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| To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE | Subject: LOCAL TAXATION IN SCOTLAND A CONSULTATION BY THE LOCAL GOVERNMENT FINANCE REVIEW COMMITTEE |
| From: DIRECTOR OF FINANCE | |
| Date: 11 March 2005 | Ref: AC/CP |

1. Introduction

- 1.1 To advise this Committee of the above consultation exercise.

2. Background

- 2.1 Scottish Executive Ministers have established a Committee to review the different forms of local taxation. The remit for the committee is attached for information. The full consultation paper is available in the Members Library.

3. Considerations

- 3.1 In its consultation paper the Committee details 41 questions on which it would welcome comment. An initial deadline for responses was 16 March, however, following representations this has been extended to Friday 15 April. The deadline of 15 April still represents a significant challenge and given the nature of the questions it will be necessary to take a pragmatic view of the level of detailed analysis and coverage that can be undertaken. However, in view of the significance of this matter it is important a response is made.

4. Recommendations

- 4.1 It is recommended that the Policy and Resources (Finance) Sub-Committee:-
- 4.1.1 note the establishment of a committee to review local taxation in Scotland and,
- 4.1.2 agree that a response to the consultation exercise be prepared and submitted to the Policy & Resources Committee on 19 April, 2005.



Director of Finance

ANNEX 1: REMIT FOR THE COMMITTEE

To review the different forms of local taxation, including reform of the Council Tax, against criteria set by the Executive, to identify the pros and cons of implementing any changes to the local taxation system in Scotland, including the practicalities and the implications for the rest of the local government finance system and any wider economic impact, and to make recommendations.

CORE ISSUES FOR SYSTEMS OF LOCAL TAXATION

The issues that the review will need to examine for each system are:

- Effect on the economy/economic growth
- Ability to pay/fairness
- Ease of avoidance/collectability
- Stability/predictability
- The relationship to the Benefits system
- Balance of Funding
- Buoyancy
- Accountability
- The cost of collection
- Who collects the tax
- Shift to a new system: timing and transitional arrangements

SYSTEMS TO BE EXAMINED

- Council Tax (current and reformed)
- Local Income Tax (locally and nationally set)
- Land Value Tax
- Options for local business taxation
- Any other appropriate models

ASSOCIATED ISSUES TO BE ADDRESSED

The associated issues are:

- Business rates
- The impact on the current GAE/RSG system
- The mechanism for distributing grant between authorities.
- The relationship to domestic Water and Sewerage charges
- Reserved issues