

Time to reform Council Tax in Scotland?

In a report published today (June 6th 2001) by the Scottish Economic Policy Network (**scotecon**),¹ on the options for the reform of Council Tax in Scotland, authors Dr John Sawkins and Valerie Dickie² said:

‘There is, we believe, a strong economic case for the reform of domestic Council Tax in Scotland. It is time for the Scottish Executive to build on the growing political consensus amongst local authorities, and thereby give Scotland a transparent, efficient and fair system of local government finance fit for the twenty-first century.’³

Key findings

- It is clear that, for Scotland, the progressive design features of Council Tax, such as the rising tax take across bands, are greatly outweighed by second home discounts and the house valuation range covered in each band, resulting in a tax which is regressive overall.
- The present Council Tax banding system does not discourage house price inflation, particularly at the top end of the market.
- At present only a fifth of local government spending in Scotland is financed from Council tax, whereas evidence shows that the electorate is more likely to participate in elections when local domestic tax finances a larger portion of council spending.
- Scottish local authorities collected only 87.3% of Council tax due in 1997/8. Water and sewerage charges being included in Council Tax, and the large rises anticipated for those charges, will not make those liable any more likely to pay.

Policy implications

This paper delivers four options for improving the current Council Tax system:

1. Revalue domestic properties
2. Revise Council Tax bands
3. Remove water and sewerage charges
4. Return Business Rate to Local Authority control

In addition, two more radical solutions to demands for a fairer local taxation system are proposed:

5. Return to property taxes (i.e. rates)
6. Reallocate services (i.e. transfer of responsibility for education from local to central government)

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Notes for editors:

1. **scotecon** is a network of economists based in Scotland's universities, which aims to stimulate academic research on the Scottish economy, particularly in those areas of interest and concern to the Scottish Parliament. **scotecon** is funded by a Research Development Grant from the Scottish Higher Education Funding Council.
2. School of Management, Heriot Watt University.
3. Copies of this report entitled 'Council Tax in Scotland: The Economic Case for Reform' are available to the press from **scotecon**, University of Stirling, FK9 4LA (e-mail: Wilma.ellis@scotecon.net). A full version of the report will be available in PDF format on our website (www.scotecon.net) from Friday June 7th.