

SCRAP THE COUNCIL TAX

1.5 billion reasons to move to a Scottish Service Tax

IT'S the biggest political fraud since George Osborne exclaimed without irony, that "we're all in it together", or the Blair government fabricated dodgy documents to prove the existence of imaginary weapons of mass destruction.

But in contrast to the impassioned debate over the Iraq war, the myth that savage cuts in jobs and services are unavoidable has been swallowed whole by the media and by opposition parties - including the Scottish National Party, wedded to a regressive council tax freeze.

So far, the debate Britain's budget deficit has focused narrowly on the scale and tempo of the proposed cuts. No mainstream political party has presented any serious alternative.

None have dared suggest that the solution to the debt crisis lies in raising revenues from the elite, rather than slashing spending.

Now the Scottish Socialist Party can reveal new figures that show how Scotland could avoid axing services, slashing jobs and cutting pay.

Research

Our research shows that by replacing the Council Tax with a new income-based Scottish Service Tax, with a sliding scale of payments based on income,



Photo: Simon Whittle

the Scottish Government could raise an additional £4.1 billion a year.

That means a Scottish Service Tax, set at the rates suggested by the SSP, could raise far more to preserve and improve local services and jobs.

Council Tax

Under the old rates system, which existed in Scotland until the end of the 1980s, the differential between the highest & the lowest bills was 14 to 1.

The Poll Tax, introduced by the Thatcher government in 1989, abolished all differentials in favour of a flat rate, per

capita, local tax.

After the Poll Tax was swept away by a mass non-payment campaign, the Tory government hurriedly cobbled together a fallback. The Council Tax substituted a single flat payment for a new tax, based - like the old rates system - on property.

But the differential in Council Tax bills between the highest and lowest valued properties was now just three to one, even though the gap in Scottish salaries can reach 100 to one and more.

Measured against the Poll Tax, it was the lesser of two evils - the

equivalent at the time of a heavy smoker switching from Capstan Full Strength to Silk Cut.

But it is essentially a regressive Tory tax, designed for the express purpose of protecting the wealthier social classes from paying their fair share of local taxes.

Scottish Service Tax

The idea of a redistributive local tax system to replace the Council Tax was first raised in the founding 16-point programme of the SSP back in late 1998.

Over the next few years, the detail of the policy was refined by economists from Paisley University Business School. Based on the principle of progressive taxation, the Scottish Service Tax proposed a rising scale of tax bands based on income.

Under the latest version of the plan, all individual income would be taxed at the following rates:

£0-£10,000 - zero
£10k - £30,000:
4.5 per cent
£30k - £40,000:
15 per cent
£40k - £50,000:
18 per cent
£50k - £90,000:
21 per cent
£90k and above:
23 per cent

In concrete terms, an individual earning £25k would pay an annual bill of £675 in Scottish Service Tax. This is because the first £10k of their income would be exempt, and the remaining income would be taxed at 4.5 per cent.

Someone on £32k would pay a total bill of £1,200. The first £10k of their income is exempt; the next £20k would be taxed at £900; the final £2k would be taxed at £300 (i.e. 15 per cent).

Surplus

When it was first launched, and subsequently updated, the Scottish Service Tax model projected a modest surplus.

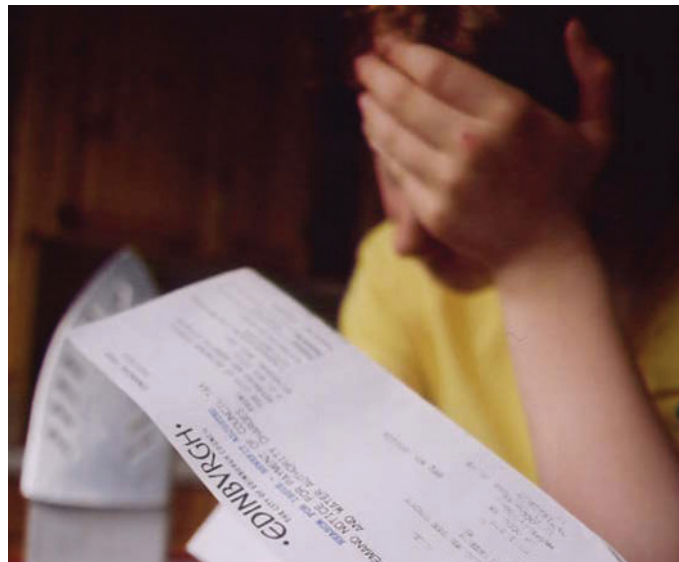
Over time, the rich saw much higher incomes. For example, in 1999-2000, there were 60,000 people in Scotland with an income above £50,000 a year. By 2008-2009, this figure had tripled to 187,000.

As a result the total Scottish Service Tax yield on incomes over £50,000 now stands at over £3 billion, compared to under £600 million in 1999-2000.

Over the same period, because of political pressure, Council Tax rises were held to a minimum, rising by less than one third during the same period (before the Council Tax freeze introduced by the SNP).

Pittance

Many people on lower incomes benefited from the freeze. But one unfortunate side effect of the curb on Council Tax levels is that the elite now pay an increasingly paltry fraction



of their income in tax.

In 2007, for example, Fred Goodwin, paid a Council Tax bill of just £2,338 out of his £4m income.

A basic grade nurse in a modest council house in the same city faced a bill of £1,169. As a percentage of income, she had to pay **120 times** more than Goodwin.

The Service Tax would sort out individuals on sky-high salaries paying little to local services, while the low-paid pay much more of their income.

But most important of all, because of rising top incomes, the Scottish Service Tax has the potential to turn a budget deficit into a large surplus.

Recession

The recession of the past eight years has meant rising unemployment & a drop in real earnings for many low-paid workers.

But inflation and growth in overall income levels – especially among higher earners – means that the Scottish Service Tax raises even more money.

A fair new local tax system would also help keep Scotland out of recession by transferring

idle cash from wealthy bank accounts to the low paid.

As a general rule people on low incomes tend to spend their money and the prosperous hoard it. Thus, the Scottish Service Tax would provide a vital stimulus to the economy.

Viable

The Scottish Service Tax offers a constructive and viable way forward. Those who have opposed it in the past should reconsider their position in the light of the changes of the past two years.

At a UK level, we can plead and demand that the Westminster Government tax the rich fairly and scrap the obscenity that is Trident to plug the deficit.

The Tories are in power, so forgive us for not holding our breath.

In Scotland, the balance of forces is different. Out of a total of 129 MSPs, 106 represent either the SNP or Labour, both of whose support base is strongly rooted in the public sector.

With cross-party party support, a version of the Scottish Service Tax could be implemented by the Scottish Parliament within

a year.

United Front

For its part, the SSP has always been prepared to co-operate with other parties and independents (like the late Margo MacDonald) to bring about progressive change.

Although the Scottish Service Tax was developed by the SSP & remains a flagship policy, the general idea has attracted much broader support.

Without demanding 100% agreement on every detail of the policy, the SSP would be prepared to open up discussions with other parties, councils, local authority trade unions, COSLA & the STUC.

Our goal would be to build a Scotland-wide united front to stop the cuts by moving towards a fair system of local taxation.

Sacrifices

When the Scottish Service Tax was first publicly launched, it was an idea ahead of its time. Most mainstream politicians ran scared of any policy of wealth redistribution.

The rich would flee the country, shrieked Labour in a briefing document against the Scottish Service Tax.

It would lead to a brain drain, they warned: people like Fred Goodwin and the other directors of HBOS and RBS would be packing their Mercs and speeding south down the A1 to avoid the tax. It should've seemed like a great idea at the time...

Today, such touching concern for the welfare of the rich is even more tasteless.