

Petitioner submission of 22 June 2023

PE2026/B: Elimination of Council Tax discounts for second homes and vacant properties

The petitioner provides the following response to the Scottish Government's submission of 23 May 2023, by providing the following new evidence:

The petitioner supports the Scottish Government's acknowledgement that: "The legislative framework for Council Tax is a matter for the Scottish Government." The petitioner also acknowledges the Scottish Government's assessment that the Council Members are accountable to their electorate. Petitioner adds to that observation that the same principle applies to the Scottish Members of Parliament. The Scottish Parliament has both the authority and responsibility to define the liable party for purposes of payment of the city council property tax.

The existing government policy makes Scotland's tenants and homeowners as occupants liable for the city council property tax assessed on the value of the property. (Homeowners are distinguished from property investors. A person can only live in one home. Any other property is an investment property.) The current policy requiring the occupant to pay the property tax increases the total monthly accommodation price (MAP) paid by the tenant. It also increases the percentage of property tax paid by tenants and homeowners to compensate for those who are financially unable to pay both increases in rent and city council property taxes. ^{i ii}

The petitioner requests that the Scottish Government exercise its responsibility and authority to define the property owner as the "liable party". This proposal constitutes a shift in hundreds of years of British culture. Historically, British policy has served to benefit the landed gentry to the detriment of those who are less affluent and occupy the property, tenants. Moving in a progressive manner to abolish this practice is a matter of justice and equity that affects all persons in Scotland, regardless of the council where they reside. It will also result in a reduction in the escalating

costs of the MAP and ease of the cost-of-living crisis for all Scotland residents.

The current Scottish Government policy subsidises property investors at the expense of homeowners and tenants.

The current policy of making the occupant the “liable party” for purposes of payment of the city council property tax effectively subsidises property investors, both foreign and domestic. The policy allows property investors to charge increasingly excessive rental amounts. This subsidy for property investors occurs indirectly through the Council Tax Reduction Scheme (CTR).

CTR Scheme:

The CTR is a scheme whereby the liable party can receive forgiveness from paying city council property tax based on their inability to pay. According to the Scottish Government records, Scotland had 496,580 recipients of CTR property tax forgiveness in fiscal year 2021. The CTR property tax forgiveness is currently being applied to one fifth of all rentable dwellings in Scotland. The scheme also results in city councils forgoing an average collection of city council property tax amounting to 7.328 million GBP every week, or almost 400,00 million GBP per year.ⁱⁱⁱ

In Edinburgh alone, the total amount of CCT forgiven in fiscal year 2022 was 26,447,367 million pounds. The CRT scheme is distinct from and in addition to the number of property tax liable parties in arrears as identified in the petition.^{iv}

The number of tenants who cannot pay their city council tax because of high rent leaves a deficit in the city councils’ budgets. To make up for this shortfall, city councils increase the percentage of CCT on the liable parties, tenants and homeowners, if they do not qualify for the means-based tax forgiveness under the CCT. (Property investors would not qualify for the CRT scheme. They are too affluent to meet the means-based test. Currently though, property owners are not identified as liable parties under the law, so they are not at risk)

Property investors are, however, able to increase the rental amount to tenants, knowing that if the tenant is unable to pay the CCT and high rents, the state will pursue the tenant in a legal action in the Sheriff’s court for the

outstanding property tax. Alternatively, the liable party will receive forgiveness of payment from the property tax under the CRT scheme. Either way, the property investors benefit by keeping rents high, the existing law is effectively subsidising their property investments. Scotland's homeowners/tenants who are not yet impoverished must make up the City Council budget shortfall through council increases in the CCT. (See, original petition for the number of city council property tax cases in arrears and percentage of tax increases.)

Justice, equity, and common sense dictate the change in the definition of the liable party, making the property owner liable for payment of the property tax. It's time for the government to be truly progressive and lead the way in correcting historical injustices in the UK that have found sanctuary in an archaic law and concept.

The proposed change will have the added benefits of relieving residents from future increases in CCT by dramatically increasing the amount of property taxes collected; rendering the CRT scheme unnecessary; protecting residents from the overwhelming power of the state pursuing actions against them in the courts to collect the property tax; and ease the cost-of-living crisis in a permanent way for all of Scotland's residents.

As the petitioner, I also request the opportunity to appear and present evidence in support of consideration of petition PE2026.

ⁱ According to the Office of National Statistics, the average rents in Scotland increased 4.4% in the twelve months preceding December 2022.

(<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/december2022>)

ⁱⁱ The amount of City Council property tax increased between 4.9% and 10.5% in 2022. (See, Petition reference).

ⁱⁱⁱ Council Tax Reduction in Scotland, 2020-21; 22 June 2021; ISBN978102010404.

^{iv} (FOI Request Response (EDIR:41862)).