

Think Tank want local councils to control local taxes

Reform Scotland calls for business rates to be devolved to Councils and for local accountability over local taxation

In advance of May's Scottish local government elections, Reform Scotland has called for non-domestic rates (NDR) to be devolved in full to local authorities, increasing local accountability and responsibility and paving the way for a variable business rate in different areas of Scotland.

The proposal would mean that local authorities would keep the revenue they collect from business rates instead of handing it back to The Scottish Government in Edinburgh for it to redistribute as part of its grant to councils. In order to ensure no council loses out from the implementation, Reform Scotland is proposing that in the first year of operation, the Scottish Government grants to each council should be based on the grant they received the previous year, less the business rates collected from the council area in that previous year.

Therefore, in the first year of the new system no council would be better or worse off. In the succeeding years, though, councils would have total discretion to vary their rate and would be responsible for the amount they charged. Councils would also have discretion over how the tax operated in their area. Therefore, although more rural areas have less potential to increase their income than the big cities, giving control over the tax to the authority gives the power to adjust it to local circumstances and experiment with schemes to encourage companies to locate in their high streets.

Commenting, Reform Scotland's Chairman Ben Thomson said:

“The best way to encourage responsible fiscal decisions at local authority level is to give them more responsibility. Making councils the guardians of their own risk and reward will give them back the accountability which is missing as a result of too much central control.

“Crucially, this devolution will offer councils an incentive to develop their local economy. At the moment, the revenue reward from any steps councils take to grow the local economy is taken from them by Holyrood and redistributed – this is unfair on local businesses and on local people. Devolution should not stop in Edinburgh – it’s time local councils stood on their own two feet.

“We believe that this is a proposal which could be adopted by any and all political parties, and we hope that ahead of the impending Council elections the parties will acknowledge the need for an increase in local accountability and give strong consideration to the proposal.”

In addition to the proposal on business rates, the Reform Scotland paper calls for councils to be given full power over council tax, including areas such as how and to whom it applies, and the ability to levy new or alternative taxes, such as the bed tax proposed by Edinburgh Council.

As a whole, the proposals would increase the proportion of councils’ income over which they have responsibility for raising from under 12% to almost one-third. Reform Scotland believed that this is a stepping stone towards the ultimate goal of councils, as far as possible, raising what they spend.

Commenting, Ben said:

“Different local taxes operate all over the world. No system is perfect, but the people best placed to come up with the option best suited to a local authority area is the local authority itself. Councils should be able to choose what taxes they wish to collect to meet their funding requirements, and

from whom they wish to collect them. They should make the choices and be responsible and accountable for them.”