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Bargaining and Campaigns

UNISON Scotland

STUC Report on increasing taxes to fund

Scottish Public Services

Introduction

As part of their "Scotland Demands Better' campaign the STUC have published a major report into how the Scottish Government could deliver investment for public services by using their taxation powers. The report shows that by using their tax powers the Scottish Government could put in place tax reforms which would raise over £1bn by April 2023. It also outlines measures which would raise considerably more in the longer term. The report comes ahead of Thursday's (15th Dec) budget.

Scottish Government can raise money

The thrust of the report is that using their existing powers, there is potential for the Scottish Government to fund increased investment in public services in Scotland – including a real-terms increase in pay for public sector workers in Scotland – using a costed package of tax increases. This work echoes calls made by UNISON Scotland earlier this year. In the short run, the report recommends a number of reforms to the tax system which could be introduced as early as April 2023, raising around £1.3 billion of additional resources.

Income tax

There are five proposals which between them would raise £867m

a) Reducing the higher rate threshold (HRT) for income tax from its current value of £43,662 to £40,000.

b) Reducing the top rate threshold (TRT) for income tax from its current value of £150,000 to £125,140. (This is in line with the reform to the additional income tax threshold in England announced by the UK Chancellor of the Exchequer in the November 2022 Autumn Statement).

c) Introducing a new income tax band of 44% between the current higher rate and top rate thresholds (between £75,000 and £125,140 of taxable income).

d) Freezing the intermediate rate threshold of £25,689 in nominal terms.

e) Increasing the higher rate of income tax (and all rates above the higher rate) by 2 pence. This means the higher rate becomes 43%, the new rate for income between £75,000 and the top rate threshold becomes 46% and the top rate becomes 48%.

Council Tax

A number of changes to the Council Tax system that could be made immediately to make Council Tax both more progressive and productive without undertaking a fundamental reform of local taxation are suggested. These include;

Increasing Council Tax for bands F, G and H. Calculations from IPPR Scotland (2021) suggest that *an increase of just £100 per property for the most valuable 25% of properties in Scotland would net £69m*. More could be raised from the 144,000 properties in Scotland with a median price of more than half a million. This alone would bring in £69m. Other proposals include lowering the Council Tax reduction range for second homes from between 10% and 50% to between zero and 15% and reducing reductions for purpose built holiday homes and empty properties.

Other property taxes

Increases to the land and Buildings transaction tax (the tax formerly known as Stamp Duty) are proposed for sales involving the most expensive properties. These include Increasing the £325,000-£750,000 residential rate from 10% to 12% and Introducing a 15% surcharge for overseas entities/non-UK residents buying property, similar to what is applied to Stamp Duty in England (currently at 5%). LBBT charged on second or third buy-to-let homes could also be increased. An estimate is cited that increasing that tax by 2% would raise an extra £56 million.

Wealth taxes

As longer term measures – longer term here means could take up to 2026 to implement if legislated for this year - more complex reforms are also proposed. These are taxes on wealth – mostly but not entirely on property. The Scottish Government has the power to introduce (almost) any new tax it wishes providing the revenue goes to local government. The suggestions here include a reform of the council tax to deliver a fairer and more progressive property tax, a land value tax on commercial land, a carbon emissions land tax

Other measures

There are a variety of other measures suggested including ending the £79m economically unproven Small Business Bonus Scheme, increasing the Scottish Aggregates Levy and Land Fill Tax.

The cost of public sector pay rises

The report goes into some detail about how a cost of living matching wage rise across the public sector is perfectly realistic if the Scottish Government use the powers at their disposal. The point is made that just over 40% of any wage rise would be returned to public finances via increased income tax receipts which accrue to the Scottish Government and National Insurance Contributions and reduced Universal Credit expenditure which go to the UK.

Conclusion

The report shows how much potential there is for the Scottish Government to fund services and provide for those who deliver them, properly. The financial levers are there should the Scottish Government choose to use them. The Scottish Government is about to (Dec 15th) deliver their budget plans for next year. We will see then how much of this analysis the SNP/Green Government have taken on board.

The full report can be found here:

Options for increasing taxes in Scotland to fund investment in public services

Tracey Dalling's article on funding options for the Scottish Government can be found here:

This just in: Holyrood can change things!