

SAACT Newsletter

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Another Significant Step Forward

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.

Where Are We Now?

With the recent Scottish Government publication of the official public consultation document, entitled "A Fairer Local Tax for Scotland", we are all presented with an opportunity to contribute our thoughts on how the "ability-to-pay" principle should be applied to local taxation. SAACT, as an organisation, will of course make its own official response which will subsequently be published on our website. However, we would encourage responses from as many individuals as possible. The SAACT response will be in line with our 5 Principles, the first part of our first Principle being implicit in the nature of the document. Where multiple options arise consistent with our principles, we will attempt to clarify our position as appropriate.

Congratulations are due

We heartily congratulate the Scottish Government on the publication of this document and hope that they, and all other fair minded MSPs, will continue to work as swiftly as possible towards a bill which will find consensus, in order to free the Scottish people from the scourge of the iniquitous council tax.

Congratulations are also due to the parties and MSPs who prevented this process from being wrecked by Conservatives and Labour at an earlier stage.

Difficulties ahead

We realise that there are some important differences in the way in which some MSPs wish a progressive Local Income Tax (LIT) to be implemented. It is surely possible, however, to frame the bill in such a way that no great obstacle would be put in place to prevent alternatives in detail being implemented at a future date, while maintaining the principle of fairness.

It is most important to the people of Scotland that the fundamental change be made now and that this vital bill should not be turned into a political football by the parties and MSPs who support LIT. The people will recognise that they owe a long-lasting deep debt of gratitude to all parties and individuals who contribute positively to the implementation of such a bill. We appeal to all fair minded political parties and MSPs not to let Scotland down in this respect.

One class of difficulty continues to be the adverse propaganda from New Labour, Conservatives and some media political correspondents. Some of this propaganda amounts to blatant deception, and some to a lack of appreciation of the scale of various aspects of the issue.

Considering taxation, the principle of ability to pay was never willingly applied by the Conservatives and obviously has been abandoned by New Labour, so what else can we expect from them?

An election survey by Strathclyde University found 88% support for a tax based on ability to pay. Obstructing the introduction of a local income tax shows contempt for the wishes of the Scottish people.

A closer look at some criticism

Inevitably there will be losers when a progressive LIT is introduced. Those who lose will be the high earners who, under council tax, are heavily subsidised by the lower waged and pensioners. Greed would, of course, be the motive for objection to this much needed reform.

Labour's Spokesperson on Public Services, Andy Kerr, would appear to have been attempting sums on the effect of the proposed 3p LIT rate when he stated, with what he intended as criticism, that four

nurses, living together in a flat would collectively be paying £2,000 per annum in LIT at 3p. Lets look at the income of this hypothetical household with 2008-09 tax allowances (£5,435) in mind. Assume that each nurse pays £500 i.e. that their salaries are equal:

Individual taxable pay ($£500 \div 3\%$) = £16,667

Individual salary (£16,667+£5,435) = £22,102

Household gross earnings = £88,408 per annum

LIT liability as a proportion of earnings = 2.26%

We wonder how many households on low and fixed incomes would be overjoyed with such a liability when we consider that many thousands are now paying over 10% of their gross income in council tax. We also wonder what planet Andy Kerr lives on to consider 2.26% as excessive. Maybe the most charitable explanation is that he is not very good at arithmetic. The other explanation, of course, is that this is another example of inept New Labour attempted deception.

The SNP Government estimates that, under its proposals for a 3% tax, 67% of people would be better off and a further 15% no worse off.

Oh! What a Tangled Web They Weave

New Labour's spin machine continues to pour out threats of reduced grants for Scotland if LIT is introduced. Of course, this vindictive attitude towards Scotland by New Labour both at Holyrood and Westminster will be sure to endear Scottish voters towards them. Even Sir Peter Burt, in his report, termed council tax benefit as council tax rebate grant.

This grant, from his pie chart of local government income for 2004-05, amounted to some 17.65% of the total of this grant plus council tax income. Scottish New Labour further criticise LIT on the grounds that it would be unfair to higher earners, but they apparently intend to exacerbate this situation by more than 17%. This is yet another example of revealed scare tactics and deception.

Unearned Income of the Wealthy

It has been pointed out on several occasions that income from savings interest and from investments is not included in the proposed LIT. The Scottish Government's response is that the cost of the mechanism to include this would possibly exceed the yield.

We would not be in favour of further taxing income from modest savings and investments. But, is the Scottish government really suggesting that very wealthy individuals, whose income is totally or predominantly unearned, should have a huge preferential treatment over those who have to earn all of their income?

Savings and investment income is largely taxed at source and it is our understanding that this is where the collection difficulty would arise. For example, in the case of UK company share dividends, the company registrars simply deduct 10% tax from all dividends, often without being even aware of the identity of the individuals who eventually receive these dividends. Banks and building societies automatically deduct 20% from interest payments unless tax-free concessions are established. But, like company registrars, they do not concern themselves as to whether or not the recipient of the interest is domiciled in Scotland.

However, those whose income falls into the higher taxation band and who make annual income tax returns to Her Majesty's Revenue and Customs (HMRC) are already required to pay the difference between higher and standard rate tax for the appropriate amounts of savings interest and investment income. **Why should not their higher rate taxation charges include LIT?** HMRC would, of course, be fully aware of all those domiciled in Scotland in order to implement the basic requirements of the LIT system.

This measure may not yield a very large proportion of the total required revenue, but it would not be costly to implement and would lend a significant contribution of perceived fairness to the LIT system.

For government public consultation documents see the links on our website: www.saact.org.uk

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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