

Responses

Question 1 In your view should the local income tax personal allowance be the same, higher or lower than the UK income tax personal allowance?

Using the fairness principle, the level should be the same.

Question 2 Do you think a flat rate of 3% is too high, too low or about right?

There is some uncertainty regarding the predicted yield of a 3% local income tax. A debate is still underway regarding the transfer of Council Tax Benefit payments and the Office of the Chief Economic Adviser indicated in March 2008 that a 3% local income tax may yield a deficit of £281m in 2001/12 when compared to predicted Council Tax yields. Using the stability and predictability criteria the rate of local income tax requires to ensure that local services can continue to be provided on a stable basis. There is insufficient information available at present to provide an objective assessment of the proposal.

Question 3 Would you be inclined to pay more Local Income Tax (i.e. above 3%) to provide for better quality local services?

This question is left blank.

Question 4 Do you believe the level should be set locally or nationally?

In accordance with the accountability principle, local authorities should be responsible for the expenditure they incur and the revenues raised to collect it. It should be noted that the question does not seek any view on the practicality of setting individual local income tax rates within each local authority area.

Question 4 (supplementary) If you believe the level should be set locally, should Scottish Ministers be able to cap the rate?

In accordance with the accountability principle, local authorities should be responsible for the expenditure they incur and the revenues raised to collect it.

Question 5 Among the following, which should or should not be taxed as part of local income tax?

Earned Income/Wages
Income from Pensions
Income from Savings
Income from Financial Investments
Income from Second Homes

Using the fairness criteria there should be a strong association between the level of a tax liability and an individual's ability to pay. As such, if an individual derives income from the above sources, these incomes should determine the level of local income tax liability.

Question 6 In your view, do you think that there should be any special exemptions or discounts from a local income tax?

On the basis that a local income tax would reflect an individual's ability to pay, using the fairness criteria there should be no exemptions. However it should be noted that under existing Council Tax legislation there are exemptions for certain students and the removal of this exemption may be unpopular.

Question 7 Do you agree that a Scottish taxpayer should be defined using the definition already contained in the Scotland Act?

Using the ease of collection and ease of understanding criteria, the definition of a Scottish taxpayer should be readily understood by the public and readily identifiable by the tax collecting authority. The definition contained within the Scotland Act can be used as a starting point although it is envisaged that further definitions will emerge through case law.

Question 8 In your view should transitional arrangements apply?

On the basis that a local income tax would reflect an individual's ability to pay, using the fairness criteria there should be no transitional arrangements.

Question 9 Which of the following do you think should collect a Local Income Tax?

HMRC
Scottish Government Collection Agency
Private Sector Collection Agency
Local Authorities
Don't Know

On the basis that of the above options only HMRC hold the data necessary to calculate a local taxpayer's liability, using the ease of collection criteria HMRC should be responsible for collecting the tax.

Question 10 Do you think local income tax should be collected at source or through payment?

Using the ease of collection criteria, local income tax should be collected at source.

Question 11 If the Government were to offer support to employers to implement these proposals which would be the most appropriate medium of support in your view?

Information Booklet
Designated Advice Hotline
Designated Advice Email
Website with FAQ's
Workplace Visits
Roadshows
Media Advertising

Using the ease of understanding and ease of collection criteria all of the above mediums should be used to assist with the implementation.

Question 12 In your opinion, will the introduction of a local income tax have positive economic impacts for Scotland?

There is insufficient evidence available at present to provide an objective assessment of the impact e.g. would local income tax act as a disincentive for wealth creators to reside in Scotland? As such this question has been left blank.

Question 13 To what extent would the tax rate influence your decision to live in Scotland?

This question has been left blank.

Question 14 To what extent do you agree with the following statements about the impact that a local income tax might have on your working patterns?

This question has been left blank.

Question 15 On a scale of 1 – 5, where 1 is strongly agree and 5 is strongly disagree, how important is it that your local authority has the power to set a tax?

In accordance with the accountability principle, local authorities should be responsible for the expenditure they incur and the revenues raised to collect it i.e. strongly agree

Question 16 Please provide any comments you may have about local income tax and accountability and democracy.

The Layfield Report in 1976 established the principle that for local authorities to be accountable they should be responsible to their electorate for both the expenditure they incur and the revenues they raise to finance it. However it should be noted that at present local authorities only raise local tax income to cover 20% of the expenditure they incur. As such the accountability criteria has already been diluted.

Question 17 If you have any specific comment about the impact of our proposal on equality issues, please tell us what these are.

On the basis that a local income tax would reflect an individual's ability to pay and the liability was calculated on the basis of a person's total income, using the fairness criteria there should be no equality issues. If the Local Income Tax was not payable on unearned income, such as investment income, residents whose income was derived from these sources would not contribute to the cost of providing local services.

Question 18 Do you feel that the money raised from a Local Income Tax should be distributed to councils according to:

Need
Population
The amount of local income tax raised in each area

The question presupposes that local income tax will be collected centrally. On the basis of the distribution criteria, the mechanism should strive to ensure stability within local authorities the distribution should be based upon need. Although there are existing GAE criteria identified to allocate resources according to need, the Council has argued that the current criteria does not adequately account for the impact of deprivation.

Question 19 To what extent do you agree that Scotland should receive equivalent monies to Council Tax Benefit, after the abolition of Council Tax?

This question has been left blank.

Question 20 To what extent do you agree that local authorities should play a part in setting a second homes tax? (where 1 is strongly agree and 5 is strongly disagree)

Second homes are a consumer of local authority services e.g. street lighting and refuse collection, and as such should contribute toward the funding of local council services. The consultation paper proposes that this link can be maintained by calculating a local tax liability in a similar fashion to the existing arrangement for Non Domestic Rates. Using the ease of collection and ease of understanding criteria, local authorities should be responsible for collecting liabilities from second homes through the Non Domestic Rates system.

Question 21 To what extent do you feel second homes tax should be collected by:

HMRC
Scottish Government Collection Agency
Private Sector Collection Agency
Local Authorities

On the basis that local authorities hold the data necessary to calculate a second homes tax liability, using the ease of collection criteria local authorities should be responsible for collecting the tax.

Question 22 Which do you feel is the fairest approach to taxation?

Council Tax
Land Value Tax
Local Income Tax
Environmental Tax

Using the fairness criteria, there should be a strong association between the level of a local tax bill and an individual's ability to pay. A local income tax would be progressive in that the level of tax levied would be relative to income.

Question 23 Which approach will provide a more wealthy Scotland?

Council Tax
Land Value Tax
Local Income Tax
Environmental Tax

There is some uncertainty regarding the predicted yield of a 3% local income tax and the transfer of Council Tax Benefit payments. In addition would local income tax act as a disincentive for wealth creators to reside in Scotland? As such this question has been left blank.

Question 24 If a Local Income Tax is introduced, what would be the most significant factor (good or bad) for you?

Council Tax would be abolished
I shall be better off
I shall be worse off
Local Income Tax will be fairer than Council Tax
Scotland will be a wealthier and fairer place to live
and work

This is a subjective question and as such no officer comment is provided.