

Comparison between Scottish Government and Scottish Labour proposals

1. Analysis

Scottish Government proposals

	Draft Budget 2018-19		Budget Bill 2018-19	
	Income Bands	Rate	Income Bands	Rate
Starter Rate	£11,850 - £13,850	19%	£11,850 - £13,850	19%
Basic Rate	Over £13,850 - £24,000	20%	Over £13,850 - £24,000	20%
Intermediate Rate	Over £24,000 - £44,273	21%	Over £24,000 - £43,430	21%
Higher rate	Over £44,273 - £150,000	41%	Over £43,430 - £150,000	41%
Top Rate	Above £150,000	46%	Above £150,000	46%

Labour Proposal

This week (30/01/2018) Scottish Labour published a series of Budget proposals, including a new income tax policy for 2018-19:

Scottish Labour proposals	Revenue per pound
£11,850 - £13,850	19p
£13,851 - £24,000	20p
£24,001 - £42,385	21p
£42,386 - £60,000	41p
£60,001 - £100,000	45p
Above £100,000	50p

2. How much additional revenue do the various proposals raise in 2018-19?

The table below sets out how much additional revenue the various proposals would raise.

Revenue in 2018-19, in £ million	Total Additional Revenue	Relative to DB	Relative to Stage 1
Draft Budget	164		
1% Uplift in HRT (Stage 1)	219	55	
Labour Proposal (29 Jan)	380 to 440	216 to 276	161 to 221

- In December, the Scottish Fiscal Commission estimated that our proposal would raise an additional £164 million in 2018-19 for investment in public services.

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- Internal Scottish Government analysis suggests that the amended policy, as set out in Stage 1, will raise around an additional £55 million over and above the Draft Budget proposals in 2018-19 and around £220 million in total. The final revenue forecast will be provided by the Scottish Fiscal Commission.
- Labour's own analysis claims that their policy will raise an additional £540 million over and above the Draft Budget Proposals. This figure is misleading as it does not include any reductions to account for behavioural change.
- A policy on this scale, which targets higher earners for such a revenue increase would generate substantial behavioural responses.
- Internal Scottish Government modelling suggests that the policy would raise around £220 - £280 million over and above the Draft Budget proposal once behavioural changes have been considered¹. Including the £164m figure for SG existing policy, this would mean the Labour policy would raise around £380 million to £440 million extra in 2018-19, relative to no change in policy at all.

¹ The final revenue estimate would be the responsibility of the SFC, who may make different judgements and therefore generate a different estimate.

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Summary

The Scottish Fiscal Commission **pre- measures** (i.e. if no policy change was made between 2017-18 and 2018-19) forecast for income tax for 2018-19 is £11,951 million. This total revenue can be increased by changing policy.

The table below compares three policy proposals: Scottish Government Draft Budget, Scottish Labour and Scottish Government Budget Bill proposals. It shows how much **additional** revenue is estimated to be raised under the three proposals, after behavioural change has been considered.

Proposal	Forecasts	2018-19 Additional Revenue from policy change	Total Revenue
Scottish Government Draft Budget	The SFC	£164 million	£12,115 million
Scottish Labour	Internal Scottish Government analysis	£380 - £440-million	£12,332 – £12,392 million
Scottish Government Budget Bill	Internal Scottish Government analysis	Around £220 million	£12,171 million