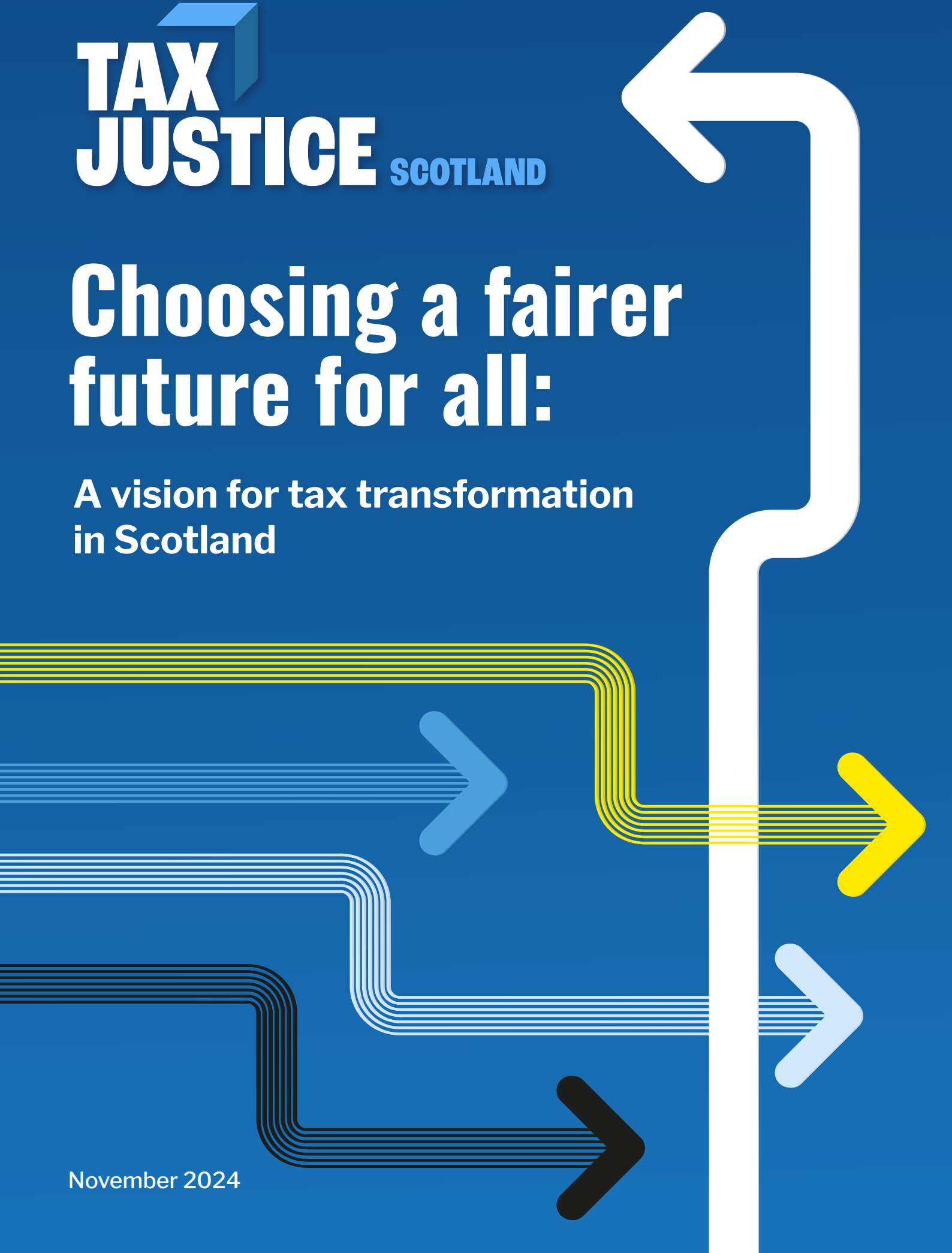


TAX JUSTICE SCOTLAND

Choosing a fairer future for all:

A vision for tax transformation in Scotland

November 2024



Introducing our campaign

Tax Justice Scotland is the campaign for a fairer and more effective tax system in Scotland. It is backed by a diverse range of stakeholders, ranging from anti-poverty charities, trade unions and policy think tanks to gender equality, care, environmental, community development organisations and more, all united as part of a single joint movement for change

Together, we believe the devolved and local tax systems in Scotland must do significantly more to support – as part of improved [UK](#) and [global tax systems](#)¹ – a fairer and greener society. They can do this by enabling higher public spending on crucial public services, redistributing income and wealth more equitably, and incentivising positive social and environmental behaviour change, particularly by businesses and the wealthiest, all of which support sustainable economic growth. We know that fairer taxes can't solve every problem but, alongside a fairer economy, and ensuring public money is spent as effectively as possible, they can play a much bigger role.

This briefing sets out why change is necessary, makes the case for fundamental reforms to devolved and local taxation and then offers some vital short-term recommendations to start transforming our tax system to enable a more equal, prosperous, and sustainable Scotland.

We're committed to working collectively, and together with others, to build pressure for the tax reforms we need, while challenging those in power to implement deep and lasting change.

Taxes can enable higher public spending on crucial public services, redistribute income and wealth more equitably and incentivise social and environmental behaviour change, particularly by businesses and the wealthiest, all of which support sustainable economic growth.



A better conversation on tax

There is growing global [momentum](#)² behind tax reforms, particularly better taxation of [wealth](#)³, to help promote a sustainable economy, fill public financing gaps, including to tackle the climate crisis, while combating extreme economic inequality.

Scotland can and should be at the forefront of this tax transformation. To do so, means thinking and talking differently about the role taxes play in shaping the sort of Scotland we all want to live in.

Our taxes should:

1 Invest in our shared future
Taxes are a downpayment on our collective future. Fairer – and sometimes higher – taxes help build a healthier, greener, and more dynamic economy.

2 Enable the public services we all need
From our NHS, social care and childcare, through to schools, public transport, leisure, and more... our taxes enable higher-quality public services for everyone, and particularly for women, children and those on low-incomes, who use them the most.

3 Reduce inequality
Our current tax system makes economic inequality worse, not better. Growing inequality, especially of wealth, slows and jeopardises long-term sustainable economic growth, limits opportunities, and fuels other inequalities, like those based on gender and race. Using tax to help share income and wealth more fairly will benefit everyone.

4 Build a stronger social foundation
Fairer taxes, alongside better public spending, garner strong public support. But we need a joined-up system of tax and spend that does more to redistribute resources to build a stronger, more cohesive and prosperous country in which everyone's rights are protected.

5 Deliver better living standards
History shows that the current tax system, and so-called “trickle-down economics”, don't benefit everyone in society, as often promised. Without active efforts to share rewards more fairly, they sustain poverty and increase inequality while harming the planet. Higher taxes on the wealthiest and the biggest polluters can help raise living standards for everyone, deliver a just transition and protect the environment.

6 Lead by example
Scotland can be a pioneer in tax reform, setting an example for better and fairer taxation across the UK and internationally; a transformative, and just, tax enlightenment.

2. United Nations, 2024. Why the world needs a UN global tax convention. Available at: <https://news.un.org/en/story/2024/08/1153301>

3. Tax Justice Network, 2024. Taxing extreme wealth: What countries around the world could gain from progressive wealth taxes. Available at: <https://taxjustice.net/reports/taxing-extreme-wealth-what-countries-around-the-world-could-gain-from-progressive-wealth-taxes/>

Public finance pressure at a time of rising need

Political leaders in Scotland and across the UK face an ever-challenging fiscal headache, one in which public services are being strained beyond breaking point, not least as a consequence of the positive trajectory of people living longer.

This context is set against a **backdrop of converging global crises, ever-increasing costs, a sluggish economy, and the impacts of both the climate crisis and conflict, which combine to fuel rising need at home and abroad.**

Despite the recently announced boost to public spending at UK level, public services will continue to pay the price for the era of seemingly never-ending austerity which has defined government budgets across the UK for too long. This austerity has literally killed, with life expectancy trends worsening for people living in the most disadvantaged areas⁴, and living standards in decline, particularly for women⁵.



In Scotland, there is a substantial **gap between policy ambition and delivery, with insufficient public spending a key barrier to progress** across multiple devolved policy priorities – notably, to deliver upon legal commitments to reduce child poverty⁶ while fulfilling wider human rights obligations, and to end Scotland’s contribution to the climate crisis⁷. Inadequate public funds are also eroding public services – like our NHS, our schools, our housing, our public transport, our social care and our childcare – which are vital to tackling poverty, gender and racial inequality, and the climate and nature crises.



4. University of Glasgow, 2022. Over 300,000 'excess' deaths in Great Britain attributed to UK Government austerity policies. Available at: https://www.gla.ac.uk/news/archiveofnews/2022/october/headline_885099_en.html

5. Women’s Budget Group, 2023. Where do we go from here? An intersectional analysis of women’s living standards since 2010. Available at: <https://www.wbg.org.uk/publication/where-do-we-go-from-here-an-intersectional-analysis-of-womens-living-standards-since-2010/>

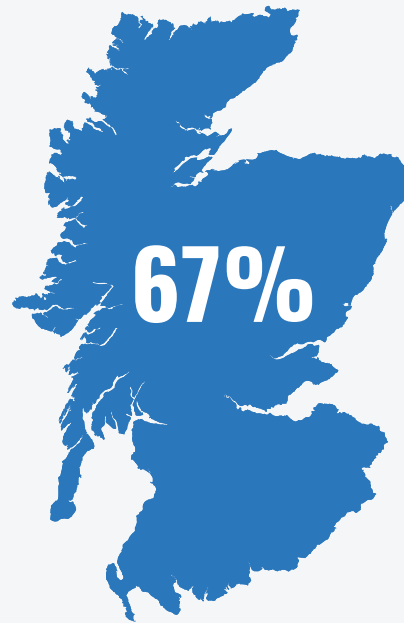
6. Poverty & Inequality Commission. 2024. Poverty and inequality commission child poverty scrutiny report 2023-24. Available at: <https://povertyinequality.scot/publication/poverty-and-inequality-commission-child-poverty-scrutiny-report-2023-24/>

7. Committee on Climate Change, 2023. Progress in Reducing Emissions in Scotland: 2023 Report to Parliament. Available at: <https://www.theccc.org.uk/publication/progress-in-reducing-emissions-in-scotland-2023-report-to-parliament/>

Paradoxically, and by any measure, Scotland also remains a very wealthy country. Yet our wealth is not evenly shared, with much of it owned or extracted outside of our nation, with companies and individuals avoiding and evading taxes due to lax regulations and legislation. Land is the most valuable asset in the UK and its ownership is perhaps the most obvious and shocking example of wealth concentration: an estimated 67% of Scotland's private rural land is owned by just 0.025% of the population⁸. Moreover, in recent years, the already **high levels of income inequality**⁹ **have surged, while gross levels of wealth inequality**¹⁰ remain entrenched.

Economic inequality undermines efforts to tackle deep and persistent poverty and precarity. **Shockingly, more than one in five people still live in relative poverty in Scotland**, rising to one in four children, with higher rates for non-white minority ethnic groups, single mothers and households with at least one disabled person.

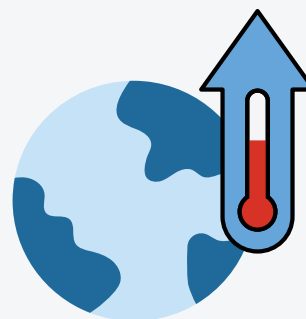
Finally, despite Scotland's rich renewable energy resources and the critical importance of nature restoration, years of delay and inaction, coupled with a lack of incentives to drive change, have seen Scotland **miss nine out of the last 13 annual emissions reduction targets**, with the legal target to reduce them by 75% by 2030 now scrapped. It has also become **one of the most nature-depleted**¹¹ **countries in Europe**. These failures are fuelling devastating consequences for current and future generations in Scotland, and globally.



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9 out of 13
annual emissions
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**Scotland has become one of
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countries in Europe**

8. Future Economy Scotland, 2023. Land Reform for a Democratic, sustainable and just Scotland. Available at: <https://www.futureeconomy.scot/posts/45-land-reform-for-a-democratic-sustainable-and-just-scotland>

9. Scottish Government, 2023. Poverty and income inequality in Scotland 2020-23. Available at: <https://data.gov.scot/poverty/#Income>

10. Scottish Government, 2020. Wealth in Scotland 2006-2020. Available at: https://data.gov.scot/wealth/#Wealth_inequality

11. NatureScot, 2023. State of Nature Report Shows Scotland's Wildlife Continues Decline. Available at: <https://www.nature.scot/state-nature-report-shows-scotlands-wildlife-continues-decline>

Why tax is a key enabler for a fairer, greener and more prosperous Scotland

The worrying context we set out is not insurmountable. We firmly believe that transformative change *is* possible to meet the challenges we collectively face, while benefiting everyone in Scotland.

There are a plethora of well-developed solutions staring us in the face, and enough resources to implement them. The main barrier is the political will to make the necessary choices to unlock those resources. Here are 7 reasons why now is the time for the political will on tax to fundamentally shift:

We must therefore not only address short-term financial pressures but also seek to future-proof public finances by looking at who, what and how we tax. While all of us may need to pay more tax to deliver a better future, those with the greatest financial capacity should pay a much fairer share, both now and in the future.

1 Far-reaching tax reform is vital to ensure fiscal sustainability.

In recent years, the Scottish Government has implemented emergency spending cuts to balance the budget, with local authorities facing deep financial pressures too. The cumulative impact is severe, with the services people rely on cut and necessary investments, including in climate action and to tackle child poverty, delayed. This damaging trend starkly demonstrates a fundamental issue: inadequate public funds is creating a clear gap between Scotland's policy ambitions and implementation.

With an ageing population and rising delivery costs, pressures on the public purse will only build. [The Scottish Fiscal Commission](#)¹² has warned that, without action, Scottish Government spending over the next 50 years is projected to exceed estimated funding by an average of 1.7% each year, or £1.5 billion in today's prices.

2 Broadening the tax base will improve the quantity and resilience of revenue.

Broadening the tax base isn't just about getting more people into well paid jobs, including making paid work a viable option for those, like unpaid carers, who face often insurmountable barriers. While this is undoubtedly important for increasing Income Tax revenues, a more balanced reliance on sources of tax revenue beyond income from paid employment would improve the resilience – as well as the quantity – of Scottish tax revenues.

Right now, the incomes of people who work are taxed more heavily than income flowing from wealth, this is [fueling inequality](#) and undermining the long-term prospects for sustainable and inclusive economic prosperity.¹³ It's therefore essential that we find ways to better tax wealth in Scotland, which is currently under-taxed.

12. Scottish Fiscal Commission, 2023. Fiscal Sustainability Report Shows Tough Decisions for Scottish Government. Available at: <https://www.fiscalcommission.scot/fiscal-sustainability-report-shows-tough-decisions-for-scottish-government/>

13. IPPR, 2024, Supporting the Status Quo, How Taxation of Wealth in the UK Grows Regional Divides. Available at: <https://www.ippr.org/articles/supporting-the-status-quo>

3 Fairer – and sometimes higher – taxes are good for business and everyone else.

Too often, debates on tax reform are pitched as a conflict between being pro- or anti-business and economic growth. We simply don't accept that. Fairer – and in some cases higher – taxes are vital to help build a healthier, greener and more dynamic economy. After years of low growth, it makes no sense to simply hope that inclusive and sustainable economic growth will suddenly materialise and result in a surge in tax revenues. Too little focus is also placed on what grows – some sectors will need to grow, and others to shrink – as well as who benefits from growth.

A prosperous economy requires a population that's healthy and well-educated, able to move around easily and sustainably, and one that lives in decent homes, free from poverty. To achieve this, we need to enable higher public spending and provide high quality public services.

But taxes don't just enable public spending, they also help reduce economic inequality, raise living standards for everyone *and* protect the planet which is fundamental to creating a sustainable economy for the long-term.¹⁴ This, in turn, will stimulate sustainable economic activity and, for the majority, make Scotland a more attractive place to live and work.

4 Tax is key to making polluters pay, raising vital revenues for just climate action while incentivising emissions reduction and nature restoration.

There is a glaring need to urgently accelerate emission reduction and to restore nature in Scotland, as well as generating the significant additional revenue needed for increased investment and public spending on fast and fair climate action. Fair taxes can, and should, play an important role, recognising that, on average, the richer you are, the more you pollute.¹⁵ Those with the greatest financial resources should therefore contribute more, with tax also used as a tool to incentivise positive environmental behaviours, particularly by businesses, landowners and the wealthiest. It can also incentivise and support the transition of our economy to more sustainable sectors and practices.



14. The Guardian, 2024. Tackling inequality vital for next century of growth, IMF head says. Available at: <https://www.theguardian.com/business/2024/mar/14/imf-kristalina-georgieva-inequality-growth-living-standards-john-maynard-keynes>

15. Future Economy Scotland, 2023. Measuring carbon inequality in Scotland. Available at: <https://www.futureeconomy.scot/publications/59-measuring-carbon-inequality-in-scotland>

5 A clear and consistent strategic vision for tax will improve trust and understanding.

We need to break free from the narrow lens of budget-to-budget policy-making on tax and adopt a clear strategic vision for what tax decision-making in Scotland is seeking to achieve, with this vision then consistently and transparently applied. This would help to prevent incoherent decisions like those made in the Scottish Budget for 2024/25, which saw revenue gains through positive changes to make Income Tax fairer in Scotland wiped out by a retrograde Council Tax freeze, a measure that disproportionately benefited the better off¹⁶ and, in so doing, acting against gender equality¹⁷. Such disjointed decisions not only reduced available revenues but sent a conflicting message to taxpayers around the Scottish Government's objectives on tax.

Future tax reforms in Scotland must be mutually reinforcing and be clearly underpinned by a well-defined strategic vision. This will create certainty and clarity for taxpayers and increase trust that decisions are being taken for the right reasons.

6 Wide ranging powers over devolved and local taxes remain largely underused.

There is no shortage of ideas¹⁸ showing how a range of different taxes can play a much greater role in delivering transformative change by enabling increased public spending, narrowing economic inequalities, and shaping behaviours to support a more sustainable, inclusive economy.

However, while efforts to innovate on tax in Scotland, whether to create new taxes, or reform existing ones, have been welcome, they have also been limited. These include progressive, but small changes to Income Tax; reforms to Land and Buildings Transaction Tax; and giving local councils powers to introduce a Local Visitor Levy, or 'tourist tax'. Right now, the scale of change is too narrow, and the speed of change is too slow.

7 Better tax in Scotland could catalyse change elsewhere.

We recognise that devolved and local taxes do not exist in a vacuum. Better fiscal rules, regulation and taxation at UK and global levels are also key to unlocking more resources. Importantly, the relationship between devolved, national and global decisions is increasingly symbiotic, and change in Scotland can *and does* build pressure for change elsewhere.

Fundamentally re-thinking devolved and local tax systems in Scotland can set a progressive example to others – with Scotland, once again, contributing towards a new enlightenment, this time towards a transformative, and just, tax system.



16. IPPR Scotland, 2023. Freezing Council Tax Will Make Virtually No Difference to Households in Poverty.

Available at: <https://www.ippr.org/articles/freezing-council-tax-will-make-virtually-no-difference-to-households-in-poverty>


17. Scottish Women's Budget Group, 2023. Can we achieve equality, provide opportunity, and create community by Freezing Council Tax?

Available at: <https://www.swbg.org.uk/news/blog/can-we-achieve-equality-provide-opportunity-and-create-community-by-freezing-council-tax/>

18. IPPR Scotland, Oxfam et al., 2023. The case for fair tax reform. Available at: https://oxfamapps.org/scotland/wp-content/uploads/2023/09/The-case-for-fair-tax-reform-in-Scotland-Joint-briefing-FINAL_September-2023-1-2.pdf

What an effective, fair and robust devolved and local tax system would aim to achieve


The Scottish Parliament has wide ranging powers over devolved taxation, and full powers over local taxation. Over time, by using these powers to their fullest, we believe the tax system in Scotland can proactively, strategically, and consistently:



Enable significantly more public spending on people, public services and green infrastructure and, as a result,


help to – both directly, and by bolstering the social and physical infrastructure that underpins an inclusive and prosperous economy:

- reduce poverty, including the eradication of child poverty;
- end hunger and food insecurity, while fulfilling people’s wider human rights;
- improve the full range of public services, including the adequacy of social security entitlements, while valuing and investing in care and those who look after someone;
- ramp up fast and fair climate action and nature restoration;
- and tackle gender, racial and wider injustices.



Robustly redistribute income and wealth: using a mix of fairer taxes, alongside effective public spending, to meaningfully and

intentionally combat and narrow different types of economic inequalities, including those linked to gender and racial inequality, building a fairer society and a healthier, more inclusive economy.



Shape behaviours and the economy in socially and environmentally positive ways: using well designed taxes to

change behaviours and incentivise fairer and more sustainable practice, particularly of businesses and the wealthiest, while protecting those on low incomes and stimulating sustainable economic sectors.



A range of options for tax transformation

Achieving these objectives will require the political will to not only maximise collection but explore far-reaching and fair tax reforms. This campaign wants to encourage discussion and debate around tax reforms, which include, but are not limited to:



More progressive Income Tax, with a primary focus on raising revenues from higher earners.



A plethora of options on local tax reform (including replacing Council Tax and Non-Domestic Rates with a percentage of value property tax and extending this to tax land).



Better taxing wealth, both locally and – where possible – nationally, in the short-term via a focus on particular categories of wealth, whilst exploring options to tax net wealth.



Making polluters pay for their climate damages, such as introducing a private jet tax.



Re-designing tax reliefs and other schemes, such as the Small Business Bonus, to ensure they support pro-social and environmental outcomes.

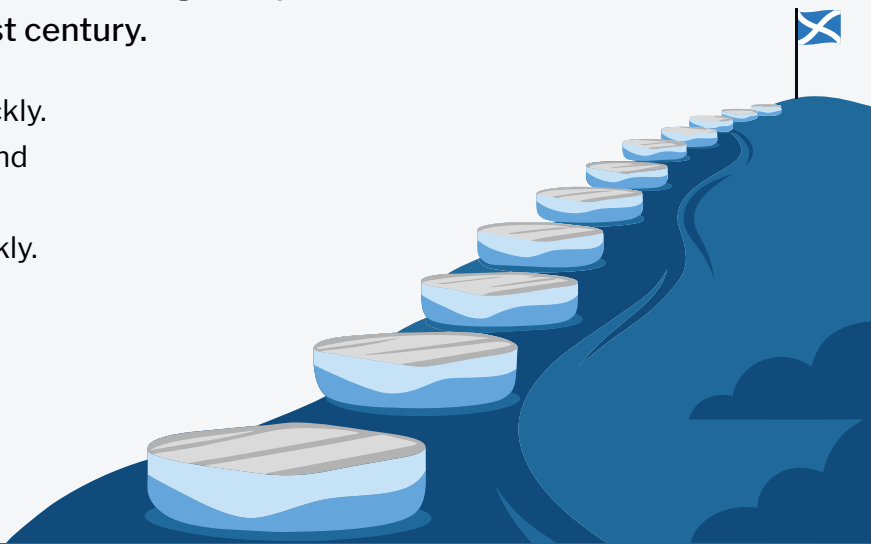
Visit the Tax Justice Scotland website for more details of some of these options and others.

Key stepping-stones towards a fairer tax system

Our campaign recognises that fundamental and long-term tax reform is necessary in Scotland – as part of broader change in the UK and globally – to create an effective, fair and robust tax system fit for the 21st century.

Some reforms could be made relatively quickly. Others would take time to scope, develop and then implement effectively, reinforcing the necessity of preparatory work starting quickly.

The following recommendations are immediate first steps that we believe are a prerequisite for any lasting change to our devolved and local tax systems in Scotland.



As a matter of priority, the Scottish Government, with the proactive and constructive support of all political parties in the Scottish Parliament, should:

1 **Immediately launch a revaluation of properties across Scotland**, a process not conducted since 1991, as a critical interim step towards the replacement of the unfair Council Tax, and launch a time-bound parallel process to explore alternatives.

2 **Be bold on changes to existing taxes, including but not limited to Income Tax**, to raise additional revenue by asking those with greater financial resources to pay more, while protecting those on low incomes and countering deep and rising levels of income inequality.

3 **Publish a time-bound and ambitious plan to tax wealth more effectively in Scotland** leading to concrete proposals for new wealth taxes at national and/or local levels, while simultaneously taking immediate interim steps to ensure all land and property in Scotland is registered and accurately valued.

4 **Set out concrete options to raise more revenue to invest in climate action**, delivered through a just transition, by using fair general taxation in ways that recognise that, on average, the richer you are, the more you pollute, and by making polluters pay for their damage in ways that also have the potential to incentivise emissions cuts.

5 **Develop proposals for new or reformed local taxes to incentivise businesses towards positive social and environmental behaviours**, for example, paying the real Living Wage, offering flexible working for disabled people and people with caring responsibilities, while ensuring any system of tax reliefs also requires recipients to contribute towards environmental and social outcomes.

TAX JUSTICE SCOTLAND

This briefing was created by the 2024 Tax Justice Scotland Steering group, including:



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GET INVOLVED

Join us as we work to build a more equal, prosperous, and sustainable Scotland.

Whether you're a charity, organisation, academic, or individual with an expertise and passion for tax reform, we invite you to collaborate with us in shaping a fairer, more equitable tax system for Scotland.

Visit www.TaxJustice.scot to register your support.

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