

Green MSPs: 2016/17 stage three budget proposals

Longer-term proposals from the Scottish Green Party will be published in the 2016 Holyrood election manifesto and will include progressive reform of income tax and new property tax to replace the Council Tax – these changes will put funding for local government and public services on a sure footing and represents a bold shift to a fairer tax system.

But the funding of public services is also a challenge that needs to be met now. Public services have been starved of cash through UK Government cuts and eight years of a Council Tax freeze, and need protected in this budget. We propose changes to wealth taxation in Scotland.

Scottish Green MSP proposals:

End tax subsidies on vacant land – we propose a tax on vacant and derelict land. This would remove the incentive for land to lie abandoned or under-used in areas of housing need.

- A tax on vacant land would raise an estimated **£250m** in revenue.
- This change could be implemented through amendments to the Land Reform Bill 2016. These amendments were proposed by Green MSPs at Stage 2. Stage 3 is expected in the second week of March 2016.

Reform the Council Tax multiplier – we propose a significant change to the Council Tax “multiplier”. The *Commission on Local Tax Reform* reports that properties in the most expensive band pay only three times more council tax than the properties in the least expensive band, despite being worth fifteen times more (median values). The ‘multiplier’ is set by the Scottish Parliament and can be easily changed by regulations. We propose to change the multiplier so that we move away from the regressive nature of the Council Tax system towards a proportionate one. We propose an increase in the multiplier for Bands E to H (26% of properties), and a reduction for Bands A and B (44% of properties) in a move towards the actual spread of property values in Scotland (see Annex for calculations).

- Reform of the Council Tax multiplier as proposed could raise an additional £111m. The tax paid by 44% of properties in the lowest bands in Scotland would reduce, tax for the next 29% of properties stay the same. Only the top quarter (26%) would see an increase.
- An additional effect of the proposed change to the multiplier is a reduced need for the Council Tax Reduction Scheme. Tax liability for Bands A, B and C drop by an average of 5.4%. A 5.4% drop in the cost of the Council Tax Reduction scheme would provide an estimated £19m worth of savings, which could be used for other purposes.
- The total estimated increase in revenue from these changes is **£130m**.

Allow local authorities to set council tax rates without financial penalty – We propose to restore the option for Councils to set the council tax rate to fit local circumstances without financial penalty.

- We have made no financial estimate here as it would be up to Councils to set the rate in their Local Authority area.

Summary

Taken together our proposals on vacant land and the multiplier raise **£380m** at current council tax rates, and Councils would be free to change the council tax rate to fit local circumstances.

ANNEX

“A tax on vacant land would raise an estimated £250m in revenue.”

Calculation: Because current Scottish data does not exist we use data from E&W (see page 12 [here](#) for latest Scottish data [2011] and [here](#) for latest E&W data) we estimate the value of vacant land to be £1m per ha. There is 11,000ha of vacant land in Scotland so total value of land = £11,000m. Taking a recapitalisation rate of 5% (which is the current rate used to assess rental value of properties where there is no market (ambulance stations etc.), that is a rental value of £550m/a. The rate poundage for 2015-16 is 48p. So that is a non-domestic rate yield of £550m*0.48p=£264m. Given uncertainties and administration costs we quote a figure of £250m.

“Reform of the Council Tax multiplier as proposed could raise an additional £111m.”

Table 1 uses data from Scottish Government and the Commission on Local Tax Reform. It describes a scheme with a set of new multipliers which would move towards the spread of property values in Scotland and the percentage change in rates for properties in each Band. Absolute figures are not given as these are different in each Local Authority area.

“Tax liability for Bands A, B and C drop by an average of 5.4% giving an estimated £19m reduction in the cost of the scheme which could be used for other purposes.”

The Council Tax Reduction Scheme costs the Scottish Government £351m. Our proposed scheme provides a reduction in the tax liabilities of Bands A, B and C of 5.4% (weighted average). 5.4% of £351m is £19m.

TABLE 1

Bands	Chargeable dwellings	change in band	Net revenue (£)
A	508,900	-10.0%	259,187,859
B	569,608	-5.0%	357,261,460
C	391,611	0.0%	295,483,553
D	320,715	0.0%	272,238,928
E	323,153	5.0%	352,029,144
F	183,233	20.5%	270,634,958
G	118,006	50.0%	250,423,483
H	12,579	60.0%	34,168,589
TOTAL	2,427,805		2,091,427,974
current net revenue			1,980,000,000
additional revenue			111,427,974

Sources: Commission on Local Tax Reform, Scottish Local Government Financial Statistics 2013-14

<http://www.gov.scot/Resource/0048/00481380.pdf>