

Institution: University of the West of Scotland
Unit of Assessment: 19
Title of case study: Research on local taxation leads to adoption of policies around a Scottish Service Tax
<p>1. Summary of the impact (indicative maximum 100 words) Research by Geoff Whittam and Mike Danson at the University of the West of Scotland looked at the local effects of the Council Tax on poverty and inequality. Their work led to them proposing a new progressive model of 'local' taxation called the Scottish Service Tax (SST). The research has been used by NGOs and other organisation to inform their own policy positions and campaigns for taxation reforms and poverty alleviation. The SST model has been cited extensively in submissions to enquiries and debates about Scottish local funding reforms. SST was adopted by the Scottish Socialist Party in 2002 which led to a Bill being put before the Scottish Parliament.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>Context The question of what makes a 'good tax' was first posed by the pioneer of political economy Adam Smith in the 18th century. He outlined the four principles of taxation which remain the cornerstone of national taxation systems around the globe.</p> <p>In the 1970s, however, the Layfield Commission highlighted the benefits of a local income tax for the provision of local services. After devolution, the Scottish Parliament had the authority and legitimacy to alter the form of taxation for local authority spending. However, there was no fiscal autonomy for Scotland within the devolutionary settlement. If the issues of poverty and inequality were to be tackled through fiscal transfers, then reforming local taxation was necessary.</p> <p>Council tax: effects on poverty and inequality In [2001], Geoff Whittam [Reader in Enterprise 1995-2013] and Professor Mike Danson [1988-2012] carried out meta-data analysis to investigate the effects of local taxation in the UK. The research highlighted the extent of poverty and inequality within Scotland and the United Kingdom and showed how the regressive nature of the Council Tax exacerbated this situation [3.1].</p> <p>This initial research was first published in 2003, but has been continually updated in response to various elections and Parliamentary enquiries into local government finance [3.2-3.5].</p> <p>The latest update by the researchers contained additional analysis of the impact of the Council Tax freeze on poverty. This latest work analysed the case for replacing the Council Tax with a Land Value Tax (LVT). They argued that land tax makes sense in a modern economy because land cannot be moved to countries with cheaper labour (for manufacturing) or lighter tax regimes (for service and internet-based commerce) The additional research involved collaboration with Prof C. Cooper of Strathclyde University [3.3 3.4 and 3.5] and the former MSP Tommy Sheridan [3.4]</p> <p>A new model of taxation: the Scottish Services Tax (SST) Since devolution, there have been numerous calls for the revision of local government financing in Scotland, for example by the McIntosh Commission and by influential bodies such as the Convention of Scottish Local Authorities (COSLA).</p> <p>Based on their analyses of the Council Tax, Whittam and Danson proposed a model for a new, progressive, local taxation system which they called the Scottish Service Tax (SST). As in any taxation system, there would be winners and losers; the main people to benefit from SST would be those on low incomes who suffer the most under the Council Tax system [see 3.1].</p> <p>The researchers showed how the SST should increase revenues beyond the levels of the Council Tax; provide exemptions for certain groups (e.g. with incomes under £10,000); meet the 'classical'</p>

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criteria for a local tax; and be progressive.

The researchers showed how the SST could be used to redistribute resources from wealthy areas of Scotland to the more deprived regions. They showed that this rebalancing would lead to growth in the Scottish economy as a whole due to the multiplier effects of redistributive policies [3.1, 3.2, 3.3].

Key researchers

Mike Danson: Professor (with UWS from October 1988 to October 2012)

Geoffrey Whittam: Reader (with UWS from April 1995 to April 2013)

3. References to the research (indicative maximum of six references)

Key references

- 3.1 Danson, M. & Whittam, G. (2003). The Case for a Scottish Service Tax Capital & Class 81 Autumn, 61-85. doi: 10.1177/030981680308100106
<http://cnc.sagepub.com/content/27/3/61.short> translated int:
<http://elibrary.ru/item.asp?id=8005336>
- 3.2 Danson, M. & Whittam, G. (2007). Using the Tax System Under Devolution to Address the Effects of Poverty in Scotland with Mike Danson, in Cumbers A. and Whittam G, (eds.) Reclaiming the Economy, pp. 187- 194.
- 3.3 Cooper, C., Danson, M. & Whittam, G. (2007). Tackling Income Poverty Through Local Taxation'. In (Eds. G Mooney and G Scott), Poverty in Scotland, Policy Press, Bristol, pp.99-110.
- 3.4 Cooper C., Danson M., Sheridan T., and Whittam G. (2010). The Neoliberal Project: Local taxation Intervention in Scotland Critical Perspectives on Accounting 21 195-210. Ranked 3*<http://dx.doi.org/10.1016/j.cpa.2009.11.001>
<http://www.sciencedirect.com/science/article/pii/S1045235409001282>
- 3.5 Cooper C., Danson M., and Whittam G. (2010). Local Taxation, Spending and Poverty New Choices and Tax Justice, The Poverty Alliance.
http://povertyalliance.org/userfiles/files/briefings/PADiscussion_Paper_Local_Taxation_Feb2013.pdf

4. Details of the impact (indicative maximum 750 words)

Informing national policy debate

Enquiries, consultations and committee hearings on the many proposed reforms to funding local services have been held; many submissions to these consultations refer directly to the SST. For example the Finance Committee of the Scottish Parliament met eight times between September 2005 and Jan 2006 to discuss the detail of the Bill which was put before Parliament in February 2006.

In [2002] the Scottish Socialist Party (SSP) adopted the SST as its model for local services funding. The adoption was made at the Party Congress and has been a part of their campaigning activity ever since [see testimonial from Colin Fox]. The SSP drew up a draft Bill for debate in the Scottish Parliament, which allowed the merits of SST to be debated within the Scottish Parliament and the proposed model and underpinning research to be highlighted to a wide range of MSPs and consequently to local authorities and the wider policy-making community [see evidence from Gordon Morgan].

Informing government policy and legislation

In 2008 the Scottish Parliament launched a consultation on 'A Fairer Local Tax for Scotland' which received submissions on SST [B]. After the consultation process the Scottish National Party (SNP) developed and adopted a model of a local income tax as its preferred option for paying for local services.

Supporting NGO and union policy/campaigning

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Whittam and Danson were invited to make presentations to several non-government organisations (NGOs) such as Oxfam, [see testimonial from Oxfam]. These organisations have subsequently used the work to inform their own positions on 'what makes a good tax policy' and adopted the principles of local service taxation, especially as a mechanism to alleviate poverty.

As mentioned above, several NGOs submitted evidence to 'A Fairer Local Tax for Scotland', consultation by the Scottish Government 2008. Several NGOs cite evidence from the researchers and support the SST as a model for funding local services.

Oxfam Scotland reports that the research informed its analysis of using taxation as a means to reduce poverty. The charity states: "*The ideas of fiscal transfer at the centre of the SST are precisely what Oxfam advocates, we fully support the aims of the SST.*" [C]

The research commissioned by Poverty Alliance was reported in the publication Local Taxation, Spending and Poverty: New Choices and Tax Justice (See Section 2). Poverty Alliance stated that this report was "*written as a contribution to the recently-muted debate on how the overall tax and benefit system operates at the local level and how the conspiracy across the political spectrum in Holyrood of the last few years to freeze the Council Tax has impacted on families and authorities*" [D]

The Rail Maritime Trade Union (RMT) supported the SST. The union states that the adoption the SST is "*still union policy*". Before being adopted as union policy it was widely debated at all levels of the union [see testimonial from the RMT].

The researchers have over the last decade been invited to make presentations of their research to a number of organisations such as Glasgow Centre for Population. Similarly, the Scottish Trade Union Congress invited the authors of the SST to make a presentation to members of the trade union movement. [see testimonial from the STUC]

Informing public discourse

Since 2008 there have been numerous occasions when the merits of the SST have been presented and debated within public fora, including newspapers, magazines and television. The SST has also been debated at trade union meetings, community group meetings and public meetings, typically during local authority or Scottish Parliament election campaigns.

5. Sources to corroborate the impact (indicative maximum of 10 references)

- A. Statement from Policy and Advocacy Manager UK Poverty Programme, Oxfam Scotland
- B. Statement from Parliamentary Liaison Officer, RMT
- C. Statement from Assistant Secretary, STUC
- D. Statement from the Scottish Socialist Party.
- E. Statement from Solidarity and Jimmy Reid Foundation