Glasgow City Council

Local Taxation Working Group

Report by Executive Director of Financial Services

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Consideration and assessment of local taxation model: local property tax based on capital values

Purpose of report:

To provide the Local Taxation Working Group ('the working group') with a summary of a local property tax, based on capital values, as a model for local taxation. This summary has been prepared using the scope, approach and assessment criteria previously agreed by the working group.

Recommendations:

It is recommended that the working group:

- notes the content of the report, including the summary of the local taxation model and issues identified;
- notes the risk assessment of the model; and
- considers any potential follow up questions for Council officers and external specialists.

Ward No(s):				Citywide:	x		
Local member(s) advised:	Yes ☐	No ☐		Consulted:	Yes ☐	No ☐	

Contents

1. Executive summary

1.1 This report provides a summary of a local property tax based on capital values ('CV tax') as a model for local taxation and an assessment against the working group's approved evaluation criteria.

1.2 A CV tax carries many of the benefits that a reformed council tax and a land value tax imply, insofar as removing bands and regular revaluations can increases fairness and credibility. The main difference to a land value tax is that CV taxation continues to tax the resident in a property rather than land owner, and includes tax on property and development, by virtue of the valuation methodology.

1.3 CV tax formed part of the recommendations in the Burt report and is supported by a number of practitioner bodies. Given this would be a continuation of tax on property, a CV tax would be relatively easy to plan for and implement: existing systems, controls and valuation expertise could be translated for use in a CV tax regime, reducing the operational burden of change on the Council.

1.4 There are a number of other key benefits with a CV tax:

- regular land revaluations would be relatively easy to carry out, contributing to the fairness of the tax further;
- local tax payers are likely to find a discrete capital value easier to understand as a basis for their tax liability, rather than an arbitrary band or a land value;
- it is relatively buoyant whilst retaining the balance of stability and predictability; and
- from a sustainability perspective, there would be a relatively constant tax base, and provides incentives to best-use available property.

1.5 However, additional parallel reform would likely be required to address concerns with existing taxation arrangements, including:

- water charging issues (the ability of low income households to pay and local authority collection arrangements); and
- take up of council tax benefit (which would have to be addressed in any CV tax rebate scheme).

1.6 From a local democratic accountability perspective, a CV tax would maintain existing levels of accountability within local authorities. However, additional tax raising powers would be required (for example on derelict land or through environmental taxes) to increase local fiscal autonomy and in turn address the existing gearing issue.

1.7 A CV tax as outlined in the Burt report is therefore worthy of consideration by the working group. It would help address a number of existing concerns with the council tax and, coupled with water and benefit reform, could see the development of an effective local tax regime. It should, however, be noted that there is a wider debate to be had: for example, the potential macro-economic and socio-economic impact of differing land or property-based taxes.

2. Background

2.1 On 21 August 2008 the working group approved the scope of the review of local taxation models to be undertaken, the approach to the review (including an agreed set of criteria) and an outline timetable and agenda. In accordance with the agreed outline timetable and agenda, this report provides a summary of a local property tax based on capital values as a model for local taxation. This report includes an appraisal against the approved criteria and a risk assessment.

2.2 A local property tax based on capital values ('CV tax') was one of the recommendations made in the Local Government Finance Review Committee's 2006 publication *'A Fairer Way'* (the 'Burt report'). Given this report is the latest, most in-depth analysis of local government finance in Scotland post-devolution, we will discuss the proposals in this separate report, focussing on the practical implications, benefits and concerns.

2.3 We have also drawn on internal management information, including data from the Council's assessor's and council tax systems, with the aim of providing a practitioner's perspective on the proposals.

3. Overview of CV taxation

3.1 For the purposes of this report, the definition of a CV tax will be taken to mean the proposals contained within the Burt report. The key recommendations from the Burt report are outlined in table 1, below:

Table 1: Extract from Burt report executive summary[1]

Para	Comment
13.	The UK has no form of annual taxation other than council tax on property or other assets. In a Scottish context, we are satisfied that property is a reasonable proxy for wealth.
14.	Property taxes can be seen to be "fair" and progressive, because there is a correlation between property values and ability to pay. Evidence suggests that, where this correlation does not apply, it is more likely to arise from households on higher incomes living in lower-priced homes than vice versa.
15.	Property taxes are better suited for use as a local tax than income tax. They are difficult to avoid and suitable for collection locally. They are certain: while they lack buoyancy, they are not susceptible to sudden reductions. This is a major advantage for local authorities whose costs, year-on-year, are fixed in the short term.

[1] Local Government Finance Review Committee *A Fairer Way* 2006.

Para	Comment
16.	We considered council tax in its present form and possible reforms to improve its progressivity. We examined and modelled possible changes to the number of bands and the multiplier between the lowest and highest bands. The results failed to meet our criteria. Consequently, we were unable to recommend either continuation or reform of council tax.
17.	Having considered and rejected all the options put to us, we concluded that a radical alternative is required. We recommend 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.
18.	Around two-thirds of households in Scotland would be either better off or no worse off with LPT than under council tax. The gainers would primarily include households in lower income deciles, and in properties currently in council tax bands A to C.
19.	Revaluation of domestic properties is a prerequisite to the introduction of LPT. We recommend routine regular revaluations, which are backed by statute and which would be yield-neutral.
20.	We also conclude it is not appropriate for decisions about the shape of a local tax to focus primarily upon the interests of the relatively small number of “asset rich, income poor” households at the expense of most households in Scotland. Nevertheless, we have considered assistance for this group and describe a possible optional deferment scheme which could be valuable to such households.
21.	We considered possible changes to non-domestic taxation. In the light of evidence received, we recommend the retention of non-domestic rates and the status quo.
22.	We also considered a number of associated issues. Of our recommendations, the most significant is that principles of local accountability and good government demand the removal of the statutory requirement upon local authorities to collect water and sewerage charges alongside council tax bills. We also recognise the role that specific taxes or charges may have in supporting investment activities or encouraging positive behaviour. However, in the context of core funding, such taxes could play only a minor role.

It is important to note that the scope of the Burt report was wider than that of local taxation models: consideration was given to the system of local government finance in general. These wider issues are out with the scope of this working group.

3.2 It is noted for comparison that the Lyons report recommends retention of the council tax, alongside various reforms:

Table 2: Extract from Lyons report recommendations[2]

Para	Comment
7.1	Council tax should be retained as a source of revenue for local government. The option of change in the longer term to shift the balance towards other taxes and changes remains open.
7.2	While not the most urgent priority, the Government should conduct a revaluation of all domestic properties for council tax. Transitional arrangements to ensure households do not face steep tax increases from one year to the next should be considered at the point of revaluation.
7.3	Subsequent revaluations should take place regularly and automatically at intervals of no more than five years.

[2] Sir Michael Lyons *The Lyons Inquiry into Local Government* 2007.

Para	Comment
7.4	At the revaluation the Government should introduce new property bands at the top and bottom of the current structure. It could also consider the introduction of separate bands for Inner London to reflect the unique shape of the property market in that region and to reduce turbulence there. [3]
7.5	The Government should ensure the grant system reflects realistic data on the number of student households exempt from council tax in their areas.
7.6	Council tax benefit should be recognised as a rebate rather than a benefit, and re-named ‘council tax rebate’, to properly reflect its main purpose: adjusting households’ liability to council tax.
7.7-7.9	The Government should build on recent efforts to streamline delivery of council tax rebates by adapting IT systems… Ministers should examine the scope for data sharing between agencies to proactively deliver council tax rebates to those who are entitled, with a view to achieving a step-change in the take-up of council tax benefit.
7.10	The Government should increase the savings limits on council tax rebate eligibility to £50,000 for pensioners [and over time abolish this limit].
7.13 - 7.14	The Government should carefully consider the wider framework of charging powers for statutory and discretionary services… The Government should take new powers to allow local authorities to charge for domestic waste collection, developed in close consultation with residents and other key stakeholders.
8.2	The existing national arrangements for business rates should be retained at present, but a new local flexibility to set a supplement on the current national business rate should be introduced.
8.4	The Government should reform and reduce the empty property relief.
8.5	The Government should develop proposals for the taxation of derelict property and brownfield land and consult on those with stakeholders.
8.6	The Government should conduct a review of exemptions and reliefs to consider the scope for removing inappropriate subsidies and distortions, and to simplify the system.
8.8	The Government should consult on the costs and benefits of providing a permissive power for local authorities to levy taxes on tourism, including a possible tax on accommodation, and whether local authorities would use such a power. It should use the results of that consultation to examine the case for extension of such powers to local authorities.

Valuation – a practitioner’s view

3.3 It would in theory be relatively easy to move to capital values as a basis for a local property tax. Reference should be made to previous reports to the working group on a reformed council tax and on land value tax. The change in valuation basis, and requirement to regularly update valuations would not pose any significant problems from a practitioner’s perspective. However, consideration would need to be given to the potential impact on households and local authority finance.

3.4 Systems and controls are already in place to administer and collect a local property tax and there is sufficient expertise within the assessor’s team to identify capital values.

[3] This could potentially be applied in a Scottish context (when comparing the property market in Edinburgh and Glasgow to that in more rural and remote areas).

3.5 The basic approach to assessing capital values is similar to that of a council tax valuation and is set out in table 3, below.

Table 3: Capital values - key steps

#	Description
1.	Set a 'tone date', usually two years prior to date of revaluation.
2.	Assessor establishes average sales price for each type of property where data is available, using two years' sales evidence near to the 'tone date'.
3.	Establish location and other differentials to reflect differing sales prices for similar properties resulting from location in the city etc.
4.	Conduct a comparative exercise for all properties to identify anomalies.
5.	Where there is a lack of current sales evidence in an area, consider previous sales data and trends as indicators to value.

If bandings were to be retained, then the next step would be to align these new capital values to council tax bands. The number of bands and relationship between bands would largely be a political decision. The Burt report does not recommend continuation of the banding system and this is consistent with the views of many other commentators, who argue that bands distort the fairness of a local tax system.

3.6 The potential impact on Glasgow of a CV tax is summarised below, based on an analysis of sampled domestic properties, covering all council tax bands:

Table 4: sampled analysis and potential CV rate for Glasgow

Sampled data (April 2008)	
Number of properties sampled	100
Existing council tax raised on sampled properties	£107,000
Required CV tax rate[4]	0.008

Possible CV charges and comparative current council tax charges are summarised in table 5:

[4] Assumes 300% increase in capital values since 1991 and requirement to raise same overall level of tax as is currently raised under council tax.

Table 5: possible impact of CV tax on Glasgow

Capital value £	**CV charge (at 0.008) £**	**Council tax band**[5]	**Council tax charge £**
50,000	400		
75,000	600		
100,000	800	A	809
125,000	1,000	B	943
150,000	1,200	C	1,078
175,000	1,400	D	1,213
200,000	1,600	E	1,482
250,000	2,000	F	1,752
300,000	2,400	G	2,021
400,000	3,200	H	2,426
500,000	4,000		

This shows potential savings for those households in band A and B properties, valued at less than £125,000-£150,000. It should, however, be noted that this is a very high level analysis, and is based on a sample of properties, using various price assumptions.

3.7 As the Burt report indicates, parallel reform would be required in implementing a CV tax to ensure that other concerns with the existing council tax are addressed. For example:

- water charging reform would still be required; and
- benefit reform should be directed at increasing take-up amongst eligible tax payers.

3.8 It seems clear that the main benefit of any reformed property or land based tax would be the updated valuation base. This, in turn, would help increase the fairness of the tax and improve the credibility of the tax. Since a reformed council tax, a land value tax and a CV tax would all imply revaluation and subsequent regular revaluations, they share this key benefit. The key difference is the potential macro-economic impact of these different taxes.

Empirical evidence – Northern Ireland

3.9 A CV tax was introduced in Northern Ireland from 1 April 2007, replacing the old rateable values system (which was based on 30 year old valuations). All 700,000 domestic properties were assigned a capital value as at 1 January 2005. The tax rate has been quoted at 0.5 pence per £1 CV on average. Transitional arrangements were put in place to permit households who saw a significant increase (over 33%) in their liabilities stage these increases over 3 years years. This was applied automatically and resulted in around 100,000 households receiving average relief of £178.[6]

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[5] Estimated new council tax band valuation points

[6] Northern Ireland Assembly '*Implementation of Changes to Domestic Rates in Northern Ireland*' 18 May 2007.

3.10 The existing benefits system remained in place, with an additional ‘rate relief scheme’ for those households with income marginally above the existing benefit thresholds. This resulted in around 40,000 households receiving this new allowance, with an average of £270 being awarded. Disabled tax payers can also apply for a 25% discount (so long as they have housing adaptations) and those in full time education receive a full exemption on application. There is no single person’s discount.

3.11 Households received an information booklet in advance of the exercise. However, an error was identified in the booklet, leading to many households over estimating entitlement to relief. This led to around 14,000 phone calls in three days.

3.12 Notifications of tax bills were distributed on 1 April 2007. However, letters were also sent to all households during July and August 2006 notifying the CV and the expected new tax liability. Details of all individual CV’s were then published on the Assembly’s website to enable households to compare their CV’s with other houses in their local area. This then gave households the opportunity to query their CV via a *freephone* helpline and request a review of the value.

3.13 Statistics indicate that 56,000 households queried their initial property valuation, around half of whom requested a review. By April 2007 around 15,000 reviews had been undertaken. Of these 16% saw an increase to their valuation, 48% decreased and 36% saw no change. Overall less than 2% of the 700,000 properties revalued required correction.

3.14 It has been reported that there were delays in processing appeals, resulting in around 13,000 households funding any erroneous over-billing over the first few months of implementation. There was also an initial shortage of resources handling the *freephone* helpline.

3.15 CV was assessed based on the open market value, and was capped at £500,000. The CV was then multiplied by an area-specific factor, which is the combination of the domestic regional rate and the domestic district rate. This therefore means that the liability broadly equates to around £60 for every £10,000.

3.16 The suitability of CV taxation has been queried given the recent significant swings in property prices in Northern Ireland. There are concerns that property prices are changing too quickly so as to reflect income levels, and there is also concern over the stability and predictability of tax revenues.

3.17 In October 2008, the cap on the CV was reduced to £400,000 to protect those with high value homes. There was also a change to ensure second homes were charged the full amount.

Other evidence

3.18 In their submission to the Burt report, the Institute of Revenues, Rating and Valuation (Scottish Association), a specific recommendation was made to move to a reformed property based tax based on discrete capital values.[7]

3.19 The Scottish Assessors Association also favours the retention of a local property tax as set out by the Burt report.[8] This is also the position of the Royal Institute of Chartered Surveyors.[9]

Key benefits and concerns

3.20 A summary of the key benefits and concerns with a CV tax that we have identified is provided in table 6, below.

Table 6: CV tax benefits and concerns

Benefits	**Concerns**
Is likely to be more progressive and avoids ambiguous banding system that distorts relationship between tax liability and ability to pay.	Will likely still require a benefits system for those with very low incomes. Other options to address low income cases, such as deferment, can have cash flow implications.
Modelling suggests that the local tax liability would be more fairly distributed across households according to capital values of property, mainly due to revaluation and abolition of banding system.	Modelling the potential impact of CV taxation on existing council tax payers assumes that existing council tax bands are robust. It is possible that due to absence of recent council tax revaluation there will be a high number of 'anomalies' in lower bands who will actually see an increase in liability. Could also be achieved by revaluation under existing council tax, or under a land value tax.
Is relatively easy to understand, compared to the existing council tax, or other property based taxation systems, such as land value tax.	Does not generate the same macro-economic, financial, social and environmental outcomes that are associated with a land value tax, for example.
CV valuation and ongoing revaluation would relatively straightforward and not overly-expensive.	First revaluation could give rise to a large number of individual anomalies due to length of time since last revaluation. Also potential macro economic impact on housing markets would need to be explored.

[7] IRRV *'Submission of evidence to the Local Government Finance Review Committee'* November 2005.
[8] Scottish Assessors Association *'Response to Scottish Government Consultation on A Fairer Local Tax for Scotland'* 2008.
[9] RICS Scotland *'Response to consultation on a Fairer Local Income Tax for Scotland'* 15 July 2008

Benefits	Concerns
Existing local tax systems and skills bases are tailored to a local property tax. Moving to a CV based tax would be relatively straightforward with little disruption to systems and personnel.	Does not address all issues with existing council tax arrangements (for example, water charging and benefit take-up). Is therefore likely to require parallel reform.
Strikes a balance between buoyancy (insofar as regular revaluations reflect market conditions) and stability (in that values are unlikely to swing significantly in any one region year to year). Any significant changes in values could be damped by adjusting tax rates.	May be difficult to set balanced budgets due to regular revaluations impacting revenues. Current economic climate shows that some areas can see significant swings in capital values of properties. This therefore may require 'dampening' tools or transitional arrangements.
Regular revaluation helps to ensure that beneficiaries of public spending (especially infrastructure spending) pay a tax for the benefits they receive. Thus, public spending is more self-funding and the costs are more fairly divided amongst the beneficiaries.	Any central government equalisation may skew this affect. Furthermore, this would be better achieved through a land value tax, so as to ignore the beneficial impact on valuation of responsible private development of land.
Could be set locally to maintain local democratic accountability. Additional reform could be used to give local authorities greater scope for additional local taxes (derelict land, environmental taxes etc).	Would require wider reform of local government finance to address existing gearing issues.
Property cannot be moved or hidden therefore CV tax would be easy to administer and collect, and difficult to avoid.	There appears to be a strong public perception that taxing residence in property is not fair and this, in turn, may threaten collection rates.

3.21 CIPFA noted in their presentation to the working group on 4 November 208 that sustainability should be considered in assessing any local tax model. CV taxation can be regarded as a reasonably sustainable tax insofar as the tax base is broadly reflective of population levels and therefore demands on public services. It can also be argued that property taxes can encourage efficient and sustainable use of property.

4. Issues for consideration

4.1 This section provides an assessment of CV taxation against the agreed set of criteria.

4.2 The paper on existing council tax arrangements previously submitted to the working group identified a number of benefits and concerns as they related to the agreed set of criteria and principles. Appendix 1 provides a summary of these issues and how they could be impacted by CV taxation as outlined in section 3.

4.3 Appendix 1 indicates that CV taxation would address some of the concerns with the existing council tax, with potential to score well against most of the assessment criteria. However, there would potentially be a requirement for parallel reform to address other issues identified with the current system. For example:

- there would likely still be a requirement for a rebates or benefits system. Given the current take up problems[10], significant reform would be required of existing council tax benefit systems;
- some proponents of CV taxation propose a deferred payment option in addition to, or in place of, a benefits system. This would require robust planning and modelling to ensure the Council was prepared administratively, and in terms of cash flow monitoring; and
- issues identified with existing water charging arrangements would still need to be addressed through separate and parallel water charging reform[11].

4.4 Many of these outcomes could be achieved through a reformed council tax or a land value tax and arise mainly from the regular revaluation of land and / or property, and the abolition or reform of the banding system. The wider impact of these various options for land / property taxation should therefore also be considered.

5. Risk assessment

5.1 There is sound data available to plan for a CV tax and operational systems and processes are already in place, requiring reform rather than fundamental replacement.

5.2 A CV tax would therefore have the benefit of being low risk operationally. Reform could be phased in and existing systems and processes have proven in the past to be successful when implementing regulatory and legislative changes.

5.3 The main risk in implementing a CV tax would be strategic and political: it would require effective liaison and consultation between local government, the Scottish Government, the UK government, Scottish Water and the DWP. In order for reform to be truly effective, a whole range of initiatives would need to be implemented and therefore ineffectual co-operation from any of these interested parties could see the process fail.

5.4 Furthermore, any revaluation and abolition of bands would require a specific risk management process to ensure that risks associated with such a significant and high-impact process are effectively managed.

5.5 No specific legal risks have been identified but it is likely that many aspects of reform would require legislation by the Scottish or UK Parliaments.

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[10] Refer to Local Taxation Working Group 4 November 2008 Item 2.
[11] Refer to Local Taxation Working Group 4 November 2008 Item 2.

6. Conclusions

6.1 A CV tax could address a number of concerns with existing council tax arrangements:

- CV taxation as set out in the Burt report is likely to be more progressive and avoids an ambiguous banding system. Ultimately the tax burden would be spread more fairly according to the up to date value of property;

- following the move to CV taxation, regular revaluations would be relatively straightforward and ensure assessed land values were up to date, further contributing to the overall fairness of the tax;

- similar to other property-based taxes, CV taxation would be difficult to avoid and since existing collection systems and controls could be adapted, it is reasonable to expect continuation of relatively high collection levels and relatively low administration costs;

- CV taxation strikes a favourable balance between buoyancy and stability (regular revaluations would mean that assessed capital values reflect up to date market conditions, whilst these values themselves are unlikely to swing significantly in the short term);

- since a CV tax would be locally set, administered and collected, it can be said to maintain local democratic accountability; and

- CV taxation can also be said to be a relatively sustainable tax. The tax base is reasonably constant and, along with other property based taxes, it encourages the best use of available resources.

6.2 CV taxation would be a relatively low risk option operationally. However, in order to address all key concerns with the existing council tax, additional parallel reform would be required, in particular relation to water charging and benefit take up.

6.3 It is likely that in the absence of additional reform, there would continue to be a significant proportion of poorer households that would struggle to pay their water charges and / or local property tax.

6.4 There is also a risk that revaluation itself, coupled with the move to discrete capital values, would have a significant impact on some households due to unevenness in the rate of property price inflation since 1991. This, in turn, could lead to significant appeals and may have an impact on the macro-economics of Glasgow (for example, the property market).

6.5 Regular revaluations would have to be planned in the context of local authority budget setting: it is possible that local authorities would have to react to (or even predict) the outcomes of revaluations in setting their CV poundage rate as part of the annual budgeting process.

6.6 A locally set CV tax without additional tax raising powers for local authorities would likely see a continuation of the existing gearing problem that exists at present.

Appendix 1: Appraisal of existing council tax benefits and concerns against CV taxation

Table 3 provides an overview of the benefits and concerns previously identified with the existing council tax regime, according to the agreed set of criteria and principles, and suggests how CV taxation could impact these issues.

Table 3: Impact of CV taxation on existing benefits and concerns associated with the council tax

Criteria / Principle	Existing council tax benefits	Existing council tax concerns	Potential reform and related impact of CV taxation
Fairness	• Visible and transparent. • Benefits system provides a certain element of means-testing. • Property is one indicator of wealth and much of the country's wealth is stored in property. • Discounts and exemptions adjust for income-earning capacity of household. • Income tax already contributes significantly to local government finance. • Difficult to evade payment.	• Does not always reflect the ability to pay and is not progressive. • Current valuations often bear little resemblance to current values. • Banding system effectively caps the maximum any household will pay. • Households on full council tax benefit are still required to pay a water charge and often struggle to do so. • Property-wealth does not necessarily reflect ability to pay an annual cash levy.	• CV taxation would likely be more progressive, with greater incidence falling on owners of higher valued property. No requirement for banding system. • Once implemented, system of regular revaluations would be relatively straightforward. However, potential for additional work for local authorities to reflect changes in revenues arising from revaluations in annual revenue budgets. • Crucially, would not address the significant issues that exist in relation to water charging without parallel reform. • Likely would still require a rebate / benefits system to assist those on low incomes.
Efficiency	• Systems and controls in place to effectively administer tax and benefits. • Relatively high collection rates and low cost of collection. • Currently yield is adequate to support required revenue.	• Eligible households do not always apply for benefit, exemptions or discounts. • Tax payers with more than £16,000 in savings are excluded from benefit. • Existing arrangements whereby local	• As noted above, potential requirement for rebate / benefits system, which would need to be designed to ensure adequate take-up. See 'Reformed council tax' report (LTWG 4 November 2008 Item 3) for options to improve benefit take up. • In order to resolve water charging issues, would require parallel water charge reform to be introduced alongside CV tax.

Criteria / Principle	Existing council tax benefits	Existing council tax concerns	Potential reform and related impact of CV taxation
	• Few adverse behavioural effects and encourages property owners to make economic use of their assets.	authorities collect water charges on behalf of Scottish Water are not satisfactory (see 4.10 in previous report). • NNDR valuations are not consistently applied and the system of reliefs and exemptions often has adverse impacts.	• Burt recommends continuation of NNDR arrangements. Potential for parallel reform to enhance local authority discretion. • The systems and controls to administer, collect and monitor a CV tax are largely in place and would require minimal reform. • Would largely fulfil the criteria of a sustainable tax: the tax base is relatively constant and CV tax encourages the best use of available resources. • Relatively easy to collect and therefore collection and cost of collection rates would likely remain favourable.
Predictability	• Tax base is relatively stable year on year and the tax yield can be predicted reasonably accurately. • Retains an element of buoyancy (at least over the medium and longer term). • Cash flows can be managed relatively easily. • Enables Glasgow to be subsidised through central government or DWP funding to reflect socio-economic factors. • Projections indicate an 11% increase in taxable domestic properties by 2016.	• Glasgow's unique socio-economic situation means collecting council tax is challenging.	• Potential for continued difficulty in collecting CV tax from very poor households. • Would be relatively buoyant whilst retaining a certain degree of predictability and stability.

Criteria / Principle	Existing council tax benefits	Existing council tax concerns	Potential reform and related impact of CV taxation
Local democratic accountability	• Relatively transparent enabling the electorate to hold members to account. • Clearly identifiable as a local tax.	• The 'gearing' effect and the water charge issue impacts on the true level of local accountability. • There is a need for additional flexibility in relation to the system of business taxation.	• A locally set CV tax would ensure continued element of local democratic accountability. However, the absence of additional local tax raising powers would see a continuation of the existing gearing issue. • As noted above, CV tax reform in isolation would not address water charging issues and the lack of accountability within water charging.

Source: Local taxation working group 'Existing council tax arrangements' paper, section 4