

SCDI PRESS RELEASE

SCDI ADDS TO CHORUS OF CONCERNS OVER LOCAL INCOME TAX

Economic development network the Scottish Council for Development and Industry (SCDI) has added its voice to the chorus of concerns over the Scottish Government's proposals for a Local Income Tax, questioning the practicality and affordability of the proposal.

60 per cent of SCDI members that responded to a membership survey on the proposal backed the retention of the Council Tax, with most backing the introduction of additional bands for low and high value properties. Less than a quarter supported the Local Income Tax.

In its submission to the consultation on the Local Income Tax, SCDI Chief Economist Iain Duff says:

"The introduction of a Local Income Tax (LIT) will undoubtedly increase the administrative costs on business as the proportion of local tax for which employees are liable will need to be calculated. This will require changes to existing payroll systems. For businesses that have operations in Scotland and other parts of the UK, this may require the introduction of a completely different payroll system for Scottish based staff incurring even extra cost.

"In addition, a considerable funding gap has been identified by several sources including local authority finance directors and academics, and there is ongoing debate concerning the continuation of Council Tax Benefit revenue that is sourced from HM-Treasury. This is extremely concerning. Any funding gap would either need to be filled by the introduction of a higher rate, cuts in local authority services or put pressure on other spending requirements in what is already a tight fiscal environment."

SCDI also raised concerns over the legality and fairness of the new tax, but said that it would work with the Government to look at fair and practical local taxation:

"It is still unclear whether the Scottish Government has the power to introduce LIT as a nationally set, flat rate 3 per cent on both the current basic and higher rates of income tax under The Scotland Act 1998.

"We believe that improving the link between ability to pay and the current Council Tax could be achieved by adding to the number of bands and ensuring the property values on which it is based are kept more up to date.

"In conclusion, there is considerable concern regarding the introduction of LIT and the consultation document does not provide adequate information regarding a number of fundamental issues. SCDI would be happy to work with the Scottish Government to answer the question of how to develop a fair and practical framework for personal local taxation."

ENDS

SCDI's full response is available [here](#) - For further information please call Niall Stuart, Press and Government Affairs Manager on 07814 167477