

SUMMARY OF SHORT PRESENTATIONS TO THE COMMISSION ON LOCAL TAX REFORM, 18 MAY 2015



This note summarises the main points that members of SPTR will address in their short presentations to members of the Commission.

Introduction to SPTR: Prof. Mark Stephens (Convenor, SPTR)

SPTR is a network of interested individuals and organisations who believe that a well-designed system of property taxation can and should play an important role in public finance, the economy and a fair society.

Housing affordability: Adam Lang (Head of Policy, Shelter Scotland)

The housing system in Scotland is not working for everyone. A property tax has the potential to stabilise house price increases and moderate housing affordability across tenures. Property taxes can reduce boom-and-bust cycles in the housing market.

What services should local taxes fund?: Richard Kerley (Professor of Management, Queen Margaret University)

A key challenge is to restore accountability in local democracy. An important element in this is the need to link taxation with services. This raises the question of the role of 'equalisation' funds from central government to deal with unequal tax bases. An additional question is whether we should distinguish between the way we fund services that are delivered by local authorities but to uniform standards, and those where there is appetite for local variation. There is a case for funding services with uniform standards centrally, even if they are delivered by local authorities, leaving local tax to deal with those where there may be variation.

The limitations to council tax reform: Prof Kenneth Gibb (Director, Policy Scotland)

The Council Tax could certainly be improved through revaluation, the addition of extra bands and adjusting the weights attached to them. However, there are very few properties in the current highest band (so adding bands would make only a token difference) whilst the anomalies between the top and bottom of bands would remain unaddressed. If the principle of reweighting is accepted, then there seems to be little reason not to replace the bands with a tax based on proportion of the property value.

How to make property tax fair: Mark Stephens (Professor of Public Policy, I-SPHERE, Heriot-Watt University)

The common perception that it is unfair to tax people who have low current incomes on the full value of their property is perhaps the major impediment to reforming council tax. The issue is exacerbated when the occupier is a tenant, because it is on them that the formal incidence of taxation falls. Rebate schemes have the disadvantage that they are merely corrective and in any case focus only on the poorest households. Proposals for deferment or equity stakes do not address the issue of low income tenants.

A potential solution lies in a hybrid property and income tax. The tax should be characterised as a housing services tax. Liability would be based on (a) either a proportion of property value or rental value combined with (b) current income.

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