

Isitfair

Council Tax Reform

A non party political nationwide campaign

Meeting with the Liberal Democrats Party

Thursday 10 July 2008 at the Houses of Parliament, Westminster

Present:

Julia Goldsworthy MP	Shadow Secretary of State for Communities and Local Government
Mrs Christine Melsom	Isitfair
Mr Michael Boon	Grey Hairs Ltd, Consultants for Isitfair
Mrs Janet Kelly	Isitfair (taking notes)

1. Isitfair

Having read and inwardly digested Policy Papers 75 and 81, our prime purpose was to try to clarify the Lib Dems' current position on local taxation.

2. Julia Goldsworthy

Julia explained that Lib Dem policy would be, first and foremost, to get rid of council tax and replace it with a local income tax. However, once that had settled, it is likely that they would – in order to balance the tax system – introduce a Land Value Tax which would apply to domestic properties and run alongside local income tax. She said:

- a. that any new system would take a while to implement;
- b. that local councils would set the LIT rates;
- c. that initially LIT would be geared to raise the same amount of money as CT, and the level of support from Central Government would remain the same. (We believe the Lib Dem team is still working on the detail);
- d. that the Lib Dems would localise business rates;
- e. that the cost of implementing a local income tax system could largely be offset by the savings made from the abolition of council tax, for example:

council tax – no more collection costs

council tax benefit system – no longer needed

Julia agreed, when pressed, that the LIT rate would be 3% with a leeway of 3% either side. So that in theory LIT could be 6% or nothing depending on your council's requirements (we can't work this one out but it is what she said). Presumably if you continue to receive a low grant, the council would need to claw back more LIT.

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3. Response and Discussion

Michael expressed his concern that payrolls would not cope well with a system based on a large number of rates. (It could maybe cope with one based on allowances.) He also warned that this LIT could well turn out to be a national tax disguised as a local one.

We all agreed that the current council tax system is unfair to many taxpayers and, very importantly, lacks transparency. However, our suggestion that perhaps all “essential” and statutory services should be paid for in full by Central Government and that local taxation should be used only for those “extra” services chosen by local residents, was not received well! Lib Dems are plainly very much in favour of localism.

Julia was somewhat surprised to learn that there was reason to believe that the take up of CTB was much better than almost universally claimed. Michael spoke of the evidence he had collected to back this up. She said she would look into the matter.

We said we had been aware for a very long time that both Labour and Conservative parties appear to be wedded to property based taxation. (It now appears that the Lib Dems have to all intents and purposes joined them.) Julia said that if it turns out that council tax stays, then it is absolutely essential that there is a complete revaluation. This must get rid of at least some of the anomalies.

Julia agreed to provide Christine and Michael with more detail of the Lib Dem proposals.

We left Julia with some reading matter and a selection of Michael’s tables illustrating how the current system appears to be failing, how the situation can be improved, and how local authority spending is almost entirely determined by Central Government.

Useful Links and Downloads

[Julia Goldsworthy MP Website](#)

[Sustainable Communities Act 2007: A Guide \(12 pages\)](#)

Liberal Democrats Policy Papers:

[75 – Fairer, Simpler, Greener](#)

[81 – Reducing the Burden](#)

Post Note

Since our meeting, it has now been reported that the Lib Dems are not so sure about replacing council tax with a local income tax (LIT). In fact, Vince Cable is now considering keeping council tax and simply adding another top level band. This is astonishing! They’ve been promoting LIT as the ‘cure all’ to fair local taxation for years. Now it seems that with the SNP pushing ahead with this, they’re not so keen because the true cost will be higher than council tax for many. They now talk about land value taxation (LVT) too. What do they stand for – LIT, Council Tax or LVT?

Read the report [here](#).