

## **POLICY NOTE**

### **THE COUNCIL TAX (SUBSTITUTION OF PROPORTION) (SCOTLAND) ORDER 2016**

#### **SSI 2016/368**

1. The above instrument is made in exercise of the powers conferred by section 74(3) of the Local Government Finance Act 1992 (“the 1992 Act”). It is subject to the affirmative procedure.

#### **Policy Objective**

2. The 1992 Act provides for council tax to be payable in respect of a dwelling in Scotland by reference to which of the 8 valuation bands the dwelling falls within. Section 74(1) of that Act specifies a proportion which serves to determine the relationship between council tax levels for dwellings in the different bands within each local authority’s area. Section 74(3) provides the power to substitute different proportions for those in section 74(1).

3. There have been no changes to the proportions since the Council Tax was introduced in 1993. The independent cross-party Commission on Local Tax Reform, in its final report of December 2015, highlighted that the original council tax was regressive in relation to incomes and to property values.

4. The Scottish Government committed to adjusting the rates paid by those in the four highest Council Tax bands (E, F, G and H), by changing the multiplier for those bands as set out in Section 74(3). The original multipliers were expressed in  $1/9^{\text{ths}}$ . The reason they translate to  $1/360^{\text{ths}}$  is because the original  $1/9^{\text{ths}}$  have been amended by percentage increases of 7.5%, 12.5%, 17.5% and 22.5%, applying to bands E to H respectively .

#### **Consultation**

5. Formal consultation was not considered to be necessary as these amendments implement a manifesto commitment, informed by the work of the Commission on Local Tax Reform. However, the Scottish Government has worked with the Convention of Scottish Local Authorities (COSLA), the Institute of Revenues, Rating and Valuation (IRRV), local authority revenue and benefits practitioners and their software suppliers in the development of these Regulations.

#### **Financial Effects**

6. The net additional Council Tax raised from these adjustments is estimated to be £100 m a year. Households on low incomes living in properties banded E to H will be entitled to an exemption from the changes through the Council Tax Reduction scheme. The exemption is created in the Council Tax Reduction (Scotland) Amendment (No 2) Regulations 2016, which are laid with this Order.

## **Impact Assessments**

7. An Equalities Impact Assessment (EQIA) has been prepared in respect of this Order, and equalities impacts will be reviewed during the implementation of the changes to Council Tax as a result of this Order.

8. As there is no impact on business or the third sector, and no impact on the environment or on environmental issues, no Business and Regulatory Impact Assessment or Strategic Environmental Assessment is required.

Local Government and Communities

Scottish Government

September 2016