

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 Property Federation</i>	
Forename	<i>David</i>	
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Telephone		
Email		
Do you consider yourself or your organisation as from or representing?		
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
a rural area	an urban area	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 checked="" 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 checked="" type="checkbox"/> Other (please specify)
<input type="checkbox"/>	Professional body	
Short description of the main purpose of your organisation: <i>Trade association.</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.

Council Tax is predicated upon domestic property values with charges levied according to a system of property value bands. These bands - which number eight in total - were established in April 1991. New houses are attributed to a band according to what value the authority believes the property would be in at that time. The intention is that more affluent householders will occupy higher value properties and therefore there should be a loose link to ability to pay. However, this does not account for people who may be asset rich but income poor, or for properties with several income-earners who therefore use local services as much or more than traditional households but pay relatively smaller proportions of council tax based upon the property they collectively occupy.

A major criticism of the tax is that it is disproportionate. No matter the gap in property value, the highest valued house may only be charged three times the amount of the lowest-banded property in the authority even if there is a difference in value that far outweighs this ratio. We believe that this problem could be addressed to some degree by the introduction of further bands at the higher value end and a revision of the three times rule. We think that this could be achieved within a five year framework realistically, including the undertaking of a domestic property revaluation and the necessary legislative steps required to introduce new bands following a revaluation.

In a sense it is difficult to fully answer this question without referring to the fact that the council tax is only a part of the local taxation system. Business rates may be set nationally but they are collected locally and they are intended to pay for local services. There are also a growing number of initiatives to try and incentivise local authorities and businesses to invest in their localities, based upon the business rates that are paid to local authorities. Examples of these initiatives include Business Improvement Districts, the Business Rates Incentivisation Scheme and indeed the introduction of local rate reliefs (albeit locally paid for) by the Community Empowerment Bill that recently completed Stage 3 in the Scottish Parliament. Business rates contribute some £2.8bn a year to local services, now far in excess of the council tax and it is therefore odd that they are not the subject of scrutiny of this Commission.

In terms of being effective the tax regularly achieves high collection rates (over 96% according to the figures published by the Scottish Government in June 2015) and could therefore be said to be an effective mechanism, aided no doubt by growing reliance on direct debit payments and initiatives by local authorities to support early payment of council tax bills. The process for establishing the levels of council tax is more contentious however with the new Scottish Government in 2007 initiating a council tax 'freeze' arrangement with local authorities, which has now been replicated in other parts of the UK.

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?

Local Income Tax

This has been promoted by various political parties and would potentially most closely align ability to pay with tax liabilities. However, this could increase the administrative burden significantly for local authorities and there would also be the risk of tax leakage for those who move or live and work across different tax jurisdictions.

Local Income Tax - Nationally Collected

The Scottish Parliament is already increasing its influence over Income Tax and in due course is expected to have rates and thresholds setting power over income tax. One possibility might be for the Scottish Parliament to set a local government income tax supplement which is then collected nationally as part of the regular income tax process and then re-distributed by the Scottish Government according to need. However, although potentially efficient in the sense of taking advantage of existing tax administration this would also further centralise local government revenue and arguably undermine the link between local elected representatives and the electorate.

Land Value Taxation

An alternative to the current property based tax system is to have a land value based approach to local taxation whereby land is taxed according to its best economic use and unimproved value, depending on the system adopted with the levy applied to the landowner. One of the purposes behind such a system is the intention to ensure that land is used effectively and to avoid the establishment of 'land banks' or uneconomic, lack of use of the land. As a result of the emphasis upon taxing the landowner it is also expected by its proponents that ownership would become more diverse as landowners sought to avoid excessive liabilities. However, this could equally be an issue for those seeking to create site assembly in order to produce long term mixed use development projects.

LVT is a long running campaign with support across and within a number of political parties in Scotland and there is some evidence of international examples of LVT. However, the picture overseas is not clear as some countries appear to have moved away from forms of LVT, although it is true to say that there remain some examples of use today - such as in the US State of Philadelphia.

LVT is an approach that is advocated as an alternative to the council tax system (and indeed the business rates system). However, we are yet to be persuaded that it has decisive advantages over the property value based systems. We would caution as well that although the tax would be addressed to landowners, it would most likely ultimately be met by the tenant or other consumers of the land, because how else would the landlord pay it? And second, perhaps more fundamentally, the landowner does not necessarily have the means to apply the most economic use of the land because this is controlled by the planning system. Some of our members do supply serviced strategic land for housebuilders and others to develop and this process can take many years to achieve with the need to source and retain funding, obtain planning consents and licenses and dealing with a plethora of public and private utilities and stakeholders. It would seem unfair to apply a levy based on a nominal use of land when it is actually the authority (or other stakeholders) who potentially control whether or not that land is allowed to be used for the best economic benefit, or not as the case may be. For us this last point remains a critical issue to answer.

Burt review

In 2006 Sir Peter Burt recommended the consideration of a 1% levy to be applied to the value of a domestic property annually. This would have the benefit of a transparent levy yet it would also depend on establishing on an annual basis over 2,000,000 property values which may have changed in value over the course of a year. It is possible that CAMA, Computer-Assisted Mass Appraisals, might help with this administrative challenge but there would need to be a system of appeals to allow taxpayers the right to challenge their assessments should the need arise. Furthermore the Burt proposals would also suffer from the same drawbacks as current Council Tax including multi-earner households generally benefitting at the expense of single-earner occupiers.

Of course property values go down as well as up and while residential values have not seen the overall wide swings in value associated with the commercial property sector during the recession, there could be the possibility of significant reductions in revenue in certain years following a housing market downturn. Indeed, it could be that the 1% levy would not be sufficient to cover local revenue requirements in lower value authorities - and it could lead to an unsustainably high charge for higher value residential occupiers substantially above current council tax levels.

Council Tax Reform - Additional Bands at Higher Levels

One option for reform that could be delivered with relative ease would be for the introduction of additional bands that would capture the higher value properties in the market. This would go some way to alleviating the concerns we observed in our answer to section one that council tax is perceived as unfair because of the narrowness of the tax range. This would also require in our view a revaluation to be undertaken in order to properly establish the scope and extent of the domestic

property tax base in Scotland. We comment further on this point below.

Property based taxes must be regularly and fairly revalued. If property based taxes are to be employed then they must be based on a regular and impartial system of revaluation that will keep the tax base up to date. The council tax system introduced in the early 1990s was broadly welcomed at the time as a workable compromise following the poll tax, but it was based on the property market of its time. Since then property markets have changed markedly across Scotland and the current configuration of the council tax system is out of date and not in tune with these changes.

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 relationship between local communities and local government and how well or otherwise the priorities of local communities are met goes beyond the issue of revenue and finance arrangements. It is a problem with the strength of local democracy. The truth is that unfortunately there are very low electoral turnouts for local government and therefore with this lack of engagement it is difficult to deduce a strong relationship between local communities and their local political decision makers.

Whatever the precise fiscal arrangement achieved between local authorities and the Scottish Government during the council tax freeze, it is wrong that council tax valuations should be allowed to drift so far out of date and relevance to the modern housing market.

It is also a concern that the Commission does not seem to include business groups within the fabric of local communities. They should be at the heart of local communities - not just local businesses but larger businesses located in the community.

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.

We would be pleased to answer any further questions regarding our comments. Please contact:

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

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