

Commission on Local Tax Reform; Scottish Assessors Association

The Scottish Assessors' Association welcomes the opportunity to contribute to the Commission's consideration of alternatives to the current Council Tax system in Scotland.

The Scottish Assessors' Association (SAA), which has been in existence in one form or another since 1855, has as its purpose:

“to encourage amongst its members the exchange of ideas regarding their statutory duties; to record results of discussions on all subjects brought before its meetings; to promote consistency in the operation of the Valuation, Council Tax and Electoral Registration legislation; to act as a consultative and advisory body; engage in partnership work both internally and externally with organisations and public bodies; and to represent the collective interests of its members in carrying out their duties”.

Although a voluntary organisation, all Assessors and their senior staff are members of the Association. One of the principal functions of the Association is to facilitate a consistency of approach in the administration of valuation, council tax and electoral registration services. The Association works through a series of Committees which meet in advance of quarterly plenary sessions which are attended by representatives from all Assessors' offices.

The SAA also liaises with the Valuation Office Agency (VOA) in England and Wales, the Northern Ireland Land and Property Services (NILPS) and the Republic of Ireland Valuation Office (RIVO) in matters of common interest.

Given that Assessors may be required to implement any changes arising from the Commission's examination of alternative systems, the SAA prefers not to influence policy decisions that are properly the responsibility of Ministers and Parliaments or make comment which might be prejudicial to objective implementation of the statutory scheme that is favoured.

Equally, however, the SAA has an unrivalled knowledge and experience in the operations of the local taxation systems. Further, the SAA has over the years provided advice to government on a wide range of issues connected with local property taxation.

It would appear that the main focus of the current review is, at this stage, the respective merits of alternative systems rather than the detailed design of any particular taxes, though the two are clearly connected. The SAA would, therefore, wish to make its experience available to the Commission and, subsequently, to legislators as policy is developed.

With regard to implementation of any proposed change, it should be noted that Scottish Assessors have a strong track record of delivery, including system change, in respect of Domestic and Non-domestic Rating, Community Charges, Council Tax and, wearing our other hats, Electoral Registration.

The current structure of Assessors' organisations, with a mix of 14 Joint Boards and Council Departments providing the requisite level of local knowledge and with co-ordination through the SAA, has been described as 'an exemplar' of joined-up government.

RESPONDENT INFORMATION

To help us make the most of your response, please tell us about yourself and how you want us to use the information you provide. There are some questions marked * and these must be answered by all respondents, unless you are directed past this question.

* I am responding as:	<input type="checkbox"/> An individual
	<input checked="" type="checkbox"/> An organisation/group
Name of Organisation (if appropriate)	<i>Scottish Assessors Association</i>
Forename	<i>David</i>
Surname	<i>Thomson</i>
Address	<i>Dunbartonshire and Argyll & Bute VJB, 235 Dumbarton Road CLYDEBANK</i>
Postcode	<i>G81 4XJ</i>
Telephone	
Do you consider yourself or your organisation as from or representing?	
<input type="checkbox"/> a rural area	<input type="checkbox"/> an urban area
<input checked="" type="checkbox"/> an area with both urban and rural parts	<input type="checkbox"/> don't know / not applicable
Would you be happy to be approached by the Commission for further discussion about your submission?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If you are responding as an individual:	
* Do you agree to your response being made available to the public on the Commission's web site?	<input type="checkbox"/> Yes <input type="checkbox"/> No
* If you have agreed to your response being made available to the public, please tell us if we may also make your name and address available. (Please select one option only)	
<input type="checkbox"/> Yes, make my response, name and address all available	
<input type="checkbox"/> Yes, make my response available, but not my name and address	
<input type="checkbox"/> Yes, make my response and name available, but not my address	
<i>If you are responding as an individual we would be grateful if you could provide some additional information at the end of this form. This is absolutely optional but will help us get an overall picture of the information we receive.</i>	
If you are responding as a group or organisation:	
* The name and address of your organisation will be made public on the Commission's web site. Are you content for your response to also be made available?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Which of the following best describes your organisation? (Please select one option only)	
<input type="checkbox"/> Community Group	<input type="checkbox"/> A business
<input type="checkbox"/> Local Authority	<input type="checkbox"/> A government department or agency
<input type="checkbox"/> Other public sector organisation	<input type="checkbox"/> A social enterprise
<input type="checkbox"/> Third Sector organisation	<input type="checkbox"/> Other (please specify)
<input checked="" type="checkbox"/> Professional body	
Short description of the main purpose of your organisation:	
<i>To encourage amongst its members the exchange of ideas regarding their statutory duties; to record results of discussions on all subjects brought before its meetings; to promote consistency in the operation of the Valuation, Council Tax and Electoral Registration legislation; to act as a consultative and advisory</i>	

*body; engage in partnership work both internally and externally with organisations and public bodies;
and to represent the collective interests of its members in carrying out their duties*

Tell us what you think

We have not provided a long list of questions, but we do want to hear what you have to say about some themes. Please respond to as few or as many as you wish. If you would prefer to send us other information, please feel free to do so. However, it would be helpful to keep your response to no more than eight pages.

If you are able to, please provide evidence or examples in support of what you say. This will help us explore your ideas further.

1. 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?

You may wish to illustrate your answer with examples from your own experience.

The Scottish Assessors Association favours the retention of a property based system for the purposes of local taxation. We believe that there are a number of reasons why property forms a suitable basis and would refer to the Report by the Local Government Finance Review ("Burt") Committee (2006) which concludes that any local property tax should be based on capital values. The SAA believes that property based systems have several benefits and score well against many measures of 'good' taxes. These include:-

- The fixed nature of property makes the tax difficult to avoid*
- Property provides a direct link to the local area*
- Provides a robust, stable basis for collection with moderate buoyancy*
- Efficient to administer to and collection rates are high*
- There is a general link between property value and a household's wealth/ability to pay*
- Taxpayer understanding/knowledge of value. Taxpayers are generally very familiar with the value of their property in contrast to the value of the land it sits upon (see LVT later).*
- Complements the national basket of taxes which otherwise tend to be personal or transactional and are heavily dependent upon the health of the economy in periods of growth or recession.*

Further, the benefits in revising the current system rather than moving to a completely new basis include:-

- A revised system would retain the advantages of using property as a basis – see above*
- The infrastructure for valuation, collection and appeal processes are already established and proven.*
- Less risk, both politically and in terms of collection rates, than wholesale change*
- Public acceptance of the banding system is very good - as evidenced by very low appeal rates.*
- The evidence base (i.e. registered open market sales) is known, understood and publicly available.*
- Would make use of the experience and knowledge of existing professionals and administrators.*
- It is generally easier and cheaper to amend a system rather than replace it.*
- Avoids the wholesale shifts in liabilities, and thereby transitional arrangements, which would be inevitable with fundamental system change.*

The SAA believes, however, that regular Revaluations are essential if the credibility of any property based tax system is to be maintained. Given that it is 22 years since bands were first established it is essential that a complete Revaluation is carried out with some urgency.

The SAA believes that the form and detail of any tax are matters which are properly for policy makers and elected representatives. Based on its extensive experience of administering both banded and discrete value based local taxation systems, however, the SAA suggests that perceptions of unfairness could be addressed by:-

- * Altering bands to reflect current market values*
- * Reconsidering band widths and band numbers*
- * Providing for a more even spread of properties across the bands*
- * Amending the charging ratios between bands to provide a more direct link between property value and tax liability.*
- * Replacing bands with discrete valuations. Unlike the Burt Committee, the SAA sees discrete valuations and valuation bands as being variations on a theme rather than being distinct systems and would be happy to provide assistance in assessing the relative merits of a range of intermediate options.*

The SAA does recognise, however, that a system based on discrete capital valuations would allow charging regimes and/or bands to be overlaid in a manner which would allow these to be varied, either over time or in accordance with geography/locality/council area, thus providing policy makers and financial planners with the flexibility and opportunity to react to policy changes or local priorities. It also understands that a move to discrete valuations is likely to be viewed by the public as a more genuine shift in approach to taxation, thereby assisting the public perception and acceptability of the change.

In either event, Assessors believe that their experience in administering various forms of both discrete and banded property valuation would leave them ideally suited to carry out the valuation functions of any new system.

The SAA would also be happy to work with the Commission, or subsequently legislators, to review various detailed administrative issues affecting the current system. These might include reviews of:-

- * Changes to reflect physical alterations to properties*
- * Definitions around the domestic/non-domestic interface*
- * The valuation assumptions, including the approach to agricultural dwellings*

2. 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?

Do you have any examples of why this is the case?

For the above reasons, the SAA believes that:-

- (a) the benefits of a property based system outweigh alternative options, and*
- (b) that amending the current system, or a variation of it based on discrete valuations, rather than radical reform would be the preferred approach for both taxpayers and administrators.*

Either of these options are predicated on the completion of a general Revaluation of properties in accordance with current market values. If a Revaluation is to be effected, it is understood that the Commission will give consideration to more modern approaches to such an exercise including the use of mass appraisal systems and self-assessment, each of which are commented upon below.

Mass Appraisal/Valuation Systems

The implementation of such techniques/systems for the purposes of a Revaluation raise significant issues regarding system procurement (including not insignificant cost), data capture/migration and the requirement for, or training of, specialist analysts, all of which could add to the time required to effect a Revaluation. Further, the experience of their use in Northern Ireland was that they required significant lead-in times and were most suitable for 'first-pass' valuations which subsequently required to be quality checked and amended by property professionals. Their application was of most use in large areas of repetitive house types but they were less suitable in rural areas and areas of individual house types.

Assessors currently all have comprehensive digitised property databases, many of which have market analysis and/or bulk valuation capability. The SAA therefore believes that the more practical approach would be to allow Assessors to use and develop their existing systems to effect a Revaluation in accordance with their local needs and market characteristics.

Self-assessment

Whilst the SAA can see some merit in obtaining taxpayer 'buy-in' to the Revaluation process it would offer some caution.

Self-assessment, as it is being implemented in Ireland at least, does still require initial estimates of value to be calculated and these figures to be proposed to taxpayers for their acceptance, or otherwise. Thus it requires a Revaluation to be completed, at least in part, and acts merely as the 'check' on first-pass 'valuations' as described above. Public engagement at this stage could certainly be used to reduce or restrict the appeals stage of the process but it would require a finite, and not insubstantial, time in advance of the tax going live, thereby potentially affecting the timetable for implementation.

It should also be noted that the system in Ireland is reliant on significant remedial powers to ensure that the public does not react to proposed valuations in an unrealistic manner. The tax is also charged at a much lower level than could be expected in Scotland, a fact which is likely to assist its public acceptability. It is charged on owners of property and local authority housing is exempt. No 'valuations' are published, which restricts the transparency and perception of fairness, and there is no appeal system - a situation which might not be tolerated where charges are likely to be higher. In any event, the

system is not yet fully mature and it is not clear yet how successful it will prove to be.

Revaluation Cycle

Although the SAA sees regular Revaluations as being of fundamental importance to the credibility and sustainability of any system based on property values, it remains neutral on the length of the Revaluation cycle.

Annual revaluations have been proposed but, with 3, 5 or 10 year cycles providing the stability for setting incomes and medium term financial planning that are preferred by local authorities (and, possibly, households), the SAA does not believe that the additional administration required by annual revaluations would justify the perceived benefits. The Revaluation cycle must be considered alongside the appeals regime and annual revisions may lead to taxpayer confusion and repetitive appeals.

If annual revaluations are to have any credibility they must be full, considered, revaluations and must not simply have indices, in any form, applied to established valuations. The requirement to revalue should be included in primary legislation with no mechanism for Ministerial variation.

Land Value Taxation

The SAA is not best placed to offer comment and advice on alternative systems of taxation such as Local Income Taxes and Sales Taxes. As property professionals, however, we believe that comment on the option of a Land Value Tax is appropriate. The SAA recognises the theoretical benefits of LVT systems but supports the conclusions of the the Burt Committee for the reasons laid out in their Local Government Finance Review Report. In addition to endorsing that Committee's reasons for not proposing LVT, and based on our experience as Chartered Surveyors and administrators of tax systems, the SAA sees two principal and very significant issues with the proposal.

Firstly, there would require to be a major data capture exercise to identify both the physical extents to be valued and the ownerships thereof. It is understood that the extents of ownerships have not been digitised across Scotland and will not be available, potentially, until the Land Register is completed in 2024. It is suggested, that this would need to be a pre-requisite for any such system.

More fundamentally, however, Assessors see that the comparative dearth of clean market evidence for land transactions, when compared to the ready availability of open market property sales evidence, would cause significant problems and could, indeed, be fatal to the success of such a system.

A fall-back position might be to consider some form of LVT as an additional system which could be used to capture unused land and/or land which does not currently generate either non-domestic rates or council tax revenues.

Other factors to be considered

In addition to the reasons provided in section 1. above for supporting amendment to the system rather than fundamental change, the Commission may also wish to consider the indirect effects of moving away from a system of taxation which is similar to, or is founded upon, the current system. For instance, the current system supports the domestic revenue collection of Business Stream and if Council Tax were abolished a new, quite possibly less efficient, mechanism for funding water supply and run-off charges would need to be implemented.

Further, the data gathered – and maintained – by Assessors in pursuance of their CT duties is an invaluable source of information to Electoral Registration Officers. Other Government departments and agencies who are current users of Council Tax information include:-

- *Scottish Neighbourhood Statistics*
- *Heatmap Project*
- *Flood Re Project*

Joint working opportunities are also being considered with:

- *Registers of Scotland (House Prices Index)*
- *National Address/One Scotland Gazetteer*
- *Unifi Scotland Project*
- *Energy Savings Trust*

There are also a number of commercial purchasers of CT data and the income received directly supports the maintenance of the Scottish Assessors web portal.

Loss of this data may therefore have unintended and far reaching consequences if an alternative form of tax is preferred.

3. LOCAL PRIORITIES

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

Do you have any ideas or examples about how this could improve people's lives?

The ways in which the priorities of local communities are addressed is only partly related to the form and format of the tax systems. Notwithstanding that, and without specifically advocating such approaches, the SAA notes that the link between the funding and expenditure decisions of local government could be enhanced through:-

** Local setting of charges (The current system is of course designed for such, though 'the Council Tax freeze' has, in recent years, effectively removed this option)*

** Local setting of band limits/widths etc in line with local property values.*

**Local setting of charges/charging ratios.*

4. FURTHER INFORMATION

We would like to keep the conversation going. Please tell us about any events, networks or other ways in which we could help achieve this.

Please provide your response here

Thank you for your submission. If you have any queries about the Call for Evidence please contact us at:

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