

# Choose Your Band

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A radical new approach  
to the Council Tax

*When a property is purchased, the buyer has a new right – a right  
to choose the property's Council Tax band*

A proposal by Dr. Adrian Wrigley, April 2012

**SYSTEMIC FISCAL  
REFORM**



# Choose Your Band: How It Works

When a property is purchased, the buyer has a new right — a right to choose any of the Council Tax bands.

When changing to a new band, the property buyer and council make a cash adjustment, calculated by the council and paid at completion. When moving to a cheaper band, the buyer pays a fee to the council.

When moving to a more expensive band, the council pays a cash lump sum to the buyer. The lump sum must first be used to repay any debts, but otherwise may be used for any purpose.

There is no obligation to change band, and all the existing “Classic Bands” operate exactly as people are used to. Home owners however may request a band change at any time, subject to a cash adjustment. They can also choose to move to “Location Bands” which have additional benefits.

## Works for Buyers

Most property buyers need a bank or building society mortgage. The opportunity for the buyer to choose a higher band allows the cash adjustment paid by the council to go towards the purchase, reducing the mortgage necessary. The payments in the new Council Tax band will be lower than the additional mortgage payments would have been.

## Works for Owners

If a homeowner has credit card debt, it is advantageous to choose a higher band and receive a cash lump sum which must then reduce or settle the high interest debts.

An owner who has opted for a location band no longer has to worry about paying income tax if they take in lodgers, or capital gains tax if it's a second home. Freedom from Stamp Duty makes the home easier to sell.

The indexation of the payment in the Location Bands helps protect homeowners against negative equity from a fall in prices, since the indexation is automatic. They are also cushioned from bank interest rate rises which may eat into household budgets.

## Works for Tenants

Tenants have to make multiple payments: to the landlord for their rent and to the council for their Council Tax. They may also have to claim Housing Benefit, Council Tax Benefit, Single Person's Discount. Whenever their circumstances change, forms have to be filled in, or they risk trouble from the authorities.

With Location Bands, this burden is gone.

## Works for the Economy

Economic efficiency is improved by reducing administrative burden and enforcement costs. Full occupancy of property and the improvement of buildings are encouraged.

An automatic stabilisation is provided because, in the event of an economic downturn, property owners automatically pay less in Council Tax, reducing pressure on household budgets.

Indebtedness is reduced, improving bank stability through higher capital adequacy ratios as councils' bank deposits are netted off against existing mortgage debt.

## Works for Communities

Rather than giving councils the power to hike tax rates based on what they want, the councils are rewarded according to what they deliver — payment by results. Good services result in higher location values, then help fund even better services — a virtuous circle.

## Works for Councils

Together, councils in the UK have significant long-term savings. The average interest rates are much lower than mortgage rates encouraging them to seek higher interest rates, often with risks (e.g. IceSave). Under ChooseYourBand, income is protected against inflation and at rates better than received on savings deposits.

Councils would also have the option to negotiate higher bandings on new houses, shops or factories, allowing their additional infrastructure costs to be sustainably financed.

## Location Indexing

Owners of properties in the new “Location Bands” pay an amount calculated from the table (see below), multiplied by the Location Value Index, an index according to values in the postal district (CB4 3 in the example), which is calculated annually by the Office of National Statistics according to movements in annual location values in each district, based at 100 in 2012.

### Existing “Classic Bands”

Band A	6/9	} × <b>£1479.04</b> <b>annually</b> (2012 rate) <i>Councils adjust amount annually</i>
Band B	7/9	
Band C	8/9	
Band D	9/9	
Band E	11/9	
Band F	13/9	
Band G	15/9	
Band H	18/9	

Example postcode used CB4 3JD

- **Taxpayer**  
The occupier is liable
- **Eligibilities**  
Possibility of Single Person Discount  
Possibility of empty home discount  
Possibility of Council Tax Benefit  
Possibility of Housing Benefit
- **Obligations**  
Pay Stamp Duty when purchased  
Pay Capital Gains Tax, potentially  
Pay Income Tax on letting income
- **Eligible Properties**  
Any property for habitation

### New “Location Bands”

Band L16	£33.00	} × <b>100</b> <b>annually</b> (2012 rate) <i>The Location Value Index of the Postal District calculated annually by ONS</i>
Band L17	£39.00	
Band L18	£47.00	
Band L19	£56.00	
Band L20	£68.00	
Up to L99 available		
Zero Band*	£0.00	
	<i>subject to a contract</i>	

\* **Zero Band.** Properties in the new “Zero Band” are outside of the Council Tax system and instead are subject to a specific contract or covenant, for example by elderly home owners wishing to defer council payments or release housing equity. Properties may return to the system later.

- **Taxpayer**  
The registered owner is liable
- **Ineligibilities**  
Single Person Discount not available  
Empty home discount not available  
Council Tax Benefit not available  
Housing Benefit not available
- **Exemptions**  
Exempt from Stamp Duty  
Property free from Capital Gains Tax  
No tax on letting income  
Exempt from Business Rates
- **Eligible Properties**  
Any registered freehold property including industrial, commercial and agricultural land

## Cash Adjustments

The following adjustments would apply when a band E owner chooses to re-band

### Sample “Classic Bands”

Band A	buyer pays £17,500
Band B	buyer pays £14,000
Band C	buyer pays £10,500
Band D	buyer pays £7,100
Band E	<b>no cash adjustment</b>
Band F	council pays £6,700
Band G	council pays £13,600
Band H	council pays £24,000

### Sample “Location Bands”

L15	buyer pays £17,000
L16	buyer pays £4,500
L17	council pays £8,000
L18	council pays £25,000
L19	council pays £44,000
L20	council pays £69,000
L21	council pays £98,000
Zero Band*	= £0.00 ( <i>subject to a contract</i> )

# SYSTEMIC FISCAL REFORM



“Homes should be places to live, commercial property places to create wealth. Neither should be things of pure speculative profit or loss.

People should be free to work for themselves or others without the clamp of taxation or bureaucracy.

The government should be run as a business serving all citizens - its “shareholders”. It should not be a charity for bankers, landowners, the very wealthy or the poor.”

SFR Group Position Statement 2012

## SFR Group Findings

- Existing tax and welfare structures are costly, inefficient and harmful. They need to be phased out as soon as practicable.
- The natural source of government revenue is economic rent, such as from natural resources and property location values.
- A universal Citizens’ Dividend — a dividend from “UK plc” — should replace welfare payments.
- The creation and destruction of money is unsafe in the hands of banks or government committees. Money reform is essential.

## About the SFR Group

The Systemic Fiscal Reform Group (SFR Group) is a Cambridge-based economics think tank studying existing and alternative tax and welfare structures, their effectiveness, and their impact on the efficiency and stability of the economy. We seek and promote practical solutions.

We currently operate on a voluntary basis. We invite funding and partnerships from organisations and individuals committed to a fair and sustainable economy.