

# SAACT Newsletter

Issue 11

[www.sact.org.uk](http://www.sact.org.uk)

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## When does Self-interest become Greed?

**S**cottish Action Against Council Tax is a non party-political pressure group dedicated to the abolition of the **present system of Council Tax**.

SAACT, while autonomous, has historical links with, and corresponding aims to, the Isitfair group in England and Wales. i.e. Scrap this tax in favour of a fair system.

We believe that the Council Tax is grossly unfair. We contend that the whole basis of this regressive tax is flawed and therefore no amount of tinkering with the system, aimed at giving it a veneer of fairness for short term political gain, can be justified.

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### Where Are We Now?

Due to the hiatus in parliamentary progress towards replacement of Council Tax, SAACT's activity has been lessened for some time now.

The next major event in the Scottish Parliament is likely to be the election in May 2011. The SNP will be seeking an increased number of MSPs in order to realise some of the manifesto pledges blocked by their lack of a parliamentary majority.

The particular pledge that most interests SAACT is, of course, that of scrapping Council Tax (CT) and replacing it with a fair, progressive system such as a properly administered Local Income Tax (LIT).

The main point of this Newsletter is to consider who are the opponents of the principle of ability to pay and why they oppose it. All the main parties in the Scottish parliament have agreed that CT is unfair, but some are unwilling to endorse LIT as a fair alternative.

One perceived obstacle to the LIT proposals was that the rate of tax would have to be higher than proposed by the Scottish Government, because the previous UK Government, using their own brand of infantile logic, refused to agree the transfer of CT Benefit equivalent funds to Scotland. However, the Scotland on Sunday newspaper reported on 24<sup>th</sup> October 2010 that the present UK coalition Chancellor,

George Osborne, was agreeable to the transfer of these funds.

### Scottish Politicians

The Scottish **Lib Dems** and the **SNP** prefer LIT but disagree on the detailed form it should take; while the Conservatives and Labour say they prefer a regressive property-based tax but have, at the time of writing, as yet to formulate (or at any rate publicise) the detail of their proposals.

Our latest (but by no means new) information from the **Scottish Conservatives**, whose party introduced CT as an ill-thought-out successor to the infamous poll tax, is that they remain in favour of retaining a property tax. This would basically be CT with a few modifications designed to make it more palatable to one of the sections of the population badly disadvantaged by CT. This cynical attempt to buy more votes will be seen for what it is in the context of their UK party's progressive dismantling of the welfare state.

The **Scottish Labour** parliamentary group is, we have been led to understand, in the process of formulating a new proposal for local authority funding which is still to be based on the property value of homes. Their continuing quest for what they would claim to regard as a fair property tax is, we are afraid, doomed to failure by definition, as it cannot be based on property value and at the same time be based on ability to pay which is an absolute necessity for true fairness.

In his speech to Labour's Scottish Conference the Shadow Cabinet Secretary for Local Government, Michael McMahon made an attempt to argue for the continuance of a property-based tax and made the following two main points:

1. *“Ability to pay should relate to overall wealth, not just income and a property based tax is a reasonable indicator of wealth.”*

We can't see how a tax system is an indicator of wealth, but we will assume that the intention was to cite property value as an indicator of overall wealth.

In either case should not all kinds of “overall wealth”, such as the capital value of all forms of foreign and domestic investments, jewellery, cars etc. etc., be included? Why single out peoples' homes for such consideration? Is the recently quadrupled market value of a small tenement flat in the west end of Glasgow a fair indication of the wealth of a couple who may have lived there for many many years?

No, the statement just does not bear close examination. As another example: we constantly hear of a looming demographic time bomb of an ageing retired population. Coupled with an inadequate state and decreasing occupational retirement pensions, how are the retired going to cope in the future when very many can't afford to pay the present CT due to their reduction in income on retirement? Very many hard-working families struggled to pay a mortgage in order to provide decent living accommodation, only to be financially crippled on their retirement by constantly soaring bills for fuel and CT. Of course, unlike Labour, when SAACT quote “ability to pay” as a criterion for fairness they mean ability to pay without hardship. This brings us on to the next little gem in the speech:

2. *“Property based taxation works and is desirable, as it provides stability, predictable yield and is easy to collect.”*

It is simply not true that property-based taxation works well. Just think on the mess that CT engenders over the question of revaluation and again on the necessity for huge numbers of debt collections and even court actions over non-payment, not to mention CT Benefit fraud.

Property-based local taxation is certainly seen as desirable to the wealthy and to families with homes of multiple wage earners, many of whom can afford to contribute but are not subject to property tax and who nevertheless receive all the council services of those who are forced to pay.

Much to our shame, income inequality, with its attendant lowering of living standards, is rife in this country.- see [www.equalitytrust.org.uk](http://www.equalitytrust.org.uk) The UK comes 4<sup>th</sup> in the league of developed market economies of the world for the worst income inequality, being behind only Singapore, USA and Portugal. Progressive taxation is an accepted constraining factor to income inequality, yet Labour and Conservatives choose regressive property tax over progressive “ability to pay” taxation and endeavour to continue the pretence that they are interested in fairness.

Judging by the tenor of the speech, misplaced and erroneous conceptions of the expediency of the collection system are more important to Labour than fairness. While professing to support Calman taxation proposals, they refuse to acknowledge that computer algorithms required for a separate Scottish income tax system are essentially similar to those required for LIT.

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## When Does Self-interest Become Greed?

It is undoubtedly true that those with most political influence in our society tend to be among those with higher levels of income; it is also undoubtedly true that those with higher levels of income would pay more under LIT than they are required to do at present, and that no one likes to pay more tax. Is it fair, however, that they should prosper even more at the expense of those of much more modest means?

In this way there is a built-in influential opposition to measures such as LIT, which perhaps explains the Labour group's attitude towards its adoption.

Anyone who doubts the attitude of many of those of political influence should recall the recent scandal of MP expenses claims, and should also be aware that those of UK and Scottish political influence are by no means confined to members of the various parliaments.

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For all aspects of the SAACT campaign visit our website: [www.saaact.org.uk](http://www.saaact.org.uk)

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## Membership of SAACT

We hope you have found this issue of the SAACT Newsletter both interesting and thought provoking. If so, please pass it on to your friends and consider joining our mailing list or even taking a more active part in our campaign. Send your e-mail and/or postal address to the Secretary to receive future issues.

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