

# SAACT Newsletter

Issue 2

October 2006

## Council Tax or Income Tax?

**S**cottish 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.

The main theme of this issue of SAACT Newsletter is a discussion on a practical and fair alternative to Council Tax.-see article overleaf.

### Some Basic Tax Facts

1. Nobody likes to pay tax., but most of us regard it as a necessary evil.
2. Our society is arranged such that services such as children's education, NHS, police, fire brigade, nuclear weapons of mass destruction, social services, council services, roads, etc., etc. are paid for by taxation of one kind or another.
3. A regressive tax is one in which lower income individuals and families pay more in relation to their income than those with higher incomes.
4. Council Tax is regressive and therefore penalises people such as families with lower incomes and most pensioners.
5. Council Tax wastes resources which are paid for by Council Tax itself, because it is relatively difficult and expensive to administer and collect.
6. Council Tax bills cause additional hardship and misery to those already struggling on low incomes.
7. Council Tax arrears are a major source of the growing debt problem in Scotland.
8. Our present system of income tax is not regressive.

### Joseph Rowntree Foundation Study

<http://www.jrf.org.uk/>

The main findings of a recent (28<sup>th</sup> Sept.) study commissioned by the Joseph Rowntree Foundation deals with the deprivation caused by Council Tax in Britain. While the study concentrates mainly on figures in England, similar conclusions can be drawn for Scotland. Quote from study:

**“ It is estimated that close to three million summonses for non-payment of council tax are issued in England each year.**

- Deprivation is a key factor in explaining the number of summonses issued by councils.
- One in four households in band A receives a summons; one in seven in band B; but fewer than one in ten in bands E-H (based on a sample of 22 councils).”

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### Where are we now?

**The Burt Report** on “Local Taxation in Scotland” is not yet published.

**Nicola Sturgeon** replied promptly to a letter requesting a SNP answer to the questions we posed in last month's Newsletter. While she reaffirmed the SNP policy of replacing CT with local income tax, she has apparently no comment on making this much-emphasised SNP policy a precondition of power sharing in a future Scottish Parliament.

**Nicol Stephen**, who also was sent this letter, has not yet seen fit to reply and we must admit at present to being in a state of total confusion as to what the latest policy of the SLDP is on this matter.

**All other MSPs** were sent an email with the Newsletter as an attachment. Polite acknowledgements were received from Donald Gorrie and Lord James Douglas-Hamilton. Andrew Arbuckle assured us that the Lib. Dem. Policy was still local income tax. Sandra White sent a reply of support for our group and a reassurance that the SNP, given the opportunity, would carry out their pledge of scrapping Council Tax and introducing local income tax.

## **Council Tax or Income Tax?**

In the last Newsletter we outlined why Council Tax is grossly unfair. What should replace it?

Alternatives have been put forward by various people and organisations. These include:

1. Fund councils entirely by central government grants, and increase various national taxes accordingly. About 80% of council funding, on average, already comes from central government grants – why not 100%?
2. A dedicated national income tax.
3. Some form of local income tax.
4. Some form of sales or service tax, like VAT.

Only some of these satisfy the SAACT criteria for a fair tax.

The third option would more transparently address the issue of local accountability. We will return to local accountability in a subsequent Newsletter.

In the present article, we look at some issues of comparison between income-based taxes (whether locally or nationally set) and Council Tax.

In a recent newspaper article, Brian Wilson, the former Labour MP and Energy Minister, repeated the claim that only 60% of us pay income tax.

Where does this figure come from? It appears that it is calculated by taking the number of income-tax payers in Scotland (2.6 million) as a percentage of the number of people over 16 (4.1 million). Actually that gives 63.4%.

So are the other 36.6% all tax-dodgers? No, of course not. There are undoubtedly some tax dodgers (legal and otherwise). But most of the 36.6% non-payers are those who are exempt from income tax because their income is too low, or even non-existent. For a start, a high proportion of 16-22 year-olds are still at school or in higher education, incurring debt rather than earning money. Then there are the unemployed, the disabled, full-time housewives, full-time carers, many part-time employees, and many pensioners whose income does not exceed the personal allowance. (The personal allowance for over-65s is currently £7,280, and those born before 6th April 1935 are, in addition, still entitled to the married couples allowance of £6,065). On this basis, “only” 63.4% seems a very respectable tax base.

How does this compare with the number of those who pay Council Tax? It is very difficult to get a precise and meaningful figure. Sometimes a figure as low as 30% is quoted, but this is as misleading as the 60% figure for income tax payers. Only householders normally pay Council Tax, but the standard rate of Council Tax relates to two-adult households. Further, some households receive full Council Tax Benefit.

But there are some things that we do know. First, Council Tax is very difficult 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). Much of the shortfall is probably due, not to deliberate evasion, but to genuine difficulty in paying. But an income-based tax would help with both problems. People would be taxed in accordance with their ability to pay, and for most people the tax would be deducted from earnings, pensions and other income at source through PAYE.

Secondly, households with three or more wage-earning adults pay exactly the same amount of Council Tax, in each band, as two-adult households. Is this fair?

There may be other possibilities for local taxation. But, between an income-based tax and Council Tax, which do you think is fairer and more efficient?

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## **Membership of SAACT**

We hope you have found this 2<sup>nd</sup> 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. Contact SAACT to receive future issues.