

Deputy First Minister and Cabinet Secretary for Finance

IPPR PUBLICATION – THE CASE FOR FAIR TAX REFORM IN SCOTLAND

Priority and purpose

1. For information. You asked for a briefing on the tax proposals set out in the IPPR publication 'The Case for Fair Tax Reform in Scotland' which was published on Wednesday 13 September 2023. A summary of the proposals is at Annex A.

Recommendation

2. That you note this submission.

Background

3. A joint paper published by IPPR Scotland, Oxfam Scotland, Poverty Alliance, CPAG in Scotland, Scottish Women's Budget Group, One Parent Families, and the Wellbeing Economy Alliance Scotland puts forward a number of tax proposals for the Scottish Government to consider for Budget 2024-25 and beyond.

[redacted]

Table 1 – Summary of tax proposals in the report (further detail and commentary is at Annex A)

Tax area	Proposal
General Recommendations	
Income Tax	Introduce a new additional Income Tax band of 45% between the current Higher and Top rates (£58,285) in the upcoming Budget for 2024-25.
Tax system	Fundamentally reform the devolved tax system within this parliament, starting by launching a national consultation before the 2024-25 draft Budget
Council Tax	Launch a cross-party process to replace the current Council Tax before the end of this parliament in 2026, ending the long and damaging impasse, and with legislation for a new system in place before the end of this Parliament
Wealth Tax	Assess options for targeting under-taxed wealth, including considering a new percentage of value property tax, and measures to tax other forms of wealth

New Taxes	Pursue opportunities to introduce new taxes that incentivise more businesses in Scotland towards pro-social behaviour change, such as offering fair and flexible working, including to those with caring responsibilities
Environmental Taxes	Explore options to raise additional money for climate action by making polluters pay for their damage and incentivising emissions reductions in line with meeting the legal targets as a minimum
Specific modelling	
Council Tax	£350 million more could be raised by replacing the existing Council Tax with a new percentage of value tax set at 0.75 per cent of a home's value.
Inheritance Tax	£300 million more could be raised through a local inheritance tax charged on estates worth between £36,000 and £325,000 that do not pay UK-wide inheritance tax
Payroll tax	£600 million more could be raised by a new local payroll tax on low pay employers

[redacted]

Tax and Revenues Directorate

[redacted]

Annex A – Detail of tax proposals

Income Tax

10. Additional new tax band: The paper welcomes the First Minister’s pledge to consider a new tax band between the current Higher Rate Threshold (£43,662) and the Top Rate Threshold (£124,150) for the 2024-25 Budget. Two proposals are considered in the paper:

- a. A new 45% rate band starting at the mid-point (£84,400) which they state could raise an additional £110 million.
- b. A 45% rate band starting at £58,285 (affecting the top 10% of earners in Scotland) which they state could raise an additional £260 million.

[redacted]

Devolved Tax

16. The report calls for a fundamental reform of the devolved tax system within this Parliament, starting by launching a national consultation before the 2024-25 draft Budget. The report states that any report must “go beyond tweaks” and fundamentally rethink how Income Tax can be best designed alongside other taxes, including reformed local taxation.

[redacted]

Wealth Tax

18. Whilst the report recognises that important levers to tax wealth remain reserved to the UK Government (Capital Gains Tax and Inheritance Tax), it calls for an explicit focus on exploring new ways to tax wealth in Scotland. The report calls for these to be introduced at the local level.

[redacted]

Local Taxation

21. IPPR supports the principle set out in our consultation to have progressive multipliers applied to Council Tax bands E – H. However, they state that it is necessary to have a full revaluation of residential properties to ensure the accuracy of those residential properties being taxed at higher rates.

[redacted]

Environmental taxes

36. The reports cites Stop Climate Chaos Scotland's paper that calls on SG and local authorities to introduce behaviour-changing environmental taxes, such as workplace parking levies (WPL), pay-as-you-throw on household waste and a farming nitrogen levy.

[redacted]

Cllr Jim Paterson
Renfrewshire Council
cllr.jim.paterson@renfrewshire.gov.uk

29/03/2023

Dear Shona,

Congratulations on your appointment as Cabinet Secretary for Finance and the Economy, I appreciate that there will be many demands on your time particularly given the scale of the challenge in front of you.

I am sure you are aware of the pressures currently being faced by Local Government and the scale of savings that are required going forward. The current direction is untenable, and we are already seeing the impact of services across Scotland. I fear another year of flat cash or a reduced grant settlement could tip many Local Authorities over the edge.

Unless the Local Government Funding Settlement receives a meaningful uplift as part of the 2024/25 budget the ramifications for libraries, cleansing services, education, net zero and countless other council provided services will be far reaching and devastating for our communities.

I was encouraged to hear the First Minister signal his support for a Wealth Tax and would be in full support of that proposal. In my opinion a significant proportion of any revenue generated by such a measure should be directed toward Local Authorities and Health and Social Care Partnerships.

Local Authorities showed during the Covid-19 pandemic what we can achieve when afforded the appropriate level of finance, whether that be playing our part in the vaccine roll-out, administering business support grants, adapting our school estate or supporting our most vulnerable residents.

Another example that demonstrates the ability of Local Government to deliver is the 1140 ELCC roll-out. A transformational Scottish Government policy delivered by Local Authorities and partnership providers.

Local Government when properly funded can achieve great things but as things stand, we are simply managing decline. I implore you to change tact, engage with your Local Government colleagues and ensure that we can continue in partnership deliver for our constituents, after all if we aren't in this to improve lives, we may as well give up now.

I appreciate you taking the time to read my brief letter and wish you every success in your new role.

Kind regards



Cllr Jim Paterson (SNP)
Convener of Planning & Climate Change
Renfrew South & Gallowhill (Ward 2)

Deputy First Minister and Cabinet Secretary for Finance

Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit airson Ionmhas

Shona Robison MSP/BPA



Scottish Government
Riaghaltas na h-Alba
gov.scot

T : 0300 244 4000

E : scottish.ministers@gov.scot

Cllr Jim Paterson

cllr.jim.paterson@renfrewshire.gov.uk

Our Reference: 202300349705

Your Reference: Local Government Funding Settlement

12 April 2023

Dear Councillor Paterson,

Thank you for your correspondence of 29 March and your warm words following my appointment as Deputy First Minister and Cabinet Secretary for Finance. I am greatly honoured to take on both of these vital roles.

I have noted your concerns regarding local government funding in general and the direct impact on Renfrewshire Council and I am well aware of these financial challenges both the Scottish Government and local government face going forward.

Looking first at the current financial year, despite UK Government cuts, we have protected councils in the most challenging budget settlement since devolution with the Scottish Government providing nearly £13.5 billion in the 2023-24 Local Government Settlement. Following the flat-cash position set out in the 2022 Resource Spending Review, the Scottish Government listened to councils and increased the resources available to Local Government this year by over £793 million, including the additional £100 million for non-teaching staff pay and £123 million to support the teachers' pay negotiations, announced by my predecessor, at Stage 3 of the Budget Bill on 21 February.

In 2023-24, Renfrewshire Council will receive £395.3 million to fund local services, which equates to an extra £12.3 million to support vital day to day services or an additional 3.2 per cent compared to 2022-23. In addition, all councils will receive their fair share of the currently undistributed sum of £329.8 million.

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Local authorities also have a range of revenue raising powers that are not available to other public services including having had full freedom over the 2023-24 council tax rates and the newly devolved powers over empty property relief.

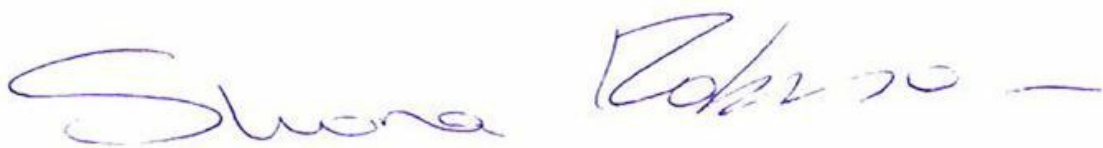
In response to your comments on a Wealth Tax, the Scottish Government believes that the power to tax wealth and create other forms of wealth tax should be devolved to the Scottish Parliament so that the taxation of wealth could be redesigned to work effectively in a modern, Scottish-specific context. Inheritance Tax and Capital Gains Tax are unduly complicated taxes that do not perform well in a Scottish context. The Scottish Government supports reforms that would make them clearer and fairer.

As you know, decisions around the Scottish Budget took place against assessments of deterioration in the economy, with the impact of rising prices as a result of Russia's invasion of Ukraine being compounded by Brexit, and the folly of the UK Government's mini budget. However, I can confirm that the Scottish Government will continue to press the UK Government for urgent additional funding for our joint priorities and would welcome support from COSLA and individual local authorities in this respect.

Finally, you will be aware that Humza Yousaf in one of his first engagements as First Minister met with the COSLA President, Councillor Shona Morrison, on 31 March to reaffirm the Scottish Government's commitment to working collaboratively with local government to agree a New Deal which provides greater flexibility over local funding and clear accountability for delivering shared priorities.

I hope that this information is helpful, and I look forward to having a positive and mutually beneficial relationship with local government going forward.

Yours sincerely,



SHONA ROBISON

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CC Shona Robison, Deputy First Minister and Cabinet Secretary for Finance

12th September 2023

Dear First Minister,

We write to you on behalf of a diverse range of more than 50 organisations who believe a renewed approach to tax is urgently needed in Scotland and to give you confidential advance sight of a briefing we will be publishing **tomorrow, Wednesday 13th September**.

Never in the modern history of this parliament has it been more important to kick-start this process, with critical national priorities – reducing child poverty and climate emissions, accelerating spending on care and childcare, tackling gender inequality and realising human rights – at risk in the context of significant public finance pressure.

We believe that progress on these priorities – which are at the very core of a wellbeing economy – cannot be sacrificed due to a lack of public funds and we are therefore urging you to ambitiously use devolved tax powers to generate more revenue to help deliver them.

We also wish to emphasise that, too often, tax discussions are pitched as a conflict between being pro or anti-business and economic growth. We simply don't accept that. In fact, there's growing recognition that fairer tax is a vital tool to help build a healthier and more dynamic economy. We also acknowledge that there have been some progressive reforms to tax in Scotland to date, but while these are welcome, they have been insufficient.

In the attached new briefing called '[The case for fair tax reform in Scotland](#)', we lay out clear, fair, and feasible options for tax reform. These could not only raise additional revenue in the short term, but also make the system fairer and more sustainable in future. That means continuing to use existing levers to progressively raise money while also pursuing new levers and kickstarting long overdue reform – not least on local tax so we can better target wealth where it's captured most, property.

Crucially, we are also calling on you to use devolved powers to change behaviours by incentivising fairer business practices and carbon emission reduction. This importance of taxation as a means of encouraging behaviour change is recognised within the Scottish Government's Framework for Tax.

Together, we are calling on you, working with the Deputy First Minister, to:

- Introduce a new and additional Income Tax band between the current Higher and Top rates in the upcoming Budget for 2024-25;
- Fundamentally reform the devolved tax system within this parliament, starting by launching a national consultation before the 2024-25 draft Budget;
- Launch a cross-party process to replace the current Council Tax before the end of this parliament in 2026, ending the long and damaging impasse, and with legislation for a new system in place before the end of this Parliament;
- Assess options for targeting under-taxed wealth, including considering a new percentage of value property tax, and measures to tax other forms of wealth;
- Pursue opportunities to introduce new taxes that incentivise more businesses in Scotland towards pro-social behaviour change, such as offering fair and flexible working, including to those with caring responsibilities;
- Explore options to raise additional money for climate action by making polluters pay for their damage and incentivising emissions reductions in line with meeting the legal targets as a minimum.

We also recognise that many crucial tax powers are reserved to Westminster, but each of the options outlined above could help to fairly raise significantly more money, while protecting the pockets of the poorest households. Though much of the additional revenue would be raised and spent locally, this would free up Scottish Government funds for delivering key national priorities.

Furthermore, while some of the options would take time to implement – and behaviour change may somewhat diminish the revenues – modelling by IPPR Scotland estimates that:

- Up to £260 million more could be raised in 2024-25 by introducing an additional 45 per cent rate on earnings above £58,285 – earnings that would put someone in the 90th percentile for full-time gross earnings in Scotland.
- £350 million more could be raised by replacing the existing Council Tax with a new percentage of value tax set at 0.75 per cent of a home's value.
- £300 million more could be raised through a local inheritance tax charged on estates worth between £36,000 and £325,000 that do not pay UK-wide inheritance tax.
- £600 million more could be raised by a new local payroll tax on low pay employers.

A just and compassionate Scotland is one with strong, sustained social investment to end the injustice of poverty, and to make sure that everyone has the chance to develop their potential.

You have, rightly, recognised, that “Scotland is a wealthy country, but that wealth is not distributed evenly”, and have committed to be “even bolder on taxation”. We believe this ambition cannot wait, or be diluted, and that you have the devolved tax powers to deliver meaningful progress.

Realising a wellbeing economy – one in which poverty is tackled, inequalities are narrowed, and the climate emergency is addressed – requires two things: cash and courage. Our new briefing shows that the money and the ideas are there: now we need the political bravery to bring them together.

We hope our new briefing – which is endorsed by organisations as diverse as the STUC, Engender, and WWF Scotland – will be fully considered by you, the Deputy First Minister, and the Tax Advisory Group, and we would be delighted to meet with you to discuss our briefing.

Your sincerely,



Philip Whyte
Director IPPR Scotland
IPPR Scotland



Jamie Livingstone
Head of Oxfam Scotland
Oxfam Scotland



Carmen Martinez
Coordinator
Scottish Women's Budget Group



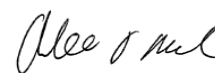
Satwat Rehman
Chief Executive
OPFS



John Dickie
Director
CPAG in Scotland



David Reilly
Acting Director
Poverty Alliance



Aileen McLeod
Interim Director
WE-ALL Scotland

Deputy First Minister and Cabinet Secretary for
Finance

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airson Ionmhas

Shona Robison MSP/BPA



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Riaghaltas na h-Alba
gov.scot

T : 0300 244 4000

E : scottish.ministers@gov.scot

Lewis Ryder-Jones

lryder-jones1@oxfam.org.uk

Our Reference: 202300377158

Your Reference: tax reforms

22 September 2023

Dear Lewis,

Thank you for your letters of 12 September to the First Minister, Humza Yousaf MSP and the Cabinet Secretary for Wellbeing Economy, Fair Work & Energy, Neil Gray MSP and the accompanying report, "The case for fair tax reform in Scotland".

Your contribution to the wider discussion about tax, tax reform and tackling poverty is welcome and I am particularly glad to see views from across a variety of organisations and interests brought together.

As you will be aware, we are approaching the Scottish Budget 2024-25. Decisions about the Scottish Budget and tax policy will be announced during the annual Budget process. However, we are committed to further engagement on our tax policy choices and exploring how we can best use our existing powers to continue to deliver the most progressive taxation system in the UK.

Your report highlights the establishment of the Tax Advisory Group (TAG) and the importance of maintaining momentum in this area. The work of the TAG will support the further development of our strategic approach to taxation in Scotland. I chair quarterly meetings of the group, and it will build on the Scottish Government's inclusive approach to tax policymaking. It will also feed into the Budget 2024-25 and the development of the Government's longer term strategic approach to tax. The group met in July and is scheduled to meet twice more this year, to kickstart its work, ensure momentum and continue the conversation about the role of tax in supporting fiscal sustainability, including tackling poverty.

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The First Minister, in the Programme for Government, set out our commitment to tackling poverty as one of our National Missions.

As you know, I chaired a poverty round-table earlier in September, where stakeholders including the Institute for Public Policy Research Scotland, Robertson Trust and the Low Income Tax Reform Group discussed the role of devolved tax levers in supporting our efforts tackling child poverty.

You may also be interested to know that the Poverty and Inequality Commission has a working group on tax. I understand that they are preparing a report for Ministers, which we will carefully consider.

In the year ahead, the Scottish Government will take forward a comprehensive work programme with our partners in Local Government and the third sector to tackle poverty, address barriers to equality and protect all people from harm.

We know poverty does not affect everyone equally and that is why we will have a particular focus on supporting women, disabled people, ethnic minorities and children from our six priority family groups – underpinned by our unwavering commitment to keeping The Promise.

I am pleased that tax officials have begun to engage regularly with key stakeholders including the IPPR on this and other issues, and I look forward to being updated on these discussions in due course.

Thank you again for your valuable contributions to this discussion.

Yours sincerely,



SHONA ROBISON

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From: [redacted]@gov.scot> **On Behalf Of** First Minister
Sent: Wednesday, September 13, 2023 11:41 AM
To: Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>
Cc: Colin McAllister <Colin.McAllister@gov.scot>; Callum McCaig <Callum.Mccaig@gov.scot>; Emilie-Louise Purdie <Emilie-Louise.Purdie@gov.scot>; Kevin Pringle <Kevin.Pringle@gov.scot>
Subject: FW: The case for fair tax reform in Scotland - letter and briefing

Morning PO,

[redacted]

I would be grateful if a Ministerial response could be drafted on behalf of DFM.

Many thanks,

[redacted]

Deputy Private Secretary to the First Minister

Office of the First Minister

5th Floor | St Andrews House | Regent Road | Edinburgh | EH1 3DG

[redacted]



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From: Lewis Ryder-Jones <lryder-jones1@oxfam.org.uk>

Sent: Tuesday, September 12, 2023 3:02 PM

To: First Minister <FirstMinister@gov.scot>; Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>

Cc: Jamie Livingstone <JLivingstone@oxfam.org.uk>; Colin McAllister <Colin.McAllister@gov.scot>; Kevin Pringle <Kevin.Pringle@gov.scot>; Callum McCaig <Callum.Mccaig@gov.scot>

Subject: The case for fair tax reform in Scotland - letter and briefing

Good afternoon,

Please see attached a letter to the First Minister from *IPPR Scotland, Oxfam Scotland, Poverty Alliance, CPAG in Scotland, Scottish Women's Budget Group, One Parent Families Scotland, and the Wellbeing Economy Alliance Scotland*.

The letter is copied to Shona Robison, Deputy First Minister and Cabinet Secretary for Finance.

In order to give you advance sight, we also attach the related joint briefing which will be published tomorrow, Wednesday 13th September.

Best wishes,

Lewis

Lewis Ryder-Jones

Advocacy Adviser

Oxfam Scotland

lryder-jones1@oxfam.org.uk, @LewisRyderJones

www.oxfam.org.uk/scotland



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From: Arun Advani <a.advani.1@warwick.ac.uk>
Sent: Thursday, September 14, 2023 3:20 PM
To: [redacted]@gov.scot>
Subject: Re: Wealth Tax Commission

Sorry for delay, busy time these few weeks. See attached the slides. And thanks for the links.

Thanks for arranging the event, happy to have done it, and really great engagement from people with the issues, which is always nice.

If anyone is interested in following up about discover economics, <discoverecon@res.org.uk> is the best email address to use.

Thanks, Arun

On 05/09/2023 15:40, [redacted]@gov.scot wrote:
Hi Arun

Belatedly following-up to say thank you for the excellent session last week. I really enjoyed it and I've had good feedback from colleagues too. Could you share the slides you presented so that I can share them with those who couldn't attend?

As promised, here is a link to our [policy evaluation of the 2018-19 Scottish Income Tax reforms](#) and the [accompanying TIEs study undertaken by HMRC](#).

I also want to flag a piece of research that we have commissioned through the ClimateXChange Centre at Edinburgh University which is exploring international evidence on the role of fiscal levers (taxes, levies, charges) in driving reductions in greenhouse gas emissions. The researchers (Air Quality Consultants, part of the Logika Group) are due to publish their final report in around December. As part of producing the report they intend to carry out interviews with relevant academics and subject-matter experts. I hope you don't mind that we put your name forward and I expect they will be in touch shortly. You can say no of course!

Thanks again

[redacted]

Head of Environmental Taxes and New Revenues Unit | Directorate of Tax and Revenues | Scottish Government

[redacted]



From: Advani, Arun <A.Advani.1@warwick.ac.uk>
Sent: Tuesday, June 27, 2023 8:18 AM
To: [redacted]@gov.scot>
Subject: RE: Wealth Tax Commission

Yes, that works here. Assume you'll send over teams/zoom/skype link as preferred there. Thanks,
Arun

On 27 June 2023 08:15:43 [redacted]@gov.scot wrote:

Ah sorry – don't know what's happened there.

Could you do 12:00-13:00 on Tuesday 29th August?

[redacted]

Head of Environmental Taxes and New Revenues Unit | Directorate of Tax and
Revenues | Scottish Government

[redacted]



From: Arun Advani <a.advani.1@warwick.ac.uk>
Sent: Monday, June 26, 2023 8:52 AM
To: [redacted]@gov.scot
Subject: Re: Wealth Tax Commission

ah, I did reply! anyway, let's do Aug now.

On 08/06/2023 12:02, Arun Advani wrote:

How does sometime on 21/6 work. I'm available 10.30-12.30, 2-5. Can also do 3-5 on 27/6, or 10:30-12 on 28/6.

Arun

On 08/06/2023 08:28, [redacted]@gov.scot wrote:

Online is good, Arun. If you were planning to be in Scotland at any point then we could coordinate with that, but if not then best to stick with online.

[redacted]

Head of New and Environmental Taxes Unit | Directorate of Tax and Revenues |
Scottish Government [redacted]



From: Advani, Arun <A.Advani.1@warwick.ac.uk>

Sent: 08 June 2023 08:25

To: [redacted]@gov.scot

Subject: Re: Wealth Tax Commission

Just checking: is this in person or online? I definitely can't do in person this month, but can do online at various points.

Arun

On 08/06/2023 08:21, [redacted]@gov.scot wrote:

Hi Arun

If you can send me a few dates when you're available and I can look to see what's best. Later this month would be good (in terms of maximising attendance) as the school holiday begin at the start of July in Scotland.

Once we have a date we can have a chat about presentations, likely areas of interest from attendees, etc.

Thanks

[redacted]

Head of New and Environmental Taxes Unit | Directorate of Tax and Revenues |
Scottish Government

[redacted]



From: Advani, Arun <A.Advani.1@warwick.ac.uk>

Sent: 07 June 2023 17:21

To: [redacted]@gov.scot

Subject: Re: Wealth Tax Commission

Hi [redacted]@gov.scot

Sorry for the delay. Very happy to speak about this. Please let me know what you need from me in terms of setting this up.

Arun

On 30/05/2023 08:30, [redacted]@gov.scot wrote:

Hi Arun

[redacted] I work in the Scottish Government's Tax Directorate. I'm contacting you in respect of the work you've undertaken on wealth taxes, in particular as part of the Wealth Tax Commission.

Would you be willing to speak to Scottish Government officials about your work on wealth taxes and/or the Wealth Tax Commission's report? It's a topic which continues to be of significant interest to stakeholders and the public in Scotland, but it is relatively poorly understood, particularly the elements of the tax system which already target (or are intended to target) wealth.

For information, we regularly engage with academics and interest groups on tax matters, including proposals for new or modified forms of taxation. For example, we recently heard a presentation from a group of leading economists on their proposal for a land value tax.

Thanks

[redacted]

[Head of New and Environmental Taxes Unit | Directorate of Tax and Revenues | Scottish Government](#)

[redacted]



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Arun Advani
Associate Prof, University of Warwick
Co-chair, Discover Economics
Research Fellow, Institute for Fiscal Studies
Research Associate, CAGE Research Centre
Visiting Senior Fellow, International Inequalities Institute
Fellow, World Inequality Lab
Associate Editor, Fiscal Studies
Editorial Board, Economics Observatory

--

Arun Advani
Associate Prof, University of Warwick
Co-chair, Discover Economics
Research Fellow, Institute for Fiscal Studies
Research Associate, CAGE Research Centre
Visiting Senior Fellow, International Inequalities Institute
Fellow, World Inequality Lab
Associate Editor, Fiscal Studies
Editorial Board, Economics Observatory

--

Arun Advani
Associate Prof, University of Warwick
Co-chair, Discover Economics
Research Fellow, Institute for Fiscal Studies
Research Associate, CAGE Research Centre
Visiting Senior Fellow, International Inequalities Institute
Fellow, World Inequality Lab
Associate Editor, Fiscal Studies
Editorial Board, Economics Observatory

DEPUTY FIRST MINISTER AND CABINET SECRETARY FOR FINANCE

Tackling Child Poverty Roundtable - Minute Wednesday 13 September, 9.00-10.30 St Andrew's House, Edinburgh

Attendees

Deputy First Minister and Cabinet Secretary for Finance
Minister for Community Wealth and Public Finance
Minister for Local Government Empowerment and Planning
Louise Macdonald, DG Communities, Scottish Government
Adam Lang, Director of Change and Collaboration, Carnegie UK Trust
Anna Fowlie, Chief Executive, SCVO and member of the Community Planning Improvement Board
Carolyn Sawyers, Chief Executive, CORRA
Chris Birt, Associate Director for Scotland, Joseph Rowntree
David Hilferty, Citizens Advice Scotland
Emma Congreve, Deputy Director for Child Poverty, Fraser of Allander
Jim McCormick, CEO, Robertson Trust
Joanne Walker, Technical Officer, Low Income Tax Reform Group
John Sherry, Head of Transformation and Social Inclusion, Glasgow City Council
Cllr Katie Hagmann, Resources Spokesperson, COSLA
Mike Burns, Head of Children's Services, Glasgow City Council
Nicola Dickie, Director for People Policy, COSLA
Philip Whyte, Director, Institute for Public Policy Research Scotland
Roz Foyer, General Secretary, Scottish Trades Unions Congress
Tom Wernham, Research Economist in the Income, Work and Welfare Sector, Institute for Fiscal Studies

Observers

- **[redacted]** Scottish Government
- **[redacted]** Scottish Government
- Mary McAllan, Scottish Government
- **[redacted]** Scottish Government
- **[redacted]** Scottish Government
- **[redacted]** Scottish Government

Welcome

1. The Deputy First Minister and Cabinet Secretary for Finance (DFM) welcomed everyone and thanked them for joining this discussion.
2. DFM stated that tackling poverty and protecting people from harm is a critical mission for the Scottish Government (SG). And noted that this roundtable is one of a series of meetings that Cabinet Secretaries are holding as part of a follow up to the First Minister's Anti-Poverty Summit.
3. DFM noted that the SG has already taken significant action to tackle and reduce poverty, whilst recognising the need to go further to deliver on statutory duties and ambitions for the children of Scotland.

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4. DFM also highlighted the upcoming budget and recognised that organisations are beginning to make suggestions about its shape and content.
5. DFM reminded participants of the three key questions to guide the discussion:
 - How can devolved tax levers support tackling child poverty
 - How can the Verity House Agreement help us tackle child poverty in partnership?
 - What can we learn from the Glasgow Child Poverty Pathfinder?

Discussion

How can devolved tax levers support tackling child poverty?

6. A representative from the Fraser of Allander Institute was invited to begin discussion. They outlined the various ways in which tax can be used to tackle child poverty: both as a means of raising revenue to spend on appropriate areas of policy and as a means of income redistribution. There was also discussion on certain charges applied across all Scottish households with no offsetting benefit e.g water and sewerage charges.
7. Council Tax was also discussed, with a broad consensus from attendees that revaluation of Council Tax is necessary. Attendees welcomed the intention to reform the system and make it fairer through collecting a higher proportion of revenue from those with higher value properties, but questioned the ability to deliver a fairer system without the full revaluation.
8. There was also concern about the potential challenge of households across Scotland who were unaware that they should benefit from council tax reduction, perhaps because they do not understand their rights or how to access the support available to them.
9. Some participants called for a further income tax band being introduced for high earners.
10. With regards to the upcoming budget, there was widespread acknowledgment of the challenges facing SG. However, concerns were raised regarding:
 - low pay across key parts of the public sector - the recently announced increase in minimum wage for social care staff was welcomed, however there were calls for SG to go further and faster on this front.
 - debt – and in particular debt and arrears amongst households in respect of public authorities, and the need to ensure government is not providing support with one hand and taking it away with another
 - investment in local government – there was a call for further investment due to the number of services that local government currently deliver and fund for the most vulnerable in society.
11. Across all issues raised, participants noted that there would be trade-offs, including negative consequences on some people depending on taxation choices. Whilst they were supportive of this if it was accompanied by clear analysis and rationale in terms of tackling poverty, they were clear that strong analysis on who would

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benefit, and who would not, is needed to provide a convincing narrative re the merit of different policy choices.

12. Whilst the majority of discussion focused on options for the forthcoming budgets, there were also points raised on more structural and cross government issues. This included concerns about whether the whole of government was being marshalled behind tackling child poverty, and whether the portfolio budget approach sufficiently enables a collective cross-government approach. It was noted that the review of the National Performance Framework is an opportunity further to explore cross government delivery.
13. DFM thanked attendees for their contribution and responded to a number of points raised:
 - DFM spoke about the possibility of introducing an additional tax band and noted that the revenue raised though might not be as significant as many expect given the number of taxpayers who would be affected, and suggested sharing of analysis between organisations could help inform this debate.
 - She noted that despite being criticised by some, one of the driving forces of the very tight fiscal position of the SG has been that SG has settled pay deals well in excess of what was originally budgeted for, believing that was the fair thing to do in a cost of living crisis and given the importance of public services.
 - DFM also noted that work is ongoing across government to interrogate programme spends and ensure that programmes that are delivering on the three key SG missions are being suitably prioritised.

How can the Verity House Agreement help us tackle child poverty in partnership?
What can we learn from the Glasgow Child Poverty Pathfinder?

14. COSLA were invited to open the discussion and noted that the Verity House Agreement (VHA) is a great opportunity to work collaboratively with Scottish Government and capitalise on cross-party working. COSLA noted that their attendance at today's roundtable is testament to the regular and meaningful engagement that the VHA committed to and cited engagement on local taxation as a strong example of how COSLA and SG are working to ensure a default position of local by default and national by agreement.
15. Glasgow City Council (GCC) gave an overview of the Glasgow Child Poverty Pathfinder, an example of partnership working in practice. GCC highlighted that the pathfinder is demonstrating the benefits of a whole system approach consistent with the Christie Principles and that this progress would not have been possible without the establishment of a multi-agency team. They gave particular examples of how a more concentrated focus on prevention and tackling poverty has delivered a reduction in the admissions of children into care.
16. In discussion, there was widespread agreement that a shift in culture to have more dialogue and a focus on what families need is necessary in order to make a real difference in people's lives. There was general consensus that we must move away from funding the 'as is' system and instead focus on the 'to be' – in order to radically

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change how we deliver for children and families, the focus must be placed on prevention.

17. It was also noted that there are emerging risks associated with not protecting third sector-led approaches to prevention and recognition that, in order to be truly collaborative and invest in what works, the Verity House and business new deals need to embrace the third sector.
18. There was general consensus that the approach taken by pathfinders should be the default across the country. There were questions raised regarding how the work in Glasgow can be scaled and suitably adjusted elsewhere to work in other parts of Scotland and what the role of both local and national government should be in making this happen. There was also recognition that it would be preferable to implement learning from the pathfinders as localities determined, drawing on evidence, that a shift in approach can deliver substantial benefit. To help with this, it would be essential to share that learning and further explore how the alignment of funds can help improve outcomes with national and local government playing a key role in supporting change.

Close and next steps

19. The Deputy First Minister thanked everyone for the important contributions they had made. The Cabinet Secretary acknowledged that there are undoubtedly challenges ahead, but today's discussion had also highlighted a range of opportunities for all leaders in this space.
20. The Cabinet Secretary noted that this was one of a series of meetings Cabinet Secretaries across the Scottish Government are holding as part of a follow up to the First Minister's Anti-Poverty Summit. She reiterated that Cabinet Secretaries are meeting with the First Minister to inform him of the outcomes of these roundtables and consider action, and she looks forward to continuing to work together to tackle poverty in Scotland.

Summary of Actions

The following action was agreed:

- DG Communities and Director for Public Service Reform to discuss the alignment of funds with Mike Burns, Glasgow City Council.

From: Lewis Hedge <Lewis.Hedge@gov.scot>
Sent: Tuesday, September 19, 2023 9:54 AM
To: Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>
Cc: [redacted]@gov.scot>; [redacted]@gov.scot>; Aidan Grisewood <Aidan.Grisewood@gov.scot>; Alison Cumming <Alison.Cumming@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; Stephen Garvin <Stephen.Garvin@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; [redacted]@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted]@gov.scot>; Callum McCaig <Callum.Mccaig@gov.scot>; DG Economy <DGEconomy@gov.scot>; DG Communities <DGCommunities@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; [redacted]@gov.scot>; Director of Tax and Revenues <directoroftaxandrevenues@gov.scot>; [redacted]@gov.scot>
Subject: RE: Meeting: Roz Foyer, STUC - 14 September

PO

With apologies for the slow follow-up, please see below a note of DFM's call with Roz Foyer on 14 September covering tax, local government pay, public sector pay and reform, STUC grants and RAAC. If you could confirm you're content with the note I'll share an eRDM link for the record.

Attendees:

Shona Robison (SR) MSP, Deputy First Minister

Roz Foyer (RF), General Secretary STUC

Lewis Hedge (LH), Deputy Director Fair Work and Labour Market Strategy

DFM opened by offering to up on the previous day's **tax** strategy meeting, which RF also attended, with a further conversation on the STUC's proposals for an additional income tax band, comparing SG and STUC modelling.

Action: Dave Moxham to share modelling with **David Hutchison**

RF noted that Unison had rejected the **local government pay offer** and expected that other unions to follow suit. She asked that SG intervene to avoid a dispute, noting steps taken the previous year.

DFM advised that SG had already provided £155m for 23/24 pay to local government, and more for 24/25. There were no further unallocated funds in-year and so local authorities would have to find savings elsewhere. Under Verity House it was important that COSLA have space to negotiate with Unions without SG interference. DFM was keen to understand the landing space for Unison.

DFM noted positive discussions with Civil Service Trade Unions on pay, reaching a settlement for two years and creating space to look at **long term pay and reform** recognising the relationship between size of the civil service and structures. Opportunity to work on what the civil service should look like in five years, number and size of public bodies, centralised HR functions. And whether SG grant funding across portfolios, which runs into billions of pounds, delivers results.

RF expressed willingness to engage in a **strategic forum** for discussion issues beyond pay negotiations. This approach had worked well the previous year and public sector affiliates valued the space to engage. It would also be an opportunity for relationship building for new affiliate and STUC leaders on topics such as Fair Work, Just Transition and National Care Service.

Action: Officials to establish a SG-STUC strategic forum

RF noted that trade unions' aspiration to engage on Green Jobs, implementing Fair Work First and capacity building. Would welcome a discussion with officials about current **STUC grants** and how to increase the impact of funded activity across the public sector.

Action: LH to engage with RF on STUC grants.

DFM highlighted concerns about RAAC in the school estate. Ms Gilruth had engaged with teachers to ensure staff are informed of any changes to school buildings. COSLA was leading on the risk assessments. Some buildings would have to close. DFM noted that Scotland had been investing in School estate so over 90% was in a satisfactory position. NHS Assurance also engaged, following guidance from the Institute of Structural Engineers. Overall sense of being in a reasonable space but not complacent. RF noted that only one affiliate Union had raised concerns but was happy with engagement so far.

Lewis Hedge – DD Fair Work and Labour Market Strategy e:

lewis.hedge@gov.scot; [redacted]

From: [redacted]@gov.scot> **On Behalf Of** Deputy First Minister and Cabinet Secretary for Finance

Sent: Thursday, September 14, 2023 10:02 AM

To: [redacted] @gov.scot>; Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>

Cc: [redacted]@gov.scot>; [redacted] @gov.scot>; Aidan Grisewood <Aidan.Grisewood@gov.scot>; Alison Cumming <Alison.Cumming@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted]@gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; Lewis Hedge <Lewis.Hedge@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted] @gov.scot>; Callum McCaig <Callum.Mccaig@gov.scot>; DG Economy <[DGEconomy@gov.scot](mailto:DG_Economy@gov.scot)>; [redacted] @gov.scot>; DG Communities <DGCommunities@gov.scot>

Subject: RE: Meeting: Roz Foyer, STUC - 14 September

Thanks [redacted]

I understand DG communities would like a readout of this meeting re the RAAC conversation.

Grateful if DG communities could be included in the copylist once the readout is shared following the meeting.

Kind regards,

[redacted]

[redacted]

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Finance – Shona Robison MSP

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG

T: 0131 244 7704 | [redacted] | E: DFMCSF@gov.scot

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From: [redacted] @gov.scot>

Sent: Wednesday, September 13, 2023 5:25 PM

To: Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>

Cc: [redacted]@gov.scot>; [redacted] @gov.scot>; Aidan Grisewood

<Aidan.Grisewood@gov.scot>; Alison Cumming <Alison.Cumming@gov.scot>; Mary McAllan

<Mary.McAllan@gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>;

[redacted]@gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>;

[redacted] @gov.scot>; [redacted] @gov.scot>; [redacted] @gov.scot>; Lewis Hedge

<Lewis.Hedge@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted] @gov.scot>;

Callum McCaig <Callum.Mccaig@gov.scot>; DG Economy <[DGEconomy@gov.scot](mailto:DG_Economy@gov.scot)>; [redacted]

@gov.scot>

Subject: Meeting: Roz Foyer, STUC - 14 September

PO DFM

Please see attached briefing for DFM's meeting with Roz Foyer tomorrow 13:30.

Lewis Hedge DD Fair Work and Labour Market will provide official support.

Kind Regards

[redacted]

[redacted]: Joint Head Fair Work Unit: Scottish Government: [redacted] (I
work Monday –Thursday)

Introductory Meeting Between Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, and STUC.

Date: 4 April 2023

Time: 3:45 pm

In attendance:

Neil Gray, Cabinet Secretary for Wellbeing Economy, Fair Work and Energy

Dave Moxham, Deputy General Secretary, STUC

Sean McLaughlan, STUC

Francis Stuart, STUC

Official support:

[redacted]

Summary of Discussion:

NG - thanked DM for his time, appreciated call at relatively short notice, understand Roz (Foyer) on leave this week and will have a further meeting with her in due course. Explained meeting was for introductions and to hear from STUC on any issues would like to flag and give some consideration to what we might do together.

DM – welcomed the opportunity to meet and discuss. STUC are pleased to see Fair Work elevated to a Cab Sec portfolio once again, sends a clear message about priorities and pleased to see NG appointed to this position.

DM – noted that energy also sits in portfolio alongside fair work, another shared interest especially around Just Transition and Climate Change. No issues but keen to flag STUC support for JT Plan and work on keeping holistic approach to Just Transition across various bodies. Heartened to see £25 million, going into SNIB for energy. Noted may have a different view to SG in some respects, e.g. STUC have a strong position around public ownership. Also want to see boundaries stretched around fair work in the inward investment led energy transition.

NG – advised key principle is engagement and collaboration. Looking to build that sense of how we can work together. Aware aligned on wellbeing economy objectives, on making economy work for us.

NG – NSET reflects these shared ambitions, narrates from SG perspective what we are trying to achieve. There are some hurdles to get over but fair to say you have an ally in me. Fair Work principles are the right thing from an economic perspective, not just about people.

NG – stressed will continue to be advocate for Fair Work. There are many challenges, we are not in an easy space from a public finance perspective, but looking at what we can do to deliver on the FW agenda.

Both – noted the welcome contrast with UKG approach.

DM – expressed that comfortable with the space we are in with SG – we wont always agree but we will be respectful. Noted concern over Strikes Bill and that this is not going away. Referenced previous communication with Mr Swinney, keen to see how far SG can go and what might be able to imaginatively say about being opposed to it –would like to continue to discuss with NG.

NG – advised position has not changed, SG continues to vehemently oppose anti trade union legislation and concerned around constitutional implications. We will continue to call for devolution on employment powers. Advised door is open to listen to STUC concerns, very concerned about how damaging this bill could be, interfering in our ability to deliver public services.

DM – welcomed open door approach. Advised that previously STUC/Unite were engaged around hospitality, through various arms of the inquiry. Has been some close working with Mr McKee who took a particular interest in Fair Work in the sector – keen this continues.

NG – confirmed that tourism now sits with Richard Lochhead in his new portfolio.

DM – noted RL also has Greenports, that is a main interest for STUC also, other STUC key interests include Construction and Social Care.

NG – advised STUC would continue to have own relationships with other Ministers. That won't change but he will have oversight for Fair Work and wants to be aware of any issues. On NCS can say that still an ongoing commitment but we want to take people with us. Basic principles we agree on but recognise there are other parts to work through.

DM – acknowledged response – last points of note, STUC will look to press more on discretionary grants and get more in there around conditionality. Will have a lot to say about energy investment. Once of our main concerns is how SG funding is tied up in procurement and reserved employment law.

DM – noted Roz will have more to add on specific asks but hopefully has given flavour of STUC concerns/priorities.

NG – thanks DM and colleagues for time and stressed keen to maintain spirit of collaboration.

18 May 10:30 - 11:00 Meeting: Roz Foyer

Attendees:

Neil Gray (NG), Cabinet Secretary for Wellbeing Economy, Fair Work and Energy

Roz Foyer (RF), STUC Secretary General

Lewis Hedge (LH), Deputy Director Fair Work and Labour Market Strategy, Scottish Government

RF raised offshore wind strategy indicating that GMB and UNITE would welcome a discussion with NG regarding the green jobs strategy and Just Transition. Agreed.

RF raised NG's recent comments about looking to privatise Fergusons as soon as possible. GMB and UNITE would welcome a discussion around a long term plan for ferries building in Scotland. NG responded that subsidy control rules could prevent government from providing the levels of funding needed to sustain productivity growth and capital investment for the yard to be internationally competitive. If an offer came forward that is right for public purse, right for the yard, and right for shipbuilding on the Clyde, NG would be duty bound to consider. NG asked RF to reassure affiliates that Cab Sec's aim is to provide a long term future for the yard and is keen to meet workforce face-to-face at Fergusons.

Drumbeat of meetings – RF suggested moving away from set piece quarterly meetings with affiliates to ad hoc meetings on current issues, with quarterly focussed meetings between RF and NG. NG supportive.

Fair Work – RF proposed an early opportunity for action by NG, namely to introduce a reporting mechanism for FW breaches as part of Fair Work First. NG agreed to ask officials to consider and that STUC be able to take credit for any action taken. RF also raised the Fair Work Convention Construction Inquiry, looking for a more positive response from SG. NG indicated he is looking into this.

RF raised funding – Scottish Union Learning, Trade Union Modernisation Fund and Fair Work and Equalities Fund and examples of positive impact arising from these. NG explained the approach being take to the budget and that he expected to be able to advise on a decision soon. NG also commented that communications around the positive impact of funding awarded could be stronger.

NG raised a constituency matter regarding early learning and childcare at North Lanarkshire Council. Willing to support in MSP capacity.

Programme for Government Stakeholder Discussion – 05/09/2023

Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (NG) and Linda Somerville (LS) in lieu of Roz Foyer, STUC

NG: ASC pay increase £12 also ELC. Social investment and FW agenda. FM planting strong flag that care critical sector for labour market and growth. Was already pushing for a GIS when Just Transition rised at FM biannual discussion with STUC, now looking at what want for domestic supply chain, how to leverage investment, skills and what's needed for a Just Transition.

LS: welcome some of the commitments. ASC structural issues with roles that affect recruitment and retention so need to look in the round. Unions on working groups. ASC and ELC are infrastructure, connecting communities, support networks for work. Keen to talk about that more and government's stake in that. Private providers turning funding into profit, need to look at the direction of care in Scotland.

NG: fully cognisant of need for flexible childcare, need to ensure we get it right. Private sector provide a lot now, need to take it with us on the journey to increase capacity and flexibility - both currently insufficient. LG provision is both competitor and funder, so need clearer parameters around profit willing to tolerate and what expect in return. NSC is about more consistent approach across LG and private provision - outcomes, qualities, workforce T&Cs.

LS: mentioned private care home derecognising a trade union.

NG: very exercised about TU recognition, importance of effective worker voice.

LS: PfG is pro-growth, weaker on redistribution. Would like to see good policies that haven't yet been implemented - from Poverty Roundtable discussion. Particularly wealth redistribution

NG: Fiscal landscape very challenging. Hard to go further on income tax, particularly if cut coming in Westminster, given issues around divergence. And we don't get to retain all the tax revenue we raise. But unapologetically in favour of revenue we raise. Do bring suggestions of areas where we haven't implemented existing commitments.

LS: keen for affiliate to air FW issues and impact of conditionality on the ground. Will write into officials.

NG: yes in principle, noting diary heavily committed.

LS: apologies from Roz Foyer, currently giving evidence at Westminster

Minutes of meeting between the Minister for Community Wealth and Public Finance and the Scottish Labour Party (SLP) (Michael Marra MSP & Daniel Johnson MSP)

Date: 30/5/2023

Attendees: Minister for Community Wealth and Public Finance, Michael Marra MSP, Daniel Johnson MSP, **[redacted]**

The SLP raised the following matters on NDR:

- Issues over consistency and transparency of valuations
- Queried adequacy of assessor accountability and structure (14)/oversight
- Suggested alternative options to NDR e.g. land tax, wealth tax whilst recognising challenges in forecasting monetary impact in advance and stability of NDR revenue for government
- Supported conditionality of NDR reliefs e.g. to ratepayers paying the Living Wage