Poverty Alliance Discussion Paper

Local Taxation, Spending and Poverty: New Choices and Tax Justice

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Introduction

In the environment of the 2014 Independence Referendum, a number of key questions have been raised about the future Scotland we want to see and live in. Core to such discussions have been the interventions on wealth creation and benefits, by the leaders of the Conservatives and Labour Parties in Scotland, respectively. However, and as rigorously debated in the *Whose Economy?* Seminar Series (Danson and Trebeck, 2011), such questions need to be considered in their wider contexts to identify and analyse fully all aspects of 'who pays?' and 'who benefits?'. Indeed, several of the papers to that seminar series echoed previous classical work on poverty and the welfare state by Townsend, Abel-Smith and others which confirmed there are some long-standing myths to be addressed. These commentaries have suggested that all is not what it seems in the review of statistics of income and benefits, and robust, objective and clinical assessment of the data is required, rather than a reliance on perceptions, accepted beliefs and headlines.

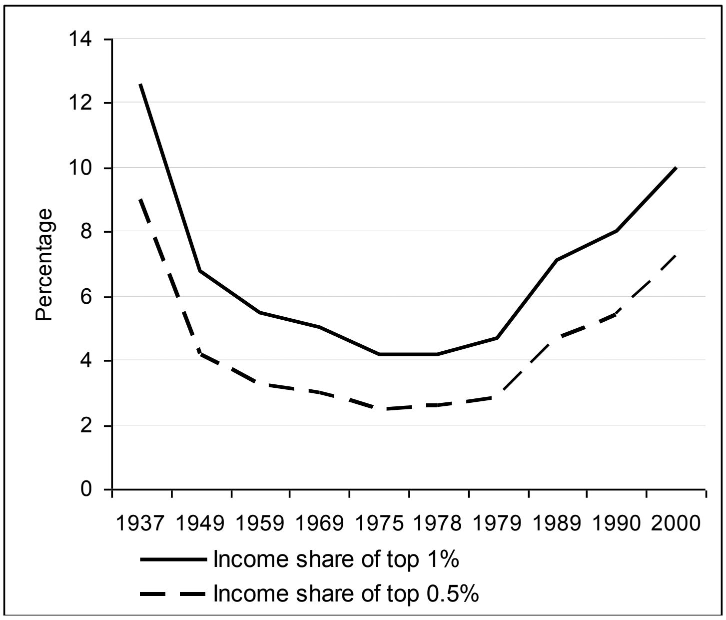
This paper is focused on the particular role of local taxation in addressing poverty in Scotland. It is written as a contribution to the recently-muted debate on how the overall tax and benefit system operates at the local level and how the conspiracy across the political spectrum in Holyrood of the last few years to freeze the Council Tax has impacted on families and authorities. To undertake such analyses requires a look initially at the levels of poverty and inequality, the role of the tax system in redistribution and in raising public revenue, and how the welfare state and councils support those in deprivation and other difficulties. It then discusses problems with the current system before reviewing the impact of the Council Tax freeze. As this itself has led directly to a reduction in the flow of Council Tax Benefit to Scotland, and so into the Scottish economy, and in light of suggestions that this specific benefit should be abolished, there is a discussion of the implications of such policy choices and practices on those in poverty and on society as a whole. With major criticisms of Council Tax still relevant regardless of the freeze, the following section explores alternative forms of generating local tax revenues within a programme of pursuing tax justice. The final section concludes and summarises the paper.

Poverty, Inequality, Taxes and Welfare

It is commonly believed that the UK has a progressive taxation system with the richer members of society paying higher proportions of their incomes in tax than the poor. The reality is and has been somewhat different for many years. Although now discontinued as a statistical series, the Government serial *Economic Trends* traditionally published figures on levels of actual tax paid according to income bands. This showed very clearly that consistently the poorest 10 per cent have been losing a greater proportion of their incomes in tax than the average, and indeed than the richest 10 per cent especially. We have a regressive tax system. The levels of inequality, having been comparable to those of most other developed and northern European economies up to the late 1970s, have escalated throughout the intervening period before falling marginally on some measures towards the end of Labour's reign. Britain is now one of the most unequal and divided countries in the OECD and is returning to levels of inequity not seen since the 1930s (Lansley, 2012). And yet, the tax system exacerbates that state of unfairness in incomes with associated inequalities in health, life expectancy, well-being, education and the other indicators of a cohesive and inclusive society (Mooney and Scott, 2012; McKendrick et al., 2011; Danson and Trebeck, 2011).

While the mantra of 'we're all in this together' has metamorphosed into 'the something for nothing culture' (Johann Lamont, BBC 25th September 2012) and 'only 12 % are net generators of Scotland's wealth' (Ruth Davidson, BBC 7th October 2012), the *Sunday Times* Rich List for 2010 recorded that the 'top 1,000 multi-millionaires in the UK saw their collective wealth increase by 29.9 per cent on 2009 levels – a whopping £77.25 billion. With a wealth stash of some £335.5 billion, this is almost twice the UK's well-publicised and historically largest national debt' (quoted in McKendrick et al., 2011, p.9). This is a strange backdrop against which to consider the failure of the post-war consensus to survive the attacks on the poorest in society, with those on benefits having to pay the price for the over-consumption of the rich.

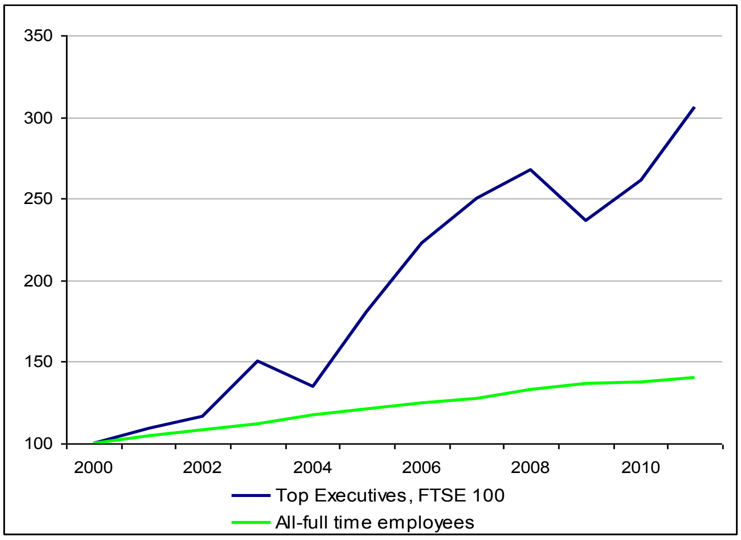
Figure 1: How income inequality in the UK has come full circle



There are over three quarters of a million Scots (780 000) living in relative poverty, a decline over the last five years but due to middle income groups suffering more during the recession so that there has been no reduction in absolute poverty (Scottish Government, 2012). Sharing their misery, children (17 per cent), working age adults (14 per cent) and pensioners (16 per cent) suffer about the same levels of material deprivation, while all those on benefits are relatively much worse off than their counterparts across most of Europe (OECD, 2012).

Now in a period of protracted and severe austerity, this failure to defend the welfare state and so the most vulnerable in society over the past three decades means that deepening poverty and deprivation are hitting those least able to resist. At the same time the richest few have seen these unprecedented gains, and all during a recession. The devastating effects of the growing inequality since the mid-1970s continue to impact on the poorest in the community who have lost out through changes in the taxation and benefits systems. The move away from progressive direct taxation to regressive indirect taxation has led to the people on the lowest incomes paying a greater percentage in tax than those on the highest levels of income: and the working poor have been particularly hard hit. While on average we pay 33 per cent of our income in tax, and the richest face similar levels overall to the rest of us, for the poorest this rises to 36 per cent (Sinfield, 2011). And the primary reasons for the systematic regressive nature of taxation in the UK are Council Tax – even with council tax benefit – and indirect taxes (such as VAT) generally (Cooper et al., 2010).

Figure 2: Top executive and employee pay compared, 2000-2011



Addressing the causes of poverty in Scotland has long been a defining objective of those in Scotland – including the Poverty Alliance[i] and the Oxfam Poverty Programme[ii] - who believe that inclusive, happy and contented societies are also economically successful. Research by Wilkinson and Picket (2011) and Stiglitz (2012) as well as the publications closer to home by the Joseph Rowntree Foundation, Jimmy Reid Foundation, CPAG and others support the contention that a different economic and social model is required to really attack poverty in this country (Danson, 2012; Danson and Trebeck, 2011). The devolved powers at the disposal of the Scottish Government and Parliament, even as amended under the Scotland Act 2012, can have but limited impacts on inequality and poverty and so attention must be directed upwards to international forces and drivers (beyond the scope of this paper) and to the capacity within Scotland to allocate resources and to adjust taxes dedicated to fund local government. We now turn to consider the current system of local taxation before exploring what might be done to wage a war on poverty.

Current system and problems

The UK tax system is regressive (Jones, 2005). While indirect taxes take-up 28 per cent of gross and 31 per cent of disposable income for the poorest, they absorb only 14 per cent and 16 per cent, respectively, of the incomes of the richest. Critically, the only direct tax which exacerbates this is the Council Tax. The Council Tax system followed Conservative issues with the former rates and the need for revaluations which would redress the declines in the shares paid by property owners after sustained house price inflation, and the disastrous experiment with the Poll Tax. The new Council Tax approach to local government financing was never intended to be progressive and from the outset contained a regressive element. The Council Tax bill for any house is determined by the valuation band in which the dwelling is placed, the tax levels set by the local council for the area and the personal circumstances of the people normally living there. Each house is included in one of eight broad bands on the local valuation list, ranging from A to H.

With local levels of this tax effectively frozen for the last five years and more, and as the actual rates levied did not vary by more than £3 per week for Band D dwellings across mainland Scotland, our analysis from 2007 can be applied as indicative of today's picture. On average, by 2007 "the Council Tax costs the poorest 4.9 per cent of their gross income – even after Council Tax deductions and Council Tax Benefits – but only 1.7 per cent for the richest" (Cooper et al., 2010). Welcomed initially as the replacement for the Poll Tax, albeit that it exacerbated the regressive nature of the tax system overall, by 2000 fuelled by the "gearing effect"[iii] and above-inflation rises, the Council Tax caused significant antagonism. Having to fund expansions in centrally-sponsored service areas, by 2003 Council Tax bills had almost doubled while earnings were only up by half. The average Council Tax bill increased by almost 13 per cent in 2003 alone so that the average paid for a Band D home occupied by two adults was £1102—the first time it had exceeded £1000 (FT leader, September 23, 2003).

The Council Tax impacts particularly harshly on certain groups[iv]: for example, pensioners whose incomes do not match rises in average earnings. Proposals to modify the Tax to address such issue were explored by several commissions and inquiries including the "The Balance of Spending Review", a report from the New Policy Institute (NPI) produced alongside the Local Government Information Unit, the Lyons Committee and, particular to Scotland, the Burt inquiry into local government finance. To address the regressive element to the Tax, it was suggested that additional bands could be introduced at the top of the scale; however, this could only offer a partial solution, and then only if there was a close correlation between income and property values. Of course, for many pensioners, there is no such simple relationship and this tax is especially regressive for them. The obvious solution, proposed by the Layfield Commission in 1976, was to introduce local income taxation.

Applying the analyses and conclusions from the various reports and inquiries, proposals for a local income tax were encapsulated in The Council Tax Abolition and Service Tax Introduction (Scotland) Bill which went before the Scottish Parliament on February 1, 2006; this was rejected by the Parliament, however. The promise by the incoming minority SNP Government to follow a similar line and replace the tax with a different, flat rate local income tax also came to nought. In light of the threats for more radical solutions becoming too popular (see discussion on the proposals for a Scottish Service Tax based on incomes and ability to pay in Cooper et al., 2010), previous administrations launched inquiries into how the Council Tax could be reformed (Burt et al, 2006) or a flat rate local income tax introduced. The latter tended to be as regressive as the Council Tax and did not contribute to addressing the wider problems with the tax and benefit systems catalogued above; they also failed to offer to raise even the revenues of the present Council Tax. The political problems of undertaking the occasional but inevitable and necessary revaluations of individual properties to ensure that differential house price and value inflation across bands was captured had postponed serious reviews of the Tax. As a means to postpone such debates, the Labour-LibDem Scottish Government established the Local Government Finance Review Committee under the lead of Peter Burt which reported to the Parliament and Government on different options and alternatives (Burt et al., 2006).

Amongst the conclusions of a well-researched and argued report, the Committee rejected the introduction of a local income tax on the grounds that there were objections both in principle and in practice including: wealth, as well as income, should be taxed; additional income tax is a disincentive to work, which is economically undesirable; and yield would be more volatile than under a property tax" (Burt et al., 2006, p9). They also argued that they "were unable to recommend either continuation or reform of council tax" (2006, p.10). Ultimately they recommended "a new progressive Local Property Tax (LPT) be introduced, based on the capital value of individual properties and payable by households occupying properties (whether as owner-occupiers or as tenants) and by owners of second homes and unoccupied properties. LPT satisfies our criteria" (Burt et al., 2006, p.10). As the Green Party subsequently argued, while much of the analysis by the Committee was sound, a Land Value Tax would have been a superior solution so that the LPT, or more correctly the underpinnings for that development, should have led logically onto a proposal for further change along the lines of a land-based taxation.

Before exploring such alternatives to the Council Tax, the next section considers the short term freeze that should have allowed time for such opportunities to be examined properly.

Impact of the Council Tax Freeze

Initially introduced as a short-term measure before the intention to introduce some form of Local Income Tax (LIT), the freezing of Council Tax in Scotland is now entering its fifth consecutive year. The LIT appears to have been forgotten about, possibly due to economic priorities associated with the recession. The reasoning for the continuation of the freeze is due to its political popularity. The payment of public goods, such as the services provided by local authorities, exploits the classic 'free rider' problem. Everyone can benefit from the provision of a public good and there is every incentive not to pay for the provision if it is going to be provided anyway. Therefore, the individual derives a benefit from a freeze in council tax, less tax to pay, but the individual may not directly be affected by the reduction in service of a specific public good, and therefore 'free-rides'. Of course, if everyone utilises the same logic then the individual(s) gain but 'society' loses.

Whilst Council Tax has been frozen, inflation has continued. If additional funding was not made available then the real value of service would decline. To compensate for inflation and in an attempt to maintain the real value of services provided, the Scottish Government originally transferred an additional £70 million per year to Scottish Councils. The Government now expects councils to finance this themselves from their general budgets. It is debatable whether this will happen given the anticipated cost of maintaining the same level of services in the near future.

According to Bell (2012), utilising the approach adopted by the Office of Budget

Responsibility (OBR) in England, Scottish local authorities would need to generate an additional £300 million between 2012-13 and 2016-17 for the same level of service delivery to be maintained. The figure is calculated on the assumption that Council Tax levels in England would grow at around the same rate as price inflation over the period. If this degree of increase is not attained, then a larger compensation from the Scottish Government to Scottish local authorities would be required to maintain the same level of services. Bell (2012) argues that this will make local authorities even more dependent on central government, and hence less able to exercise autonomy over decision making.

The alternative would be to introduce 'efficiency' savings. Whilst such savings can be made, often they tend to be a 'one-off' (for example, the merging of the police and fire services into one national administration will tend to suggest costs can be cut through redundancies and rationalisation amongst higher grades, leading to loss of experience as well as reduced duplication). Subsequently in such cases, as with continuing efficiency savings, there are the standard worsening terms and conditions as initial plans to contain services within diminishing budgets proves impossible. So, savings generated by austerity cuts will impact indirectly, with services eventually having to be reduced leading to the loss of employment and posts for many low paid workers. Job reductions may happen also through 'out-sourcing', the creation of 'arms-length companies' or the placing of contracts with third sector organisations such as social enterprises, usually resulting in fewer jobs and employment with inferior pay and conditions.

It is argued that a further aspect of the Council Tax freeze is that it has favoured the owners of higher valued properties more than those in lower valued properties. It has been estimated that those in Band G and Band H homes will have saved £116.4 million since the start of the freeze in 2008-09 (Sunday Herald 4 March 2012). The freeze benefits the higher valued properties because of the way Council Tax is structured. A Band H home is always twice the bill for a Band D home and three times the bill for a Band A home within each council area. The savings from the freeze work in the same way, a Band H home saves three times as much in cash terms as a Band A home. If the freeze continues on current trends, with subsidies offsetting the effects of inflation being felt elsewhere in household finances, then by the end of the Parliament in 2015-16 the country's Band G and H homes will have enjoyed a cumulative tax break of almost £300 million.

On the other hand, the Scottish Government argues that households on low to middle incomes appear to have a proportionally greater increase in net household income as a result of the freeze than households on higher incomes. Currently, low income households may be eligible for Council Tax Benefit (CTB)[v].

Reform of Council Tax Benefit

The UK Government is to abolish Council Tax Benefit (CTB) in April 2013 and reduce by 10 per cent the amount of funding available for its replacement. CTB is the support people on low incomes receive through local authorities to help households to pay their Council Tax. Anyone on a low income, with limited capital, is entitled to claim CTB. People on other benefits, for example income support or income based job-seekers allowance, can have all of their council tax paid; however, given that council tax is calculated on a household basis, if other adults earning income are living in the same household, then an individual may not be entitled to the full amount of CTB. The people most affected by this change by the UK Government will be the people on the lowest incomes.

The implication of the changes at the UK level is to 'localise' CTB across England and the devolved nations. Grants are to be provided to each local authority in England and to the Welsh and Scottish governments, this will be 90 per cent of what was previously paid in CTB. There is no obligation for these bodies to implement the 10 per cent cut, the same level of benefit could be maintained, but the implication of this is that savings (and so cuts) will have to be made elsewhere. The UK government argues that this move to 'localism' will lead local authorities to pursue more enterprising activities which will result in greater employment opportunities[vi].

However, a move away from a centralised system can create a greater administrative burden resulting in expenditure on a greater bureaucracy to oversee the new system. Additionally, it will provide a disincentive to increase Council Tax rates and can dissuade the provision of, for example, social housing. There have been accusations that the scheme will result in 'social-cleansing', that is, people on low incomes will no longer be able to afford housing in 'better-off' areas[vii].

The Scottish Government has announced that it will not implement the 10 per cent cut in CTB in Scotland, at a cost of £40 million in the first financial year. The Scottish Government and COSLA, on behalf of local authorities, have agreed to cover the cost of this cut in 2013-14: the Scottish Government will provide £23 million and COSLA will provide £17 million[viii]. In effect, this means that the status quo can be maintained, again at some cost to local authorities. Whilst this approach in Scotland will lead to protection for the most vulnerable in society, whether this can be maintained in the longer term if, for example, the UK government continues to cut CTB progressively is debatable. The solution in the longer term would be to develop a local tax system which is suitable for redistribution purposes and serves to combat the regressive nature of the current council tax.

Alternatives and Tax Justice

Land value tax

Introduction

A political and economic case has been made for replacing the Council Tax with a Land Value Tax (see for example, Jones, 2008). One of the underlying assumptions in the case for a Land Value Tax is that the value of land is not created by landowners, but first by nature (beautiful scenery, natural resources and so on) and second by other people and the community at large through their economic and social activities. This value includes the creation of infrastructure and improved services by the public sector through general taxation. But, when land is largely privately owned, land-owners, rather than the community as a whole, benefit from public sector expenditure. In effect, land owners profit at the expense of other people, especially those who do not own property (and so have to rent), and at the expense of society as a whole, whose investments in infrastructure and public services are responsible for rising land values.

In Scotland, while it is difficult to find exact figures, a significant amount of land is owned by a very few people. The total land mass of Scotland is 19,460,000 acres. Of this 18,925,000 acres are rural (15,722,000 acres are privately owned). The most telling land owning statistic is that 9,433,000 acres are owned by 969 people (Wightman, 2010). It has been reported that large landowners are also among the major recipients of subsidies from the EU; for example, the Sunday Herald revealed that between 2000 and 2004, around £115 million was given to the one hundred largest beneficiaries in Scotland. Renewable energy subsidies are also benefitting large landowners; it was reported in 2010 that the Duke of Roxburgh, who owns 55,136 acres, planned to develop a 48-turbine wind farm which "would generate an estimated £30m a year, shared with developers. About £17m of this would come from subsidies from consumers"[ix].

Political support for a land value tax

Land value taxation is supported by the Green Party. In 2003, Robin Harper won the support of the Scottish Parliament for a further investigation of land value tax (LVT) as a radical replacement for business rates *and* Council Tax. Harper won the backing of the SNP and some Liberal Democrats, while most Labour MSPs abstained and the Conservatives voted 'no'. A Joseph Rowntree Foundation Report (Tackling housing market volatility in the UK: a progress report) argued for a revaluation of property for Council Tax purposes "with a view to gradually transforming it into a national land and property tax"[x]. But as Travers (2012) argues, by far the most important element in considering any reform to local taxation is the fate of Margaret Thatcher following the introduction of the Community Charge in 1990. National politicians fear that if they *reform* a revenue source as visible and unpopular as Council Tax they could be driven from office.

Underlying Philosophy

Land Value Tax was first proposed in the 19th century by Henry George, an American economist from Philadelphia. A foundation set up in his name still proselytises his ideas. They believe that landowners become richer with no productive effort on their part, because as population rises and as labour specializes, or as capital invents, they create a more productive economy, which raises the land value in the region, so that the rent rises with it, enriching the land owners. This was explained by Henry George's proposal as put forth in his 1879 book *Progress and Poverty*, which was written as a result of trying to consider why, in the advance of economic sufficiency, the rich were getting richer and the poor getting poorer. He reasoned that all economic activity is ultimately connected back to nature and its resources. The land (area, and natural resources, of which no human has created more) is used by individuals to create wealth; the wages of their labour. Some of this wealth is, in the form of capital goods, used to create more wealth; the interest returned on capital. Those who own the land charge rent to labour and capital to use the land. As regional development occurs, the land value increases, enriching the owners of land without any effort on their part. The land owners have an unfair advantage in land relative to the labourers and capitalists who do not own land. The land owners are able, through the rise in rent, to collect the increase in income that labour and capital achieve through specialization and invention.[xi]

Some supporters of a land value tax believe that it is counter-productive to try to redistribute wealth through progressive income tax. They believe in fact that any form of taxation except for land value tax is going to dampen down the economy, reduce our verve for work and money making. To them, income tax punishes productivity and sales tax punishes the poor more than the rich. Indeed they also believe that even progressive forms of income and/or corporation tax cannot redistribute income.

It is also argued that LVT will encourage people to invest in and look after their land. Since land is taxed rather than buildings, this will encourage people to make the best use of their land, perhaps by building on it. Absentee landowners who allow land and property to deteriorate are discouraged, as are speculators who hold onto land without making any improvements. Development, on the other hand, which makes use of land, is encouraged.

The case for Land Value Tax is strengthened in a modern economy. It could be argued that the combined effects of globalization and the growth of the Internet could turn large areas of commerce into tax-avoidance zones. In these circumstances, governments wanting to maintain welfare states have either got to tax the products of the information revolution - like the proposed 'bit-tax' on digital data, which needs global agreement to be effective - or to find a domestic tax that is easy to raise and cannot be easily avoided. Since land cannot move (or be shipped to a tax haven), it is argued that land tax makes sense in a modern economy.

How it works in practice

Of course there are many forms which a Land Value Tax could take. It could be levied as a split tax on both land and buildings. For example, Pittsburgh, Pennsylvania has operated a split tax since 1913. The land-value tax was kept at a low multiple of twice the rate of property tax, mainly at the behest of steel companies. By 1979, the steel industry was dying and so was Pittsburgh. So the city increased the land-value tax to five times the property tax rate. According to supporters of LVT, the result looks dramatic. Construction of commercial and industrial premises in the city rose by 70% in the 1980s over the previous decade. Today Pittsburgh has pretty much converted from heavy industry to being a service city. *But*, the city also subsidised companies wanting to develop.

One study compared the similar cities of Scranton and Wilkes-Barre. In 1979, Scranton doubled the land-value tax rate and abolished property taxes on new buildings. Wilkes-Barre stuck to a flat-rate property tax. By 1981, new building activity had increased by 22 per cent in Scranton and decreased by 44 per cent in Wilkes-Barre from the previous three years. The state government of Pennsylvania was so impressed that in 1998 it passed a law allowing all the state's major boroughs to introduce split-rate land and property taxes.

Variants of the tax, which is an annual charge for the occupation of land, as opposed to taxes on earnings, profits, or savings, have been adopted in Pennsylvania, New South Wales, Hong Kong, and Denmark. Allentown, Philadelphia introduced land value tax in 1996[xii].

Ways forward

One suggestion would be to use an LVT in place of business rates. This would at least capture the large landowners who run hotels from their estates and farm the land. But it wouldn't capture Brian Souter's castle!

Another possibility would be to try to close the tax loophole noted above which allows companies to avoid capital gains tax by setting up off-shore tax havens. It could be expected that this would generate significant sums of money.

If this isn't allowed, it might be possible to introduce this tax but only for companies which have made gains on sales of their Scottish land *but haven't paid the current Capital Gains Tax.*

Mirroring developments in other EU countries, a good way forward might be to have a land value tax on properties over (say) £300,000 or with an acreage over a particular level.

An Alternative – a One-Off Wealth Tax

Again reflecting discussions and initiatives in other EU member states, Professor Greg Philo has proposed a wealth tax in the form of a one-off tax levy of 20 per cent on the wealthiest 10 per cent of the population in the UK.

The proposed levy would be sufficient to pay off the national debt thereby avoiding the need for deep cuts in public services.

The calculations underpinning the proposal are that total personal wealth in the UK is £9,000bn; this wealth is mostly concentrated at the top, so the richest 10 per cent own £4,000bn, with an average per household of £4m. The bottom half of our society owns just 9 per cent. The wealthiest hold the bulk of their money in property or pensions, and some in financial assets and objects such as antiques and paintings.

A one-off tax of just 20 per cent on the wealth of the richest group would pay the national debt and dramatically reduce the deficit, since interest payments on the debt are a large part of government spending. This tax of 20 per cent, graduated so the very richest paid the most, would raise £800bn.

A YouGov poll from June 2010 suggested that 74 per cent of the population would favour a one-off tax on the wealthiest 6 million people in Britain[xiii]. The government statistics on wealth which underpin the proposed levy can be found at – http://www.glasgowmediagroup.org/images/stories/pdf/wealth_in_gb_2006_2008_tcm77-169961.pdf.

Conclusion

The UK, and within that Scotland, is a deeply unequal and divided society. In terms of poverty, efficiency and performance, it compares unfavourably with many of the more successful economies in Europe (Danson, 2012). Levels of poverty and inequality are directly associated with these poor development indicators, and commentators forecast austerity and failure will continue many years into the future (e.g. Elliott and Atkinson, 2012). Within the constraints of the current devolution settlement, the Scottish Government has continued with the Council Tax freeze with the support of other parties but this is progressively limiting the capacity of local authorities to deliver the services that many of the poorest rely on to ameliorate their poverty and deprivation. Exacerbating the austerity cuts and the failure of successive Westminster governments to protect the poor and reverse cycles of inequality, the tax system is regressive and the Council Tax is a major contributor to that inequity. The Council Tax freeze has directly helped the poor who do not claim Council Tax Benefit and those who are just above the threshold for support; however, they have also been suffering the most from increasing cuts in local council employment and services whilst higher income groups have benefited absolutely more from the freezing of the tax.

Our previous work (Cooper et al., 2010) explored these issues and led to the publication of a Bill for a progressive local income tax. But, even in that work we argued that in the longer term the Council Tax should be replaced with a tax based on land value. Given that the ownership of land is even more concentrated than incomes and other forms of property, it has been suggested here that, in the wider debates on Scotland's future, consideration should be given to introducing a land value tax. The UK public debt per capita is far in excess of our northern neighbours, approaching the position of being one of the highest in the OECD countries and soon to be surpassed by Iceland's which is falling. Therefore, it is also proposed that a wealth tax should be introduced, first as a one-off move to reverse the significant gains made by the richest during the recession and to raise revenues to begin to address the austerity cuts of the current period. That tackling the deprivation and unhappiness of the poor should be a priority in Scotland's immediate future should go without saying at this time, the obverse of this campaign is the need to tax away the unearned fortunes of the rich to pay for the attack on poverty.

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The views expressed in this discussion paper do not necessarily reflect those of the Poverty Alliance.

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End Notes

[i] http://povertyalliance.org/news_pubs/sapr

[ii] http://policy-practice.oxfam.org.uk/publications/whose-economy-seminar-papers-complete-series-188809

[iii] By the middle of last decade, the proportion of taxation raised locally was typically 25 per cent and the amount distributed through government grants 75 per cent. As a result, Council Tax increases suffer from the ‘gearing effect, whereby the need to raise 1 per cent in local revenue results in a 4 per cent% increase in the council tax.

[iv] There are discounts and exemptions for some council tax payers such as people living alone, students, and the disabled. For people on low incomes there is also the possibility of applying for Council Tax Benefit. However, for some groups, such as pensioners, there is a reluctance to apply for ‘means tested benefits’ and hence many do not apply.

[v] http://www.scotland.gov.uk/Publications/2012/09/5750/21

[vi] http://www.ifs.org.uk/comms/comm123.pdf

[vii] http://www.independent.co.uk/news/uk/politics/poor-families-lose-out-in-council-tax-benefit-cuts-8005962.html

[viii] http://www.scotland.gov.uk/News/Releases/2012/04/counciltax19042012

[ix] http://reidfoundation.org/wp-content/uploads/2012/10/QuicknoteLand.pdf

[x] http://www.jrf.org.uk/publications/housing-market-volatility-progress

[xi] Jack Jones, http://www.tpaine.org/tphgprop.htm

[xii] www.hallwatch.org/faxbank/landtax/index_html

[xiii] Further details including the full results of the poll can be found at – http://www.glasgowmediagroup.org/