

The Commission on Local Tax Reform in Scotland

General Features

Management of taxes

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CIOT and LITRG respond to the call for evidence

LITRG and CIOT have made submissions in response to the call for evidence issued by the Commission on Local Tax Reform set up by the Scottish government. The Commission is exploring alternative forms of local taxation to council tax, with the aim of delivering a ‘fairer’ system in Scotland.

The CIOT had previously published an online survey to gather the views of members in Scotland. Responses informed the CIOT’s written submission.

Neither CIOT nor LITRG recommended any particular system of local taxation in their submissions, but they identified general issues for consideration and explored possible options. In particular, LITRG noted the importance of taking into account interactions of local taxation with national taxation, tax credits, universal credit and other welfare benefits. Both CIOT and LITRG also noted the need to consider the impact of any changes to local taxation on charging for household water and sewerage.

The two groups pointed out the difficulties entailed in trying to define the subjective concept of ‘fairness’ and suggested that it would be better to aim for a progressive system: one that recognises that society as a whole has to pay for people with care needs and that the cost should fall more on those who can afford it than on those who cannot.

Among the options considered by the CIOT were a reformed council tax, a local income tax, a land value tax, consumption and environmental taxes and hybrid systems. It noted a tendency to focus on income as a measure of the ability to pay, but it suggested that a more holistic approach might be to take into account not only income but also the resources available to a person. Ideally one would also take into account necessary outgoings, such as those relating to dependants. The CIOT concluded that it was unlikely that any single system would achieve a proper balance between reflecting the use of services and paying proper regard to the ability to pay.

LITRG noted that the council tax system already takes account of disability and suggested that any reformed system of local taxation should do likewise. The charity noted that take-up of council tax reduction could be improved by improving awareness of entitlement, making it easier to claim and perhaps changing its nature. It also raised the issue of high marginal deduction rates, in particular the situation where one government department pays a credit only for another to claw it back through a reduction in a benefit. LITRG suggested the use of a consistent measure of income across all systems.

Both CIOT and LITRG emphasised the importance of considering administration and collection of local taxes at the outset, and noted that the system of local taxation should be transparent.

In June, LITRG and CIOT participated in roundtable discussions organised by the Commission in Scotland for representatives of low-income groups and those from professional bodies respectively. The discussions considered principles and parameters for a local system of taxation. The discussions were broadcast live as webcasts on the Commission’s website.

The CIOT submission is available on the [CIOT website](#).

The LITRG submission is available on the [LITRG website](#).