

## **Radical Independence Campaign (Dundee) submission to the Commission on Local Tax Reform**

**16<sup>th</sup> June 2015**

Radical Independence Campaign Dundee (RIC Dundee) welcomes the work of the Commission on Local Tax Reform. We recognise that the financing of local government is badly in need of reform. The council tax is increasingly considered to be unfair.

We welcome therefore the Commission's aim of looking at not just one alternative to the council tax, but to examine a range of possible alternatives.

We advocate for a tax raising system that is based on the following principles:

- a range of revenue raising powers and a broad tax base
- progressive
- fair
- easy to implement and collect
- (as far as possible) unavoidable

We address your specific questions below, in this context.

### **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?**

Historically, the council tax has been seen as progressive, in that larger and more expensive houses are banded higher and subject to a higher tax. Such progression would be a very important factor for us, as we campaign on social justice issues.

However the failure to revalue domestic properties has meant that the progressive nature diminishes. If council tax is to be retained, we would support a full revaluation and a significantly higher tax burden on properties of high value. We appreciate that there will be some individuals (the 'little old lady wanting to stay in her large family home') for whom this will be a burden, and some transitional arrangements could be made. However, we generally support taxing property or land as well as income and consumption, and value is a measure of wealth, so within the current system we would want revaluation to retain a progressive system. It might be desirable to introduce extra bands, to assist with progression.

As well as supporting revaluation, we do not support the current tax freeze, in terms of the overall amounts. It is a significant limitation on local autonomy.

We are also concerned about the recent and ongoing changes to benefits, including Council Tax Reduction. We are concerned that the Scottish Government over time will find it increasingly difficult to protect benefit claimants; we note increasing instances of difficulties paying the water charge, which is not fully covered by CRT; and we would suggest that these problems would point towards a more comprehensive approach.

We would therefore welcome a much wider review of taxation, both locally and nationally, in Scotland. The scope to do so would have been widest in an independent Scotland, which our organisation was established to campaign for, and the powers that seem likely under Smith will not go far enough. However within our understanding of current powers, we would make some more general comments below.

## 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?**

There are many alternatives that could be proposed. Returning to the principles we stated above, a **broad tax base; easy to collect; and hard to avoid** are all critical to the overall design. Income is already taxed, which is progressive to an extent (the top band should be restored to at least 50%, but that would bring little extra revenue in Scotland.) NI is effectively a fixed additional income tax for most people. VAT and other consumption taxes already hit the poor hardest. Council tax, with Land and Buildings Transaction Tax, are property-related taxes whilst inheritance tax and capital gains duty will also relate to property, but we would favour a much broader land-based taxation and we would support this at local level, to meet our other objectives around increasing local democracy.

We would also note that taxation can be a useful tool to help change behaviour, especially resource and consumption taxes; but that these need to be carefully designed to avoid burdening those least able to pay; and the revenues used to support such changes.

We would ask you to consider the introduction of other local taxes or charges to support local democracy. One possibility is a tourist tax which is common in many European countries.

We note that much work has been done, recently and in the past, on the introduction of a Land Value Tax (as distinct from a property tax). We note the submission already made from Dave Wetzel and Heather Wetzel, and also the paper produced by Andy Wightman for the Scottish Green Party <http://www.andywightman.com/docs/LVTREPORT.pdf>. There are many advantages to moving to this system, though we would not agree that moving away from eg income, resource or consumption taxes and effectively replacing them all with LVT, as Wightman proposes, is desirable. That would also narrow the tax base. However Wightman's paper (which would apply to both local and national taxation) has a degree of detail regarding Scotland which is helpful. We note that you have already taken evidence from the author and if there was to be one system, or a major shift, we would be inclined to support this as we think that the land resource is both the most fundamental, and the area not currently taxed effectively at all. We do fully support his surrounding recommendations around the completion of the Land Register and the map-based land use system, regardless of the specific type of land or property tax being introduced. These reforms would be most helpful in terms of wider land use policy, land reform and improving the planning framework.

## 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?**

Community priorities are poorly reflected due to the general centralisation within Scotland. A relatively small proportion of overall spend is raised locally and that is subject to the current freeze. Along with a relatively narrow approach to local government powers, and a wide range of prescribed statutory duties, this gives local councils little scope to do more than the minimum compliance, especially in current financial situation.

Whilst it is important that there is a framework of binding duties in relation to key services, local democracy is most likely to be improved by increasing local autonomy, which is another of our key campaigning goals.

We contrast Scotland's position with that of municipalities in many other European countries, where there are more and smaller authorities (bringing democracy closer to home); as a result, far more individuals are directly involved; in some cases, taxes are collected locally and hypothecated back to the centre, rather than the opposite; and on property specifically, regardless of taxation, many municipalities themselves maintain a cadastre of property use and ownership. All of these possibilities would strengthen local democracy, accountability and autonomy.

#### **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.**

This response is submitted on behalf of Radical Independence Campaign Dundee. The Radical Independence Campaign, at a national level, has working groups on Democracy and on Land Reform, and these groups would be interested in the development of the Commission's work. Their emails are appended below.

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