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Nicola Sturgeon MSP
First Minister
Scottish Government
St Andrews House
Regent Road
Edinburgh

21 February 2018

Dear First Minister,

The Scottish Greens aim to make Scotland a fairer place by politics that is constructively but challenging.

We worked hard to build the creative, fair and progressive income tax plan that Green MSPs were elected to champion. At our manifesto launch, I said progressive tax reform would be our number one priority in our mission to make Scotland bolder. This year, we made income tax changes a key budget demand. Our proposals stood up to scrutiny and the new system is a significant step towards a fairer country.

Local tax reform is the next constructive challenge.

At Stage 1 of the budget process, I said that Scottish Greens *“will be unable to enter negotiations on next year’s budget, unless meaningful progress has been made on local tax reform”*. The groundwork for reform has been done – the Commission for Local Tax Reform has informed the debate and forged cross-party recognition that the present Council Tax system must end.

Successive SNP budgets have now squeezed local government harder than UK austerity has cut the national settlement. Since the SNP lost its majority, two Green budget deals have

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stemmed this added austerity; but we are not willing to allow the national budget process to become an annual rear-guard action against local funding cuts.

Local tax reform is an opportunity to put local services on a sure financial footing. To ditch a system of taxation that asks poorer households to pay proportionally more, to adopt a fairer system of land and property taxation, to empower local decision-making, and to shift tax from income to wealth where inequalities are greater.

We have a number of proposals for short, medium and longer term reform which are consistent with the recommendations of the Commission, as well as much of the previous work on this issue.

Full **replacement of the current system of Council Tax** will require time for consultation, legislation and implementation. However the initial steps must be taken in order for progress to take place over the rest of the parliamentary session.

Reform of non-domestic rates, as the Government had committed to doing prior to the extremely narrow and limited Barclay Review, will also take some time. However a commitment to devolving or partly devolving control of rate-setting, exemptions and reliefs would give clarity about the direction of travel.

These long term goals can be underpinned by policy commitments which can be made now, namely:

a target for the **percentage of local council finance which is raised locally**;
the introduction of a new local government **Fiscal Framework**;
the **incorporation of the European Charter of Local Self Government** into domestic law; and
a commitment to **multi-year indicative funding settlements**

In addition, a commitment to **baselining the additional funds** provided to councils in the 2018/19 budget process should be made quickly, to give councils some long term clarity.

A number of other options for reform exist, which can be implemented either from 2019/20 or shortly after. There include ending the practice of Council Tax **ratecapping**, in lieu of longer term reform proposals; introduction of a **vacant & derelict land levy**, as we have previously proposed; enhancing the ability of councils to invest by giving them the power to **acquire land at current use value**; and the creation of **new fiscal powers** at local level, such as the power to create environmental taxes or a visitor levy.

This list is of course neither exhaustive nor prescriptive, but is consistent with the recommendations of the Commission on Local Tax Reform. We look forward to working constructively with all those who continue to support the case for local tax reform, an agenda to which the Government committed itself in the creation of the Commission.

Yours sincerely,

Patrick Harvie MSP

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