



## **Consumer Council Response to the Department of Finance and Personnel's consultation on the Reduction of Rating Maximum Capital Value.**

Our ref: PD20080/151

The Consumer Council welcomes the opportunity to respond to the Department of Finance and Personnel's (the Department) consultation on the proposed reduction of the maximum capital value for domestic rating purposes from £500,000 to £400,000.

As stated in our response to the Department's Rating Review consultation in August 2007 The Consumer Council does not believe that there should be a maximum cap for rates payments. To have a maximum cap effectively means that lower-income householders are cross-subsidising higher-income householders. This negates the underpinning principle of the rating policy reform that requires a redistributive effect of the local tax burden to ensure progressivity.

We believe that rate relief should be provided by way of social policy and not a cross-subsidy on other householders. As the tax base is reduced by discounting any property valued over the cap the lost revenue must be absorbed by the remainder of the tax base. The Department calculates this lost revenue to be £4.7m per annum.

We are concerned that the main benefactors of the reduction are in the least deprived areas, and that this benefit is to the detriment of those living in the areas of most social need. The Department's Integrated Impact Assessment (IIA) shows how of the properties above the proposed £400,000 valuation cap more than half (3,105) are in areas of least deprivation. While the absolute financial amounts may be small the principle instilled is one of a regressive taxation system increasing the burden on those living in properties with the lowest values.

We also note that the IIA illustrates how the proposed reduction benefits households in urban and mixed areas more than rural areas. This raises concerns at the potential for an effective cross subsidy from rural to urban areas.

We do believe that a cap must be placed on the total revenue to be generated through rates as this should not be allowed to increase unreservedly. There must also be full transparency and accountability to ratepayers for any rise in rates accompanied with efficiencies and value for money on all rates spending.

The redistributive affects of reducing the total tax base by limiting capital valuation at £400,000 cannot be looked at in isolation from other rates reforms being proposed and their effects on the total household bill. The Consumer Council would welcome further investigation of how the potential additional

revenue from the proposed rating of empty homes (an increase in the tax base projected at £31m based on 50,000 homes at 100 per cent liability), currently under consideration and out for public consultation can be used to lower the total contribution payable via domestic rates to reach the cap on total domestic rates revenue.

We would also like any investigation to look at how the additional revenue from the rating of empty homes can be utilised to counter the less beneficial impact on rural areas of any cap.

The Consumer Council is aware that further consultations are planned coming from the Executive's further review of domestic rating policy. It is important that the outcomes of these consultations are known before any final or conclusive decisions are made and we would recommend that such decisions await the conclusion of all relevant consultations.