and infrastructure from the income-poor - even when asset rich. Very often local income tax proposals have either worked by increasing central government grants to local government (which has also been a net impact of the Council Tax freeze) or by moving responsibility to twin-income households, even where those incomes are relatively modest. For instance, on the figures used by the Burt Review the level of local taxation to be levied on a household with 2 incomes of £20,000pa would have been £2680<sup>(1)</sup>, approximate to Band F Council Tax. The Scottish Service Tax would ensure that this responsibility sits with those on the highest incomes.

### Conclusion:

This is a welcome opportunity to review the direction of taxation at local level in Scotland. The Council Tax is outdated and discredited. It meets none of our criteria for a good tax, and leaves large estates very substantially undertaxed.

We suggest further investigation of the charges and levies that could be used to change behaviour and fund services and infrastructure. In addition, we suggest that a Land Value Tax and a Scottish Service Tax used individually or in conjunction with one another could deliver a fairer local taxation system that commands more popular support and intervenes in economic behaviour in positive ways.

### Further reading:

[Report on Land Value Tax for Scottish Green MSPs:](#)

[Scottish Service Tax Policy Memorandum:](#)

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(1) Total income of £40,000, paying a rate of 6.7%, to replace the money raised by Council Tax at that time = £2680