

SAACT Newsletter

Issue 4

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Our Non-Listening Exec.

Scottish 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.

Our Listening Executive?

Our Newsletter is now in its 4th issue, plus 1 concerning the Burt Report. It is a sad situation, but factual, that Scottish Labour is the only party in Holyrood whose MSPs have refused to make any response to us whatsoever, never mind engage us in considered debate on the subject of Council Tax. Is this our listening Executive? No, they may hear but they are not really listening. However, we strongly suspect that, in many cases, it is simply a bad conscience that prevents response.

When directly confronted with the above fact, and then asked why Labour is so opposed to Local Income Tax, a Labour MSP stated that Labour's opposition to LIT was *“that it would cost some people too much.”* If this is their official line, then we have news for them. *Council Tax, by its regressive conception, is already costing far too many people far too much.*

Message to our First Minister: Try Living in the Real World.

Readers will no doubt have noticed that there has been a lot of media reporting recently of the unacceptable levels of poverty in Scotland.

Wouldn't it be great if a significant proportion of

that poverty could be alleviated by the Executive, at a stroke and without additional national expenditure, except for some initial set-up costs. Too good to be true? Well no, given the political will, all that is required is the scrapping of Council Tax and the substitution of a tax directly related to ability to pay, such as LIT. i.e. a progressive tax. To again quote our First Minister (as a Councillor).

“If we cannot devise a system of local income tax using the computerised taxation system, then there is something wrong with us”

This statement, true in 1989, is so much more relevant today, with the vastly increased computer power and programming capability readily available now. For a discussion of the economics of this, see the article on the next page.

Alas, the apparently insurmountable difficulty with this is not the mechanics of the change, but the entrenched lack of political will on the part of the Executive, or at least the Labour side of the pact, to introduce an intrinsically fair system.

The First Minister has lost the perspective of the real world of Scottish people that he had as a Councillor. Both he and his colleagues obviously live in different social circles these days, and have lost their appreciation of the economics involved in the lives of ordinary people. They live in a world of high finance and superficial statistics. You could even say that they can't see the trees for the wood.

An example of this mind-set is contained in the Wendy Alexander MSP letter to the Herald of March 6, in which she cites the comparative level of Scotland's GDP per capita as being a representative yardstick of Scottish economic welfare (interesting that she should quote the figures in US dollars and not in pounds sterling or euros).

These figures may well be a measure of the money making capacity of Scotland's big business, especially in the banking and financial sectors, but they mask the reality of the growing deprivation, poverty and widening income differentials of Scotland's people.

Local Taxes - Ease and Cost of Collection

SAACT's five principles for the replacement of Council Tax by a fair tax would accommodate several possibilities, including some form of income-based tax, whether locally or nationally set. In this article we look at the relative ease and cost of collecting Council Tax, Local Income Tax, and a centrally-set tax ring-fenced for local government expenditure.

Council Tax is collected by the 32 Councils individually. It is very difficult and costly to collect. In Glasgow only 86.1% of the amount of Council Tax due for 2005-6 was collected in the year of billing. Even including collection of arrears, only 88.1% has currently been collected for the years 1993-96 (Council Tax Collection Statistics 2006, Tables 2 and 3 - Scottish Executive).

An income-based tax, whether centrally or locally set, would be **collected** centrally by HM Revenue and Customs, through the PAYE system where possible. There would be no question of Councils **collecting** the tax. That would be almost as inefficient as the present Council Tax collection system.

Local Income Tax (LIT) means that each Council would set its own LIT rate (just as at present each Council sets its own Council Tax rate). A centrally-set tax would imply that the tax rate should be the same throughout Scotland. Any difference in funding for different areas of the country would be met by different allocations of central government grants. This, of course, already happens: on average, about 80% of Council funding is provided by central government grants and the remaining 20% from Council Tax, but areas with greater expenditure needs get a higher than average proportion of central grants.

The Burt Committee Report gave the following estimated annual collection costs (Figure 10.3, page 107). The cost of collecting Council Tax, including Assessors' costs, is currently £42 million. The annual costs of collecting a locally-set tax would be £29-£54 million (£12-£26 million for HM Revenue & Customs and the Department for Work & Pensions, and £17-£28 million for employers). Savings / additional costs of collecting a locally-set tax would therefore range from savings of £13 million to additional costs of £12 million. The annual costs of collecting a centrally-set tax would be £17-£28 million (£10 million for HMRC/DWP and £7-18 million for employers.) The savings produced by a centrally-set tax would therefore be £14-25 million. A centrally-set tax would, therefore, probably be cheaper to collect than a locally-set tax.

It is also argued that a centrally-set, single-rate tax would be easier for HMRC to collect than a locally-

set tax: under local income tax each of the 32 Councils might set a different rate. However, it is not clear why it should be so difficult to collect 32 different tax rates. In these days of computers it would seem a fairly simple matter for HMRC to match everyone's National Insurance number with their postcode, charge the rate of tax appropriate to the residential postcode, and distribute the appropriate amounts (electronically) to the Councils concerned. But the Burt Report sees difficulties. Indeed, it made some quite extraordinary statements. First, HMRC does not, allegedly, necessarily know where we all live. Secondly, present HMRC procedures rely heavily on employers to collect income tax, and apparently the CBI believes that "current IT capacity may only be able to deal with 3 or 4 rates" (Burt Report, Section 10, paragraph 83). So it would appear that current HMRC procedures would need some modification to collect 32 different tax rates: perhaps employers should be required only to report the amount of their employees' earnings and deduct the amount of tax instructed, but not to calculate the amount due; the calculation should be done by the HMRC computers.

But collection costs and ease of collection are not the only considerations. Many people consider local accountability to be important, and we will return to this question in a subsequent Newsletter.

SAACT is not, as a group, indicating a preference for a centrally-set tax over a locally-set tax, or vice versa. We are drawing attention to matters which we think should be considered. The most important consideration is that whatever replaces Council Tax should be a fair tax, more closely related to ability to pay.

Membership of SAACT

We hope you have found this issue of 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.