



GROUP 9 – EXPLANATORY NOTE AND JAMBOARDS

1. Explanatory note on Group 9's topic

EXPLANATORY NOTE FOR GROUP 9

This group is invited to consider recommendations on the following topic, which relates to an aspect of vision element H:

How tax can be simplified, made more proportionate so that everyone is taxed accordingly and tax avoidance is minimised.

Given the breadth of vision element H and the discussion in weekends 3 and 4, two other groups (groups 10 and 11) will consider other aspects of the vision element. These cover transparency and understanding tax and ensuring companies are incentivised to adopt green values.

What is the task and process we will go through?

Notes 1 and 2 explain how recommendations will be prepared and provide a worked example. You will review the summary of evidence in the explanatory note and the weekend 6 jam boards and identify the 2-3 areas you want to focus on to develop recommendations. You will then prepare the text of draft recommendations and accompanying information to be included in the final report.

Recommendations should be about either:

- Remit Q 2: how we overcome the challenges facing Scotland and the world
- Remit Q 3: what further information citizens need to take informed decisions

And they should also be supported by evidence: And they should also be supported by evidence:

- Given by or discussed with experts
- From the Assembly process and the experience of participation
- From 'lived experience' of members, shared and discussed over the course of the Assembly

Summary of the Assembly evidence on the issue

The following aspects of the Assembly journey may be relevant when considering recommendations in this area.

1. In Weekend 1, Professor Nicola McEwen discussed Scotland's spending powers and how we can raise revenues such as through taxation.
2. When looking at sustainability in weekend 3 you heard about inequality, wealth distribution and how different economic models can serve social and environmental goals. Ideas included using the tax system to incentivise businesses to take positive actions for jobs, wages and the environment.



3. In weekend 4, you learned about government expenditure and revenue, public borrowing and debt, and the different powers of the Scottish and UK Governments to raise money. You also heard how taxation might be raised or used differently in the future to achieve fairness such as through taxing wealth more fairly, and using taxes to encourage fair work, promote certain outcomes and incentivise behaviours.
4. At the end of weekends 3 and 4, you developed priority areas for action. Those relevant to your discussions are listed below and summarised in the annex:
 - We want to help build on equal society where workers have fair work and pay conditions and a tax system that taxes wealth more fairly
 - Fairer use of personal and corporate tax to redistribute wealth and using tax as an incentive and disincentive for environment sustainability
 - Change the economic balance by changing the tax system
 - The council tax system needs to be reviewed with the purpose of making it fairer. Fairness is the key issue
 - Tax should be progressive, neutral and a system that spends money in the right places
 - To increase tax by 1 to 1.5% on wealth, resources, business and property tax, thus only (or mostly) affecting those who can pay and reducing the national debt
 - By raising business related taxes that ensure all businesses take responsibility for their position within the tax system. We think this is the fairest way to generate additional finance for Scotland
 - Introduce a land value tax that everyone pays
5. Finally, in weekend 5, heard about the impact of COVID on Scotland including how it has severely impacted certain groups and has exacerbated the inequalities already facing Scotland. You also heard from a range of experts on some big ideas on how we can respond to the pandemic, included fairer taxation to ensure worst affected do not bear the brunt of paying the costs of the pandemic.

Constitutional implications

In weekend 4, you learned that tax powers on land, resources and property are devolved, and taxes on incomes, expenditure and profits, including National Insurance, VAT, corporation and inheritance tax are reserved. You learned that additional powers to adjust the rate of income tax and aspects of social security have recently been devolved.

The Scottish Government and Parliament could take action in this area where any proposed arrangements applied to devolved matters. Should any recommendations cover reserved matters you may wish to consider whether the evidence supports any constitutional change. For further detail on reserved and devolved matters, please see Professor Nicola McEwen's factsheet [here](#).

Action in hand



1. The Scottish Government and Revenue Scotland have agreed that our tax system should; be proportionate and based on the ability to pay; provide certainty and confidence; be convenient and simple to understand; and be efficient. There is a focus on engagement with people, communities and businesses.
2. As set out in the Programme for Government, the Scottish Government is seeking the widest possible range of views on how Scotland's devolved taxes and the Fiscal Framework can be used to help our economic recovery from COVID-19. This will be used to inform the Budget for 2021-22.
3. Action has been taken to adjust the tax thresholds for the Land and Buildings Transaction Tax (LBTT) and income tax to make them fairer.

Annex: Relevant priorities for action/findings from Weekend 3 and 4

Weekend 3

Priority area of action	We want to help build on equal society where workers have fair work and pay conditions and a tax system that taxes wealth more fairly
Positive impact this would make	Happier people, less stress, better mental health, higher revenue for the country, better standard of living for working class, less divisions in society, a place where people want to come and live
Hard choices and trade-offs	Some businesses would close, if not done right the costs could be added to the public purse, brain drain

Priority area of action	Fairer use of personal and corporate tax to redistribute wealth and using tax as an incentive and disincentive for environment sustainability
Positive impact this would make	<ul style="list-style-type: none"> • Impact on poverty, education, health and carbon emissions through a fairer tax system • Improved environment from tax incentives and disincentives
Hard choices and trade-offs	Impact on lifestyles - car use, homes, taxes on plastic <ul style="list-style-type: none"> • Higher personal and corporate taxation • Challenge of changing attitudes • Learn from Scandinavian countries

Priority area of action	Change the economic balance by changing the tax system
Positive impact this would make	It would be a lever to make changes to improve sustainability: <ul style="list-style-type: none"> • In the environment by supporting research to create new technologies to combat climate change • Create a fairer economy to eradicate poverty



	<ul style="list-style-type: none"> • Increase quality of life for all citizens through better housing, health, education and transport
Hard choices and trade-offs	<p>A percentage system means having a bigger effect on low incomes and profit</p> <ul style="list-style-type: none"> • Increasing income tax will be unpopular but ring fencing could help • Tax up = prices up • Closing loopholes – people will fight against/hard to implement • Scale the system according to profits • Profits will be affected by tax changes • Working out how to support small businesses through changes – prevent closures • Big businesses should support smaller • VAT down on necessities, up on luxuries • Disruption – short term pain for long term benefit
Weekend 4	
The finding that we agree is important in considering Scotland's finances and tax choices is....	The council tax system needs to be reviewed with the purpose of making it fairer. Fairness is the key issue
Reasons	<ol style="list-style-type: none"> 1. Not been looked at since 1991 2. If more is brought in from people who can afford it, more can be spent on local services like housing, parks, schools and local communities 3. Could release tax burden for lower income households whose property has decreased in value
The finding that we agree is important in considering Scotland's finances and tax choices is....	Tax should be progressive, neutral and a system that spends money in the right places
Reasons	<ol style="list-style-type: none"> 1. Fits our vision for a sustainable Scotland 2. It covers lots of our statements and discussions around, for example, being able to rollover budget 3. People directly affected are best placed to decide on where money should be best spent
The finding that we agree is important in considering Scotland's finances and tax choices is....	To increase tax by 1 to 1.5% on wealth, resources, business and property tax, thus only (or mostly) affecting those who can pay and reducing the national debt
Reasons	<ol style="list-style-type: none"> 1. Increase tax take and revenue available for important public services 2. Reduce debt 3. Those who have and generate wealth and profit should pay a little more ... those who are struggling should not



The finding that we agree is important in considering Scotland's finances and tax choices is....	By raising business related taxes that ensure all businesses take responsibility for their position within the tax system. We think this is the fairest way to generate additional finance for Scotland
Reasons	1. Too much tax being lost in avoidance and loop holes 2. It's fairest – less impact on lower income households – consumers can choose whether to buy it prices go up.
The finding that we agree is important in considering Scotland's finances and tax choices is....	Introduce a land value tax that everyone pays
Reasons	1. It creates growth by stopping people sitting on land and putting it to use instead 2. It is also a source of revenue and increases the building of homes.

2. Jamboards from Weekend 6 on the topic being considered by Group 9

(H) Scotland should be a country where all taxes are simplified and made more proportionate so that everyone is taxed accordingly; taxation is transparent and understandable; measures are introduced to minimise tax avoidance: and companies are incentivised to adopt green values (from area of consensus: A fairer tax system)



What is at the heart of it? What are you really trying to say to Scotland your vision for the country is?

Everyone should be contributing something

Help people to understand what tax is used for so they feel better about paying it

Review/update Council tax

Simplification: helps understanding

It should be progressive, e.g. for a pensioner with only one source of income relying on state pension the tax burden is big compared to others

Incentivise companies to be green

Tax burden should be changed to get more people at the lower end out of taxation altogether (maybe by raising threshold)

Proportionate

Central review of local authority spend: accountability

Transparency

Working class people just above threshold for benefit eligibility can be worse off and this needs to be addressed

There should not be any loopholes



Recommendations as to how tax can be simplified, made more proportionate so that everyone is taxed accordingly and tax avoidance is minimised

**Increase tax thresholds?
Recognise the impact on other parts of the economy**

Tax relief for small businesses

Support for small companies

Fairer tax system based on ability pay to invest in new technologies and apprenticeships. Stop big business finding loopholes. However, don't want medium businesses avoiding Scotland because the tax is too high

Any business trading in Scotland pays tax on that trade regardless of where they are registered

Other

People go for lower wages to pay lower tax rates but earn higher bonuses. We don't want to make the system more corrupt or unethical

Difficult time to tax businesses. Wrong time to penalize because of the state of the economy. The right time to help or reward good behaviour and get the infrastructure in place

Monetary value thresholds should be adjusted, with more brackets & different incomes. Higher rates would generate more tax. People who pay 46%: it seems fair but bringing down tax rate for those who earn less