



THE COMMISSION ON LOCAL TAX REFORM

WHAT'S THE FUTURE OF LOCAL TAXATION IN SCOTLAND?

Tell us what you think

We are an independent Commission that brings together expertise and experience from across Scotland to look at ways of delivering a fairer system of local taxation in Scotland. The Commission is chaired by Marco Biagi MSP, Minister for Local Government and Community Empowerment, and Councillor David O'Neill, President of the Convention of Scottish Local Authorities. The Commission will present its findings in late 2015. You can find out more information about our membership and remit at www.localtaxcommission.scot

We want to begin our work by hearing your views and suggestions about what happens now, and what the future might be.

This call for evidence is only our first step in listening to you. Any information that you give us now will help start the debate, but we also want this to be an ongoing conversation. Over the next few months we will be setting up different ways in which you can meet us or tell us what you think. A good way to find out about these is by signing up to our newsletter by following @localtaxscot on Twitter.

How to Respond

We will use your information to develop our work, and so what you tell us is really important. For that reason, we want to hear from you by **22 JUNE 2015**, or sooner if you can. *However, let us know if you need more time.* Please also feel free to share any other information with us.



You can complete and return this form electronically to:
evidence@localtaxcommission.scot



You can also respond online via our website:
<http://localtaxcommission.scot/initial-call-for-evidence/>



Alternatively you can post a copy of this form to:

The Commission on Local Tax Reform
Verity House
19 Haymarket Yards
Edinburgh, EH12 5BH

If you are responding as an individual we would be grateful if you could also provide some other information at the end of this form. This will help us develop an overall picture of the information we have. This is optional and will be used anonymously and remain strictly confidential.

If you have any queries please contact info@localtaxcommission.scot or call us on 0131 474 9332.

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 Cities Knowledge Centre</i> | |
| Forename | <i>Donald</i> | |
| Surname | <i>Houston</i> | |
| Address | <i>Urban Studies, School of Social & Political Sciences, 25 Bute Gds, University of Glasgow</i> | |
| Postcode | <i>G12 8RS</i> | |
| Telephone | | |
| Email | | |
| Do you consider yourself or your organisation as from or representing? | | |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| a rural area | an urban area | an area with both urban and rural parts |
| | | <input checked="" 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>Knowledge exchange, research and policy advice on urban economic development</i> | | |

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.

Please provide your response here

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?

Empowering Scotland's local communities

Citizen engagement with local politics and participation in local elections are dangerously low. This damages democracy and undermines local politicians and institutions.

If Scotland's cities (and other local authorities) are to be able to attract the investment needed to deliver growth and inclusion, this will require much greater:

- control over their budgets, which at present is almost nil;*
- flexibility in public infrastructure investment, which at present is largely determined by national organisations;*
- incentive and reward to grow their economies, which at present is negligible.*

The benefits of fiscal devolution to Councils

Tinkering with Council Tax does not begin to address the issues moving forward. Fiscal devolution on its own is not a magic solution, nor does it generate any extra resource (unless local tax rates are raised of course) - but does make things easier by providing flexibility and incentives. Local economic success also requires strong leadership, imagination and vision – and there is no substitute for these.

In particular, retaining locally taxes that are generated directly from economic activity (e.g. income tax and VAT) will

incentivise and help local authorities to grow their local economies. However, for stability of tax revenue, a diversity of local tax sources would be desirable rather than just relying on the current two (CT and NDR) both of which are property-based (and run into affordability problems when the resident or business occupier runs has insufficient income).

The main benefits of fiscal devolution to Councils are:

- *greater local democratic accountability and participation;*
- *diversify sources of tax revenue (e.g. property and incomes, residents and businesses), thus reducing risk;*
- *provide greater flexibility and control over budgets at local level;*
- *provide an incentive to grow local economies;*
- *provide a revenue stream against which to borrow for, and repay, infrastructure investment – which will in turn further enhance the local economy and tax base.*

Local tax in international and UK contexts

- *In international terms, local governments in Scotland and the rest of the UK retain a low proportion of their local tax base. Across the OECD, typically around half of municipal budgets are raised from the local tax base (often higher), with the other half coming as grant from central government (Slack, 2012). Only Council Tax is retained locally, which represents 17.2% of local government budgets in Scotland (Audit Scotland, 2015) and 4.7% of total UK tax revenue (HM Treasury, 2014).*
- *The UK government is moving to decentralise powers to localities – albeit only cities in the first instance and not yet extending to increased fiscal autonomy.*
- *The UK Core Cities Group of ten large cities has called for the retention of income and transaction taxes to city-region combined authorities (Core Cities, 2015).*
- *The UK Key Cities Group of 26 medium-sized cities has called for the retention of transactions taxes (Stamp Duty and VAT) (Key Cities, 2015).*
- *The proposals in the draft Scotland Bill published in January 2015 for the retention of income tax and half of VAT (in addition to existing retention of Council Tax, business rates, stamp duty and landfill tax) means that Scotland would retain around 40% of tax raised in Scotland (HM Government, 2015).*
- *It is right that these powers come to Holyrood in order to bring decision making and responsibility closer to where decisions take effect. For exactly the same reasons, some of this fiscal devolution should be passed on to local authorities.*

Bibliography

Audit Scotland (2015) An overview of Local Government in Scotland, Audit Scotland and the Accounts Commission, March 2015.

Core Cities (2015) Declaration for Devolution. May 2015.

http://www.corecities.com/sites/default/files/images/publications/84069-03_Core_Cities_Declaration_Print_v01.pdf

HM Government (2015) Scotland in the United Kingdom: an enduring settlement. London, HMSO.

HM Treasury (2014) Autumn Statement, London, HM Treasury, December 2014.

Key Cities (2015) Devolution to key cities offers a path to inclusive prosperity. May 2015.

<http://www.keycities.co.uk/devolution-key-cities-offers-path-inclusive-prosperity>

Scottish Government (2014) Local Government Finance Circular, No 9/2014, Scottish Government.

Slack, E. (2012) International Comparison of Global City Financing, University of Toronto on behalf of the London Finance Commission, available at: <https://www.london.gov.uk/sites/default/files/LFC%20International%20comparisons.pdf> Please provide your response here

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?

Please provide your response here

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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19 Haymarket Yards
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twitter: [@localtaxscot](https://twitter.com/localtaxscot)