

CHAPTER 5

Income from Council Taxes and Non-Domestic Rates

- 5.1. This section contains tables relating to the income of local authorities from council taxes and non-domestic rates.
- 5.2. The council tax system of local government finance was introduced on 1 April 1993 and replaced the community charge (poll tax) system which was introduced on 1 April 1990. Unlike the community charge system, which operated on a flat rate per head basis, there is only one council tax per dwelling. The full council tax bill assumes that there are two adults living in a dwelling. If only one adult lives in a dwelling (as their main home), the council tax bill is reduced by a quarter (25%). The council tax bill for a dwelling which is no-one's main home is reduced by a half (50%). This can apply to empty dwellings and second homes. Certain people are not counted when looking at the number of adults resident in a dwelling, for example students and severely mentally impaired people.
- 5.3. The amount of council tax payable on a property depends in part on the valuation band to which it is allocated. There are eight bands in England ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date. A summary of the number of dwellings in each band as at 28 March 2000 is given in Table 5.1. Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D, for example a Band A dwelling will pay 6/9 the Band D amount, and a Band H dwelling will pay twice the Band D amount. The ratios for all bands to Band D are shown in Table 5.1.
- 5.4. Table 5.2 shows average council taxes set by local authorities in each government office region between 1997/98 and 2000/01. The average council tax per dwelling is lower than the Band D council tax because most dwellings are in Bands A to C and discounts are applied for single persons and second or empty homes. The distribution of Band D council taxes set by authorities for 2000/01 is shown in Table 5.3a and Figure 5.1a. The distribution of average council taxes per dwelling for 2000/01 is shown in Table 5.3b and Figure 5.1b. The distributions for 1999/2000 are also shown for comparison in Figures 5.1a and 5.1b.
- 5.5. The income from non-domestic rates is paid into a central pool and is then redistributed to local authorities on the basis of population. The income comes mainly from two sources: properties on local rating lists (which from 2000/01 includes Crown properties) and properties on the central list (national utilities, pipelines etc). The current rating list compiled for 1 April 2000, gives all business properties new rateable values based on their 1 April 1998 rental values.
- 5.6. The income from properties on local rating lists is collected by billing authorities and paid by them into the pool. Tables 5.5 and 5.6 show estimates of the numbers of hereditaments and the aggregate rateable values of properties concerned, as at 1 April 2000. Table 5.7 shows the amounts which the authorities provisionally calculated that they would pay into the pool for 2000/01. Income from properties on the central list is paid directly into the pool.

- 5.7. Central Government is required to compensate the pool for income lost as a result of transitional arrangements in rates bills from the 1990 and 1995 revaluations which limited bill increases, and for the cost of freezing or reducing bills for small businesses. The new transition scheme following the 2000 revaluation will be revenue neutral over the five-year life of the scheme with losses made good by phasing in the decreases in the rate bills of those who will benefit from the revaluation. However there will be temporary shortfalls in the early years that will be compensated for by surpluses in later years. Central Government will compensate the pool for these early losses. Small property relief does not apply from 1 April 2000.
- 5.8. Each year the Government estimates how much will be redistributed from the pool in the forthcoming year based on the amount likely to be paid into it and the difference in previous years between the amounts payable to the pool and the amounts paid from it. The amount redistributed to local authorities in 2000/01 is £15,400 million derived from estimated payments into the pool of £14,342 million and a surplus brought forward of £1,058 million.
- 5.9. Tables 5.8 and 5.9 show the in-year collection rates achieved by billing authorities for council taxes and non-domestic rates in 1998/99 and 1999/2000. Table 5.10 shows the receipts of arrears of community charges, council taxes and non-domestic rates collected in the financial year 1999/2000, and the estimated arrears at 1 April 2000.

Table 5.1: Number of Dwellings on Valuation List at 28 March 2000

Valuation band ranges	Number of dwellings (thousands)								
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
	under £40,000	£40,001 to £52,000	£52,001 to £68,000	£68,001 to £88,000	£88,001 to £120,000	£120,001 to £160,000	£160,001 to £320,000	over £320,000	
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
North East	673	156	155	77	38	17	10	1	1,127
North West	1,328	557	508	279	160	79	54	5	2,970
Yorkshire and the Humber	1,010	419	347	180	113	54	32	3	2,158
East Midlands	704	402	316	178	102	49	29	3	1,783
West Midlands	734	555	422	232	144	78	48	5	2,218
East of England	336	493	611	395	237	128	88	10	2,299
London	109	422	826	785	472	232	192	52	3,091
South East	295	557	875	672	450	270	218	29	3,366
South West	375	533	501	336	225	113	68	6	2,157
England	5,565	4,093	4,562	3,133	1,940	1,021	739	115	21,168
% in band	26.3	19.3	21.5	14.8	9.2	4.8	3.5	0.5	100.0

Source: Valuation Officer Agency of the Inland Revenue

Table 5.2: Average Council Taxes by Government Office Region and Class (a): 1997/98 to 2000/01

Headline Council Tax (Band D, 2 adults) ^(a) for area					Average Council Tax per dwelling 2000/01
	1997/98	1998/99	1999/2000	2000/01	
	£	£	£	£	£
North East	782	841	895	940	645
North West	798	856	901	943	698
Yorkshire and the Humber	710	768	810	852	622
East Midlands	705	776	834	887	672
West Midlands	701	757	812	861	670
East of England	639	709	768	822	714
London	651	687	731	778	713
South East	641	710	764	813	760
South West	667	731	782	836	704
England	688	747	798	847	697
Of which:					
Inner London	646	658	679	708	625
Outer London	654	703	760	818	765
Metropolitan areas	779	833	878	919	650
Shire unitary authorities	698	736	779	825	639
Shire districts	667	738	796	848	735

(a) Amounts shown are headline taxes, before transitional relief and benefits/ rebates.

Table 5.3a: Distribution of authorities by council tax, Band D, 2 adults 2000/01

	Number of authorities	Percentage of authorities	Cumulative Percentage
Council tax less than £699	6	1.7	1.7
Council tax between £700 and £749	19	5.4	7.1
Council tax between £750 and £799	49	13.8	20.9
Council tax between £800 and £849	133	37.6	58.5
Council tax between £850 and £899	57	16.1	74.6
Council tax between £900 and £949	48	13.6	88.1
Council tax £950 and over	42	11.9	100.0
All billing authorities	354	100	

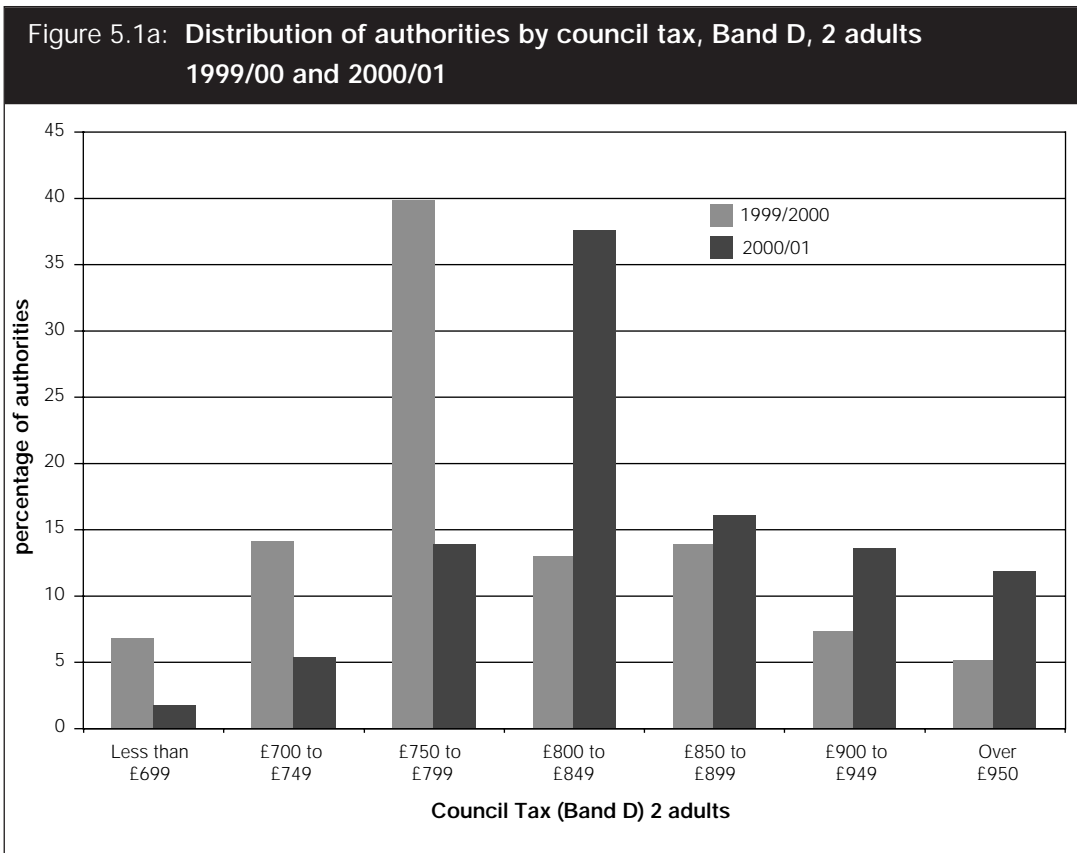


Table 5.3b: Distribution of authorities by average council tax per dwelling 2000/01

	Number of authorities	Percentage of authorities	Cumulative Percentage
Council tax less than £500	5	1.4	1.4
Council tax between £500 to £549	8	2.3	3.7
Council tax between £550 to £599	27	7.6	11.3
Council tax between £600 to £649	58	16.4	27.7
Council tax between £650 to £699	67	18.9	46.6
Council tax between £700 to £749	65	18.4	65.0
Council tax between £750 to £799	57	16.1	81.1
Council tax between £800 to £849	29	8.2	89.3
Council tax between £850 to £899	25	7.1	96.3
Council tax £900 and over	13	3.7	100.0
All billing authorities	354	100	

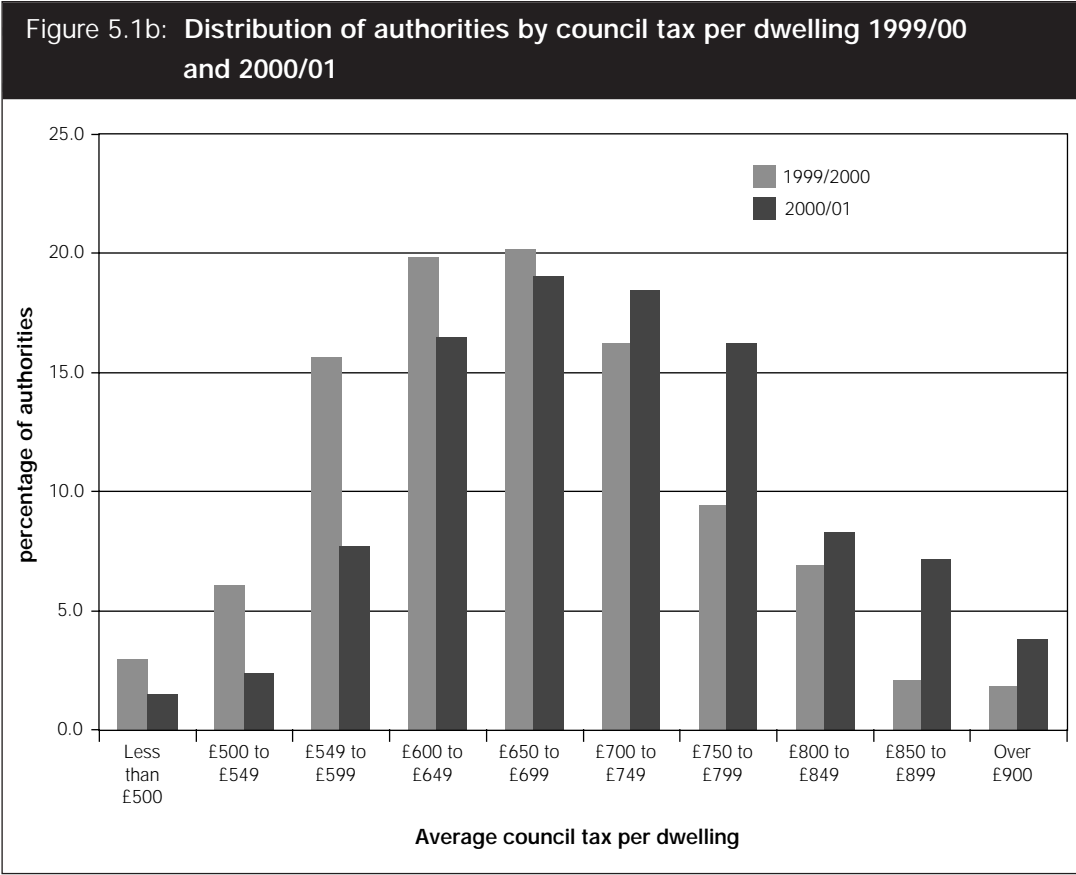


Table 5.4: Council Tax Income: 1993/94 to 2000/01

	Gross Tax Income ^(a)	Council Tax Benefits ^(b)	Council Tax Reorganisation/Transitional Reduction Scheme ^(c)	Net Tax Income
	£ million			
1993/94	8,912	1,583	374	6,995
1994/95	9,239	1,688	104	7,447
1995/96	9,777	1,788	27	7,962
1996/97	10,460	1,884	2	8,574
1997/98	11,241	1,961	15	9,265
1998/99	12,332	1,937	11	10,384
1999/00	13,278	2,069	-	11,209
2000/01	14,200	2,111	-	12,089

(a) Budgeted yield after capping for 1990/91 to 1998/99. There was no capping in 1999/2000.

(b) Until 1998/99, approximately 95% of council tax benefits were funded by central government grant, the remainder being met by local authorities. In 1999/00 the amount of centrally funded grant on the main council tax benefit rate was limited to less than 95% for council tax increases above the government guideline following the introduction of the Council Tax Benefit Subsidy Limitation Scheme.

(c) Council Tax Transitional Reduction Scheme was £457,619 in 1999/2000. The scheme has now ended.

Table 5.5: Number of Non-Domestic Hereditaments on Local Rating Lists at 1 April 2000

Valuation Band Ranges	Number of hereditaments (thousand)										Total
	Under £1,000	£1,000 to £5,000	£5,000 to £15,000	£15,000 to £25,000	£25,000 to £50,000	£50,000 to £100,000	£100,000 to £250,000	£250,000 to £500,000	£500,000 to £1,000,000	Over £1,000,000	
North East	7	31	20	5	5	2	1	0	0	0	72
North West	20	91	62	18	15	8	5	1	1	0	220
Yorkshire & the Humber	13	72	47	13	11	6	3	1	0	0	166
East Midlands	10	52	38	11	9	5	3	1	0	0	128
West Midlands	15	65	51	15	12	7	4	1	0	0	171
East of England	15	53	49	14	12	6	4	1	0	0	154
London	16	83	102	31	29	17	11	3	1	1	295
South East	16	77	76	23	19	10	7	2	1	0	232
South West	18	73	49	13	10	5	3	1	0	0	172
ENGLAND	130	598	495	144	121	65	40	12	5	2	1,613
%	8	37	31	9	8	4	2	1	0	0	100

Note: '0' indicates a value between 0 and 500
Source: Valuation Office Agency of the Inland Revenue

Table 5.6: Rateable Values on Local Rating Lists at 1 April 2000

	£ million						Number of Hereditaments (thousands)
	Shops	Offices	Warehouses	Factories	Others	Total	
North East	361	129	140	193	517	1,341	72
North West & Merseyside	1,021	535	592	650	1,468	4,267	220
Yorkshire & the Humber	711	363	436	520	1,054	3,083	166
East Midlands	534	205	412	522	813	2,486	128
West Midlands	718	432	552	714	1,073	3,489	171
East of England	714	524	480	482	1,053	3,252	154
London	2,052	4,111	847	509	2,662	10,181	295
South East	1,250	1,310	731	617	1,754	5,662	232
South West	706	362	359	370	945	2,743	172
ENGLAND	8,068	7,972	4,550	4,577	11,337	36,504	1,612
%	22	22	12	13	31	100	

Source: Valuation Office Agency of the Inland Revenue

Table 5.7: Non-Domestic Rates: Provisional Contribution to Pool by local authorities 2000/01

	Gross Yield ^(a)		Empty & Partly Occupied Properties	Charitable & non-profit occupiers plus rural shops & Post Offices	Reliefs ^(b) Net yield after allowance for appeals (c)	Allowances for		Contribution to the pool ^(d)
	Before Transitional Arrangements	After Transitional Arrangements				Losses	Costs of Collection	
	North East	573				561	35	
North West	1,888	1,802	137	67	1,598	15	11	1,571
Yorkshire & the Humber	1,305	1,283	161	85	1,158	12	8	1,139
East Midlands	1,048	1,038	71	35	934	7	6	920
West Midlands	1,482	1,446	69	36	1,307	12	8	1,286
East of England	1,504	1,502	102	63	1,337	10	8	1,319
London	4,274	3,728	247	153	3,325	55	19	3,245
South East	2,438	2,386	128	97	2,164	17	13	2,135
South West	1,199	1,214	91	53	1,102	9	8	1,085
ENGLAND	15,712	14,959	1,041	611	13,430	143	85	13,196

Source: NNDR1 return

(a) (a) Gross yield is based on the gross rateable value on the draft local list for April 2000 as at 31 December 1999 (which now includes the Crown List) multiplied by the 2000/01 non-domestic rate multiplier (41.6p).

(b) Loss of income to the pool due to (i) mandatory 50% rating of certain empty properties and full exemption from empty property ratings, plus mandatory amounts lost to the pool from partly-occupied premises and (ii) 80% mandatory relief for charitable occupiers, plus amounts lost to the pool due to additional relief given to charities and non-profit making organisations at the discretion of the local authority.

(c) Net rate yield after taking into account prescribed allowances for changes in rateable values during the year.

(d) Contribution figure includes City of London £6.5m offset.

Table 5.8: Collection rates: Council Taxes 1998/99 1999/00

	Receipts of 1999/2000 council taxes by 31 March 2000 as a % of net collectable debit ^(a)	Percentage Receipts of 1998/99 council taxes by 31 March 1999 as a % of net collectable debit ^(a)
England	95.6	95.6
Inner London Boroughs (b)	88.7	88.5
Outer London Boroughs	93.7	93.9
London Boroughs	92.1	92.1
Metropolitan Districts	94.8	94.9
Unitary Authorities	95.0	94.9
Shire Districts	97.1	97.1

(a) The annual collectable debit is the council tax for the relevant year that authorities would collect if everyone liable paid, i.e. net of discounts, exemptions, disabled relief, transitional relief and council tax benefits.

(b) Includes City of London.

Table 5.9: Collection rates: Non-Domestic Rates 1998/99 1999/00

	Receipts of 1999/2000 non-domestic rates by 31 March 2000 as a % of net collectable debit ^(a)	Percentage Receipts of 1998/99 non-domestic rates by 31 March 1999 as a % of net collectable debit ^(a)
England	97.1	96.7
Inner London Boroughs ^(b)	97.0	95.6
Outer London Boroughs	95.1	93.8
London Boroughs	96.2	94.9
Metropolitan Districts	97.0	97.1
Unitary Authorities	97.0	96.8
Shire Districts	97.7	97.7

(a) The net collectable debit is the non-domestic rate for the relevant year that authorities would collect if everyone liable paid, ie net of relief or voids

(b) Includes the City of London.

Table 5.10: Estimated Arrears of Community Charge, Council Tax and Non-Domestic Rates

	Debit raised in 1999/00	Receipts of arrears in 1999/00	£ million Estimated arrears at 1 April 2000
Community Charge	-	21	277
Council Tax	11,493	307	1,225
Non-Domestic Rates	12,301	(102) ^(a)	1,286

Source: QRC4 return and CIPFA in part

(a) Receipts of arrears are net of repayments in respect of prior years. These arise primarily through revisions to liability as a result of successful appeals against the rateable value.