



**Paper for Joint Working Group on Sources of Local Government
Funding**

Council Tax – Changing the Multipliers

Council Tax Multipliers

Context

The level of Council Tax in each local authority is determined by individual Councils, who set the **Band D** rate with the charges for all other valuation bands being proportions of that Band D charge that are set in law.

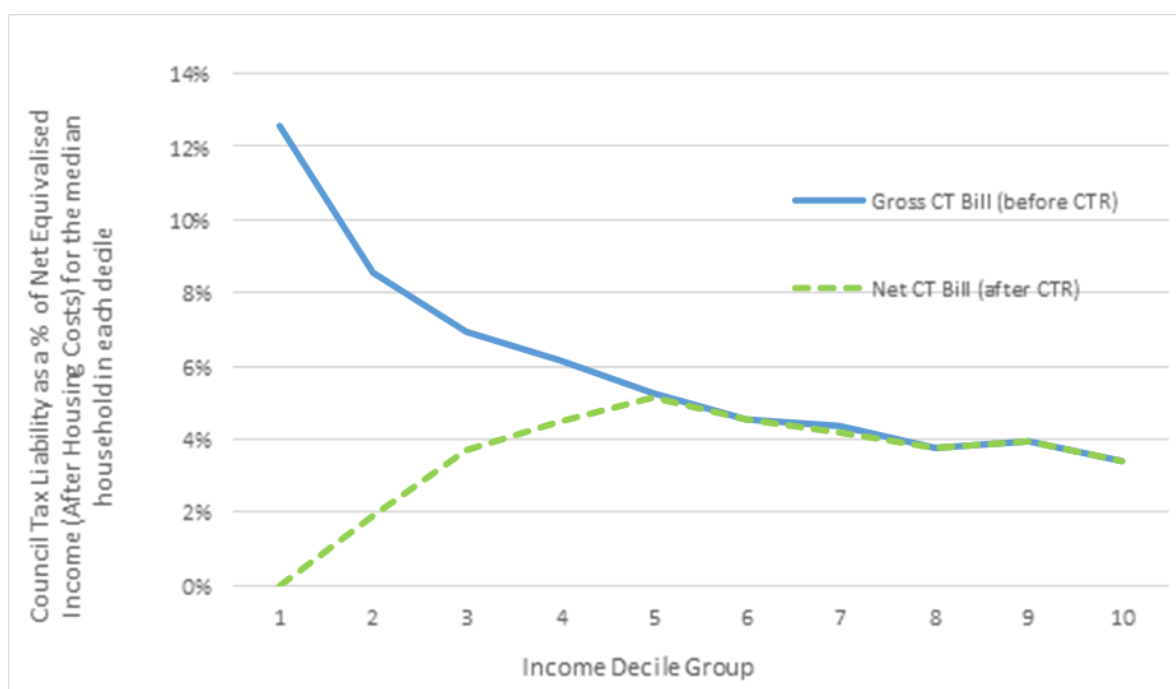
Those proportions can be amended by secondary legislation. This was done for the start of the 2017 Council Tax year which increased the charges for properties in Bands E-H.

Table 1.1 Multipliers pre 2017 and post 2017 with % increases

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Ratio to Band D (Pre 2017)	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00
Ratio to Band D (Reformed)	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45
% change in average bill	0.0%	0.0%	0.0%	0.0%	7.5%	12.5%	17.5%	22.5%

These changes reflected the conclusions of the 2015 Commission on Local Tax Reform which noted that Council Tax is, uniquely, a regressive tax with the effective tax rate declining both in relation to income (see table 3.1 below) and in relation to property values (see chart 3.1 below).

Chart 1: Council Tax Liability as a Proportion of Net Equivalised Income:



Source: Commission on Local Tax Reform 2015: A new Approach to Local Taxation

Table 1.2: Council Tax liabilities as a proportion of Property Values (2017)

	A	B	C	D	E	F	G	H
Tax as % of est. 2017 value	1.16%	1.18%	1.04%	0.91%	0.89%	0.82%	0.58%	0.54%

Source: Scottish Government Personal Communication

The 2017 reforms increased the charge for Band H properties by 22.5% but the tax remains regressive- fully addressing that regressivity would require significant further changes to the proportions for higher band properties.

Consideration

It would be possible to introduce legislation that changed the proportions of the Band D charge paid by the higher value properties again. This would both further address the regressivity of Council Tax and also, increase local authority revenues.

Table 3.1 below shows the impact of arbitrary increases to the charge for Band E, F, G and H properties – the changes could be different and apply to different valuation Bands.

Table 3.1: Illustrative Model of Changes to Council Tax Charges for Higher Band Properties

Band	Current Factor	Proposed Factor (Same percentage increase to Band E - H as 2017)	Proposed percentage increase	Share of council tax dwellings in each band (%)	Average Increase/dwelling	Total Increase in Revenue at 2022-23 tax rates
A	240/360	240/360	0%	19%	£0	
B	280/360	280/360	0%	23%	£0	
C	320/360	320/360	0%	16%	£0	
D	360/360	360/360	0%	14%	£0	
E	473/360	507/360	7.2%	14%	+£127	£45.0 million
F	585/360	660/360	12.8%	8%	+£281	£59.2 million
G	705/360	829/360	17.6%	5%	+£464	£63.2 million
H	882/360	1080/360	22.4%	1%	+£741	£10.5 million
TOTAL	(before CTR)					£177.9 million

If the “multipliers” were to be further changed, the Council Tax Reduction scheme could continue to apply (with entitlement not impacted by the capital value of the dwelling to which it relates) and protect those with limited means to pay their Council Tax.

There is also the opportunity to decrease the % ask from lower banded properties but given the number of dwellings in these bands, there would be a significant reduction in Revenue as 42% of all dwellings are in the lowest 2 bands A & B and if you add in Band C this equates to 58% of all dwellings.

The split between dwellings is also not equal across Scotland with some Councils having a much greater proportion of dwellings in lower bands (mainly in the more urban areas).