Call for review of tax powers

Briefings

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… while polling backs up the call for focus on awareness.

CIOT, ATT and LITRG published their tax priorities for the new Scottish Parliament ahead of the election on 7 May. These are:

- **greater understanding of the impact of income tax divergence** to see if changes to income tax are impacting Scotland's appeal as a place to live, work and do business;
- **better awareness of Holyrood's tax powers** among MSPs and the public;
- **consensus on council tax reform** to deliver meaningful reform to a tax that LITRG has previously described as 'detached from reality';
- **a review of the tax powers introduced by the Scottish Parliament** to assess their cost, how well they work and whether they achieve their aims; and

- **a Scottish Tax Bill** to help the Scottish Parliament update tax laws more quickly, fix anomalies and respond more flexibly to UK tax changes.

‘The start of a new parliamentary session is an opportunity for MSPs to take stock of the first decade of tax divergence to understand what has worked well and what hasn’t,’ said Ellen Milner, CIOT’s Director of Public Policy. ‘That is particularly true of income tax, where more frequent data of improved quality could help us to understand the impact of divergence on Scotland’s attractiveness as a place to live, work and do business.’

‘Scotland’s tax powers have developed significantly over the past decade, but as further devolved taxes are introduced, the system now needs to evolve further to ensure that it is working effectively, transparently and in line with its policy objectives,’ added ATT Technical Officer Chris Campbell.

Alongside the priorities paper, CIOT released new polling results highlighting the need for improved awareness of the Scottish Parliament’s tax powers. Findings include:

- Only 21% of people surveyed knew that income tax powers are shared between the Scottish and UK parliaments. Nearly half (47%) believed that income tax was set solely by the Scottish Parliament.
- Land and buildings transaction tax is ‘consistently the least well understood tax across all waves of the survey’ with a larger proportion of ‘don’t know’ responses.
- 70% were not aware that some Scottish taxpayers can claim extra tax relief on their pension contributions, and 58% were unaware that this was also the case for Gift Aid on charity donations.