



# THE COMMISSION ON LOCAL TAX REFORM

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## **WHAT'S THE FUTURE OF LOCAL TAXATION IN SCOTLAND?**

*Tell us what you think*

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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](http://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.

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### **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](mailto: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](mailto: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>Shelter Scotland</i>
Forename	<i>James</i>
Surname	<i>Battye</i>
Address	<i>4<sup>th</sup> Floor, Scotiabank House 6 South Charlotte Street Edinburgh</i>
Postcode	<i>EH2 4AW</i>
Telephone	<i>0344 515 2463</i>
Email	<i>james_battye@shelter.org.uk</i>
Do you consider yourself or your organisation as from or representing?	
<input type="checkbox"/> a rural area	<input type="checkbox"/> an urban area
<input type="checkbox"/> 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
<b>If you are responding as an individual:</b>	
* 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 checked="" 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>	
<b>If you are responding as a group or organisation:</b>	
* 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"/>	Local Authority
<input type="checkbox"/>	Other public sector organisation
<input checked="" type="checkbox"/>	Third Sector organisation
<input type="checkbox"/>	Professional body
<input type="checkbox"/>	A business
<input type="checkbox"/>	A government department or agency
<input type="checkbox"/>	A social enterprise
<input type="checkbox"/>	Other (please specify)
Short description of the main purpose of your organisation:	
<i>Shelter Scotland is the national homelessness and housing charity.</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.*

*A new form of local taxation should be fair: low income households should not be asked to pay a disproportionate amount of their income on a local tax when compared with high income households. Households should also not be asked to pay more than they can afford.*

*In its current form the council tax is regressive in that lower value properties pay a larger percentage of the value of the property in tax than high value properties. Therefore, using property as a basis to gauge the wealth of households across Scotland the current council tax would appear to be an unfair way of structuring a tax. This can be said of incomes too. Analysis carried out for the Burt review pointed to unfairness across different income brackets: low income households tended to pay a higher share of their income on council tax than those who earned over median income. ('What's wrong with the council tax?', Scottish Property Tax Reform, 2015)*

*Consequently the principle of fairness - in relation to both incomes and property values - should be a key part of any new system of local taxation, and those on lower incomes should not pay a disproportionately high percentage of their income on local taxes when compared with high income households.*

*Any new system of local taxation should be effective: in particular it should be hard to avoid, easy to collect and easy to understand.*

*The current council tax is relatively effective in the respect that it is a property tax and property taxes are hard to avoid and easy to collect. Property taxes can also be easy to understand. For example, if a tax is based on 0.5% of a property's value collected annually this is easy to calculate. Importantly, any council tax reduction or rebate must also be easy to understand, along with any option to defer payment should the taxation become unaffordable for occupiers.*

*Further, if designed correctly, property taxes can have a stabilising effect on property markets. House price volatility has been a feature of our housing market for some time, and we saw the deeply negative impact of this in the aftermath of the 2007-08 financial crisis.*

*The crisis has not, however, changed our collective approach to property markets, and prices continue to increase at a faster rate than incomes. In Scotland average house prices rose by 13.3% between January to March 2014 and January to March 2015 (Registers of Scotland, Quarterly House Price Statistics, January to March 2015). And between 2004 and 2014 average house prices rose by 36.9% (Registers of Scotland, Ten year property market report, 2004-14). Over the same period median earnings in Scotland rose by 24% (Office for National Statistics, Annual Survey of Hours and Earnings, Provisional Results, 2014). Now, the average house price in Scotland currently stands at £173,830 which is 6.4 times the median salary in Scotland. In 2004 the average house price was 5.6 times the median salary in Scotland.*

*A combination of structural factors are at play here: we are not building enough housing, particularly affordable housing, and the way in which we tax property is inefficient in the sense that this resource, which for the 150,500 people on local authority waiting lists (Scottish Government, 2014) across Scotland is a scarce one, is not taxed effectively. This is one of the key reasons why Shelter Scotland is supportive of a property tax based on values as a replacement to the current council tax.*

## 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?*

*Shelter Scotland would like to see a local property tax, based on property value, which steps away from the current banded structure of council tax. This could take the form of a fixed percentage of the property's value. Importantly this must be accompanied by a commitment to regularly review property valuations.*

*Regular revaluations of property would play a key role in the fairness aspect of any new system of local taxation, as housing is a relatively good proxy for wealth.*

*To ensure fairness there should also be an income-based relief for households for whom payment of the tax is unaffordable, similar to the council tax reduction scheme. Detailed consideration should be given to the rate at which council tax support is removed, and the extent to which this can result in high effective marginal tax rates. And for some households who may have difficulty paying the tax out of their income - particularly those who are 'asset rich income poor' - the payment could be deferred until the sale of the property.*

*How private renters are treated under any new system of local taxation is also key. It would be unfair if a renter was charged a high property tax on a property they do not own, particularly if the reason they are renting is because they are unable to afford to buy. This should be addressed either through a tax rebate or by taking into account income when assessing how much tax a household is charged.*

*A property tax could also play a role in stabilising Scotland's property market (Muellbauer, 2005), moving away from the boom and bust nature of the current property market. Not only could this give additional stability but also moderate increasing affordability pressures across the rest of the housing market, including the private rented sector.*

*The private rented sector itself has more than doubled in the past ten years, housing 312,000 households, and now provides a home to some 80,000 households with children (Scottish Household Survey, 2013). The tenancy framework can, of course, provide these renters with some degree of rental stability. However, to ensure the private rented sector is sustainable long term then wider market considerations should be taken into account, such as property taxation. If a property tax is designed in such a way that encourages steady growth in property markets, rather than rapid increases followed by downturns, then a sustainable private rented sector to the benefit of tenants and landlords may be a welcome side-effect. For tenants, sharp rental increases may be avoided and for landlords the risk that the property market takes a down turn is lessened.*

*Another improvement to the property market that an intelligent property based tax could bring is to encourage the efficient use of property. Property taxes can act discourage owners to under occupy property and hold onto vacant property (it is estimated there are currently 27,000 empty properties across Scotland). Where taxes rise with property values there will be an incentive for owners to utilise spare rooms, for example, thereby increasing the supply of accommodation in Scotland (Muellbauer, 2005).*

*A property tax can also play a role in encouraging owners of empty properties to either sell or bring properties back into use. Under the current council tax system local authorities have the power to remove discounts and charge up to 200% council tax on long term vacant dwellings to encourage owners to bring properties back into use. There is also an opportunity for councils using the vacant dwelling council tax powers to recycle some of this additional revenue for empty homes work, including help, advice, negotiation, incentives and enforcement. Importantly, local authorities can adopt a flexible approach to this. For example, for properties not already subject to set exemptions councils choosing to use these new powers have discretion under the legislation to exempt owners/properties from the charge. New guidance was issued by the Scottish Government in March 2015 giving further clarity to this discretion and highlighting a number of areas where councils might considering using this flexibility including: any other circumstances where the owner has agreed with an Empty Homes Officer to take positive steps to re-occupy their property and it is in the view of the Empty Homes Officer that a time-limited council tax increase "holiday" would encourage the property to be brought back into use sooner. We know that several councils have implemented such council tax "holidays" to good effect, enabling them to engage with owners and bring more empty homes back into use quicker. We hope that moves to reform local taxation will reflect the need to retain this financial incentive for empty home owners to work to bring their homes back into use.*

### 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?*

*Currently local authorities have little control over what taxes they are able to raise locally. Against this backdrop Scottish Government funding for councils decreased by 8.5 per cent in real terms between 2010-11 and 2013-14 (allowing for inflation) to £10.3 billion at a time demand for council services has increased (Accounts Commission, An overview of local government in Scotland, 2015). Local authorities should be able to react to, and plan for, increased demands for local services through a locally raised tax. This includes homelessness services, many of which have seen cuts in funding since the financial crisis of 2007-08 and subsequent squeeze on public finances.*

### 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.**

*Shelter Scotland is a member of Scottish Property Tax Reform.*

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

Commission on Local Tax Reform  
Verity House  
19 Haymarket Yards  
Edinburgh EH12 5BH  
0131 474 9200  
email: [info@localtaxcommission.scot](mailto:info@localtaxcommission.scot)  
twitter: [@localtaxscot](https://twitter.com/localtaxscot)

**ADDITIONAL OPTIONAL INFORMATION IF YOU ARE RESPONDING AS AN INDIVIDUAL**

You do not have to provide this information but if you do it will help us build up a picture of the responses that we are receiving. All information that you provide will be used anonymously and will remain strictly confidential. It will not be made available to any other third party.

Are you male or female?  Male  Female  Prefer Not to Say

What was your age at your last birthday? Please select your age

Do you have a physical or mental condition lasting or expected to last 12 months or more?  Yes  No  Prefer Not to Say

Which of the following best describes you? Please select an option  
Other

What kind of household do you live in? Please select an option

What is your household's total income from all sources over the last 12 months? *Please select one answer only*  
Per week Per Year

Do you own your home, or rent it? Please select an option

If you know it, please tell us the Council Tax Band of this accommodation. Please select an option

What is your ethnic group? Choose one section from A to F, then check one box which best describes your ethnic background or group.

**A WHITE**

- Scottish
- Other British
- Irish
- Gypsy / Traveller
- Polish
- Other

**B MIXED OR MULTIPLE**

- Any mixed or multiple ethnic groups (please specify)

**C ASIAN, ASIAN SCOTTISH OR ASIAN BRITISH**

- Pakistani, Pakistani Scottish, Pakistani British
- Indian, Indian Scottish, Indian British
- Bangladeshi, Bangladeshi Scottish, Bangladeshi British
- Chinese, Chinese Scottish, Chinese English
- Other

**D AFRICAN**

- African, African Scottish, African British
- Other

**E CARIBBEAN OR BLACK**

- Caribbean, Caribbean Scottish or Caribbean English
- Black, Black Scottish or Black English
- Other

**F OTHER ETHNIC ORIGIN**

- Arab, Arab Scottish or Arab English
- Other

**This document is available, on request, in easy to read, audio and large print formats, and in community languages. Please contact:**

Aby otrzymać niniejszy dokument w innej wersji językowej, na kasecie lub w wersji z powiększonym drukiem, prosimy o kontakt:

اس دستاویز کی مزید کاپیاں آڈیو کیسٹ پر اور بڑے حروف کی چھپائی میں اور کیوٹی کی زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتے پر رابطہ کریں:

এই ডকুমেন্ট-এর (দলিল) অভিন্নতা কপি, অডিও এবং বড় ছাপার অক্ষর আকারে এবং সম্প্রদায়ের ভাষায় অনুরোধের মাধ্যমে পাওয়া যাবে, অনুগ্রহ করে যোগাযোগ করুন:

Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànanain coimhearsnachd. Cuir fios gu:

इस दस्तावेज़/कागज़ात की और प्रतियाँ, माँगे जाने पर, ऑडियो टेप पर और बड़े अक्षरों में तथा कम्यूनिटी भाषाओं में मिल सकती हैं, कृपया संपर्क करें:

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ 'ਤੇ, ਅੌਡੀਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

此文件有更多備份，如果需要，語音版本和大字體版本及少數種族語言版本也可提供，請聯絡：

يمكن أن تطلب النسخ الأخرى من هذا المستند كالتسجيل الصوتي والخط الكبير ونسخ بلغات أخرى، يرجى الإتصال على:

Commission on Local Tax Reform  
Verity House  
19 Haymarket Yards  
Edinburgh EH12 5BH  
0131 474 9200  
email: [info@localtaxcommission.scot](mailto:info@localtaxcommission.scot)  
twitter: [@localtaxscot](https://twitter.com/localtaxscot)