SAACT Newsletter

Special Issue on Burt Report November 2006

The Burt Report.

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.

As no doubt everyone is aware, the long-awaited Burt Report is now published under the title "**A Fairer Way**". The report consists of over 200 pages of discussion of the Burt Committee's views of the merits and demerits of various methods of raising the taxation in question. This newsletter can do no more than comment on what we consider to be some of the more salient aspects of the report in terms of our previously stated principles of fairness.

Burt's Recommendations.

At a relatively early stage in their report, (just short of half-way) the Burt Committee (BC) conclude that only taxes on income and property should be further considered in detail, local income tax being the only option for an income based taxation. It should be understood here that the term Local Income Tax (LIT) is used in the context of a tax solely for funding council expenditure and, for consideration, is divided into whether LIT rates are locally or nationally set.

Various forms of property tax are considered and rejected, including Council Tax in its present and potentially modified forms.

Quote from BC report Executive Summary:

"We recommend a new progressive Local Property Tax (LPT) be introduced, based on the capital value of individual properties and payable by households occupying properties (whether as owner occupiers or as tenants) and by owners of second homes and unoccupied properties. LPT satisfies our criteria."

As all readers probably will know, if adopted, the proposed LPT would be an annually set percentage of the assessed value of our homes.

BC Recommendations Compared With Our Five Principles.

SAACT's First Principle.

> **Council Tax should be scrapped in favour of a fair system.**

The Burt Report certainly agrees with this principle. The question is: to what degree does the BC interpretation of "fairness" agree with our own? Maybe the use of the comparative in the report title gives us the clue. It has often been said that CT is so fundamentally wrong that almost any other system would be **fairer**. Well, let's see how the BC recommendations compare with our other four principles which, when taken together, constitute our condensed criteria for fairness.

SAACT's Second Principle.

> **The replacement tax must not be based on domestic property value, but should be levied on all residents.**

Clearly, this fairness criterion is totally broken by the BC recommendation. The result of this is that a large number of people who use council services are exempt from this tax. This particular exemption is not based on ability to pay, but simply that the owner or tenant in the household is the only one liable to pay the tax, no matter how many other council service users may be present and well able to share the burden with the rest of the community.

The result of this, of course, is larger tax bills for those who really can't afford to pay. **Is this fair?**

SAACT's Third Principle.

> **The replacement tax must be based on ability to pay and should contain no regressive elements.**

The BC report states that property taxes can be fair and progressive because “there is a correlation between property values and ability to pay.”

“Correlation”, to put it simply, is a statistical term used to measure mathematically the degree to which one variable quantity follows another proportionately. Simply to say that there is a correlation between property values and ability to pay is totally meaningless jargon.

In the context of this tax, if there existed a really good correlation between property values and ability to pay, this would imply that there were so few exceptions in the form of cases of hardship that these few exceptions could be dealt with individually. There would then be no need to scrap the Council Tax as it could easily be modified to make it near perfect.

Also, if this were the case:

- SAACT would not exist.
- CABx statistics on hardship and debt related to Council Tax bills would not exist.
- The recent Joseph Rowntree Foundation analysis and report on deprivation related to Council Tax bills would be a work of fiction.

SAACT's Fourth and Fifth Principle.

4 The replacement tax must not disadvantage those whose circumstances are such that they would qualify for Council Tax Benefit under the present system.

5 The replacement tax should avoid the necessity for means-tested benefits.

The criterion contained in our fourth Principle would be met, because in essence it would not differ significantly from the present arrangement**,** but not that in Principle Five. The report recommends some mainly cosmetic changes and some measures aimed at improving the abysmal take-up rate of CT Benefit. It also recommends that the upper savings limit for eligibility be increased by an unspecified, but relatively small amount (small in order that taxpayers do not subsidise those householders with substantial savings) above its 1993 level of £16,000.

It should be obvious to all that the criteria contained in our fourth and fifth Principles would be fully met automatically by the adoption of a local income tax.

To sum up then, only one of our four criteria for fairness has been met (and that purely by default) by the BC deliberations.

Proposals for Pensioners

Sir Peter Burt's banking background comes into play here. The BC sees no reason why pensioners with their pitiful State Pension and not very much more, should receive any special dispensations. However if they own their home, the BC generously recommends that they should be allowed to borrow against its value in order to pay their taxes. Their home would be valued against their tax liability, plus interest and charges of course, and their life expectancy. If this “credit rating” proved positive, they would be given the opportunity to defer their tax liability until after they are dead and their house is sold. In cases where the pensioner's life expectancy, weighed against the value of their home, resulted in a marginal “credit rating”, insurance could be purchased against the pensioner living too long.

All this sounds like a “nice little earner” for the banking/financial sector. But wait a minute, surely we have the above all wrong, because elsewhere in the report it is clearly stated that it is not within the remit of the BC to consider wealth redistribution. Well, maybe they only mean a redistribution from high earners to low earners.

Of course, there would be no obligation on the pensioner to subscribe to this scheme. As an alternative, or if their credit rating was insufficient, the pensioner could always opt to follow the advice given to people in the early 1940s:

“Tighten your belts, be as frugal as you can and wear extra clothes in the winter in order to save fuel. Remember, there's a war on!”
