Wales consults on a fairer council tax

General Features | Personal tax

21 October 2022

The CIOT and LITRG responded jointly to a wide-ranging consultation on reforming council tax in Wales, including a revaluation in April 2023.

The Welsh government are consulting on substantial reforms to council tax in Wales. Council tax bands in Wales are based on property values as at April 2003, 19 years ago. The consultation proposes a council tax revaluation of all 1.5 million properties in Wales and more frequent valuations in the future. It considers adding more bands to the top and bottom ends of the scale; potential improvements to the framework of discounts, disregarded persons, exemptions and premiums; and improvements to the Council Tax Reduction Scheme which provides support to low income households.

We welcome the certainty provided by the roadmap for the timetable for reform and the issue of the phase 2 consultation in Summer 2023 prior to implementation. A good communications strategy will be required to ensure that taxpayers are aware of the changes, and particularly of council tax reductions.

We agree that a tax system that does not reflect current property values and treats (or appears to treat) taxpayers unequally risks being undermined. In the longer term, this could place Wales's tax revenues at risk if people are less willing to pay taxes they consider unfair, and hamper wider policy initiatives.

We also agree that, in conjunction with revaluation, adding more bands covering the entire property value scale and re-evaluating the bands to align them more closely to property values would help make the system more progressive, although its effectiveness will depend upon the distribution of housing wealth in Wales. There is a trade-off in adding more bands to enhance progressivity and the further administrative complexity this entails.

Revaluation and reform will focus public attention on council tax, while transitional measures to ease the effect of transition and phasing in reform will help to gain public support and acceptance. The approach to transition needs to take account of the complexity of taxpayers' lives in low income or low wealth households to achieve equity in the system and maintain public support. Again effective communication will be key.

We think there is a case for considering the merits and disadvantages of a targeted council tax deferral scheme for owner-occupiers to address hardship for those who are property rich, income poor where other measures do not provide enough relief.

Council tax tends to be unpopular, in part because it is a 'dry' tax charge. The consultation also recognises there is little awareness of what council tax pays for and how ratepayers benefit, leading to inevitable adverse consequences for how it is perceived. It is important to raise awareness that council tax only meets a portion of the relevant spending (and make it clear where the rest of the funding comes from).

In terms of potential improvements to the framework of discounts, disregarded persons, exemptions and premiums, the existing system is very complex. This makes it difficult for people to understand and therefore to access relevant support. It also makes it difficult to write guidance and for staff to administer. The consultation presents a good opportunity to consider the whole council tax system so that people who are entitled to pay lower council tax do not have to subsequently claim support.

The full joint CIOT and LITRG submission is at: www.tax.org.uk/ref978

Kate Willis *kwillis@ciot.org.uk*

Claire Thackaberry *cthackaberry@litrg.org.uk*