

## Parties' plans for council tax

Anger at council tax rises spilled over into mass protests in 2003, when the average English bill rose 12.9%.

Pensioners' protests spread - some marched, others simply refused to pay the increase. Some, such as 83-year-old Elizabeth Winkfield, said they would rather go to jail. The Audit Commission found the whole local government finance system was "fundamentally flawed" and all three of the main parties have said the system has to change.

Labour says it wants to retain the property-based tax but reform it to make it fairer and says there is scope for councils to become more efficient. They say they are already helping pensioners with council tax bills, with a £100 lump sum for the over-70s and last year the government capped some local councils' budgets to keep demands down. Deputy Prime Minister John Prescott has said the current system is not sustainable in the long term and said there would be "radical reform". The party says this year's increases will be the lowest in a decade. A report last year looked at increasing the number of council tax bands and other forms of local taxation, such as reformed business rates, although no decisions have been made. An independent inquiry into its findings, the Lyons review, is due to report back at the end of 2005.

The Tories have promised a reduction on bills for pensioners, who they say have been hardest hit by year-on-year increases in council tax. They say they can save £4bn on "government waste", of which £1.3bn could be used to cut pensioners' bills by an average of £340. It would not be means tested, say the Tories, because that would create more bureaucracy and could discourage people from saving for their retirement. Instead households where council tax payers are over 65 would get a rebate covering half their bill, up to a maximum of £500. The Tories also say they are suspicious

about any proposals to revalue homes - currently graded according to their value in 1991 - because they believe seven million of homes could move up a band.

The Liberal Democrats want to do away with the council tax altogether and switch to a local income tax of the kind seen in the USA, Norway and Switzerland. The rate would be set locally, but administered by the Inland Revenue which they say would save at least £300m. They say the council tax is the most unpopular and most unfair tax in Britain, because it puts a "ceiling" on what the richest pay. The party says it would aim for a £5,000 tax-free personal allowance, or a £7,000 allowance for the over-65s. After that income would be taxed up to £100,000. The Lib Dems say their plan is fairer, more efficient, has already been tested abroad and offers more accountability.