

EMAIL CHAIN 1

From: [redacted S.38(1)(b)]
Sent: Tuesday, September 10, 2024 4:24 PM
To: [redacted S.38(1)(b)]; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)]; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]
Subject: FW: John Hoy Award Outcomes - Shortlisting
Importance: High
Good afternoon all,

FYI - with huge thanks to [redacted S.38(1)(b)] and [redacted S.38(1)(b)], we've just heard that the extensive TIEs paper that was published back in April has been shortlisted for the John Hoy award for best piece of economic analysis across the Civil Service. Fingers crossed we're making a habit of being awarded for our devolved behavioural analysis!

All the best,
[redacted S.38(1)(b)]

EMAIL CHAIN 2

From: [redacted S.38(1)(b)]
Sent: Tuesday, September 24, 2024 5:54 PM
To: [redacted S.38(1)(b)] ; Gary Gillespie <Gary.Gillespie@gov.scot>
Cc: [redacted S.38(1)(b)] ; Kathy Johnston <Kathy.Johnston@gov.scot>; [redacted S.38(1)(b)]
Subject: RE: Competitiveness box

Hi all,

As [redacted S.38(1)(b)] says, the plan was to try and get an Insights report out at the turn of the month, so really at some point next week.

We have a working draft coming together through comments at the moment. The general structure is around 3-themes: (i) the improved economic landscape in 2024; (ii) the more stable outlook for growth and inflation and potentially stronger foundation for consumption, business investment and productivity growth; (iii) Ongoing economic risks, domestically around business concerns regarding costs and recruitment and internationally with geopolitical challenges and the risks to supply chains and trade.

There are then topical boxes on (i) sector GDP growth showing weakness in production and construction over past year while services sector has been a key driver; (ii) the Competitiveness material; (iii) disaggregation of the Scottish consumer sentiment indicator by age and gender; and (iv) potentially taxpayer migration, which might link into the competitiveness paper.

As I say, the Insights report is still going through initial comments, but I've included a link to the current working draft below (doesn't include all boxes at this stage). W.r.t the competitiveness paper, the idea was to publish this at the same time and have a link to it in the box in the Insights report.

We can discuss tomorrow timing and content implications around this?

Thanks

[redacted S.38(1)(b)]

EMAIL CHAIN 3

From: [redacted S.38(1)(b)]
Sent: Friday, May 31, 2024 2:22 PM
To: [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)]
Subject: Economic insights report

Hi [redacted S.38(1)(b)],

We are working on our next Economic Insights Report, although it is still a bit unclear when exactly it will be published given the UK election. As you know, we include short boxes on topical issues, and I was wondering if you wanted to include one on the HMRC results? It's perhaps a bit more micro than we often do, but can be framed in the context of labour markets, etc, and might give you the chance to write about it publicly in your own words.

Happy to discuss,

[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Monday, June 3, 2024 8:53 AM
To: [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Hi [redacted S.38(1)(b)],

I'm always keen to raise public awareness of this piece of research so I think that's a great idea.

I'll be on leave from June 12 but will try to pull together a draft before then.

Any specific thoughts from yourself or [redacted S.38(1)(b)] on what you would like covered other than framing in the context of labour market/supply?

I'll have a look at previous reports to check what boxes looked like but assume no more than a page and maybe one chart? Happy to take any suggestions on format and content before starting to draft.

Thanks,
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Monday, June 3, 2024 9:59 AM
To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Hi [redacted S.38(1)(b)]

How are you?

Can you give a wee bit background on the HMRC results for me please? – can't quite recall the angle of this work.

Is it on earnings and income tax side?

Thanks
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Monday, June 3, 2024 10:08 AM
To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Morning, [redacted S.38(1)(b)].

It's on taxpayer migration ('brain drain') and whether our tax policy changes have resulted in reduced net migration, especially amongst high income earners. So probably more a labour supply question than a focus on earnings.

I've attached the briefing note. Page 1-2 will give you the gist.

Thanks,
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Tuesday, June 4, 2024 5:54 PM
To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Thanks [redacted S.38(1)(b)],

This looks really interesting and as you say can be framed as a labour market/supply question, so I'm happy with that as the context.

Yes, 1-2 pages for boxes is fine with 1 or 2 charts to help illustrate. From my perspective, the background and key findings would be the main focus with relevant key details on the 2 studies, but happy to discuss.

Thanks
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Tuesday, June 11, 2024 7:57 PM
To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Thanks, [redacted S.38(1)(b)].

With many thanks to [redacted S.38(1)(b)] for his thoughts, I'm attaching a first draft but pretty happy to amend to ensure it fits into your overall narrative.

I'll be on leave from Wednesday (till June 24) so copying in [redacted S.38(1)(b)] in case you need anything in the meantime.

Thanks,
[redacted S.38(1)(b)]

Hi [redacted S.38(1)(b)],

Hope you're doing well.

The Economic Insights Report publication was delayed over the summer, however we are back drafting a version up for publication hopefully next week.

We'd still like to include the material on taxpayer migration which you and [redacted S.38(1)(b)] worked up.

Can you let me know if that's all still good to go please and I'll copy and paste the latest version into our draft?

Thanks
[redacted S.38(1)(b)]

Hi [redacted S.38(1)(b)],

Thanks for reaching out – I had totally forgotten about this piece we did for the Economic Insights report.

From my perspective, this should still be good to be published although we might have to re-create one of the charts which is currently just pasted in from the HMRC report.

[redacted S.38(1)(b)] – maybe something that you could do as data should be saved on the datashare.

[redacted S.38(1)(b)] – are there any firm plans to re-run the analysis on more recent outturn data or in the future when data on 2023-24 and 2024-25 becomes available? If so, worth flagging as part of this.

I also noted a previous comment that we might wish to run past HMRC out of courtesy and for final fact check.

Thanks,
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Tuesday, October 1, 2024 1:58 PM
To: [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Thanks [redacted S.38(1)(b)],

[redacted S.38(1)(b)] has been taking this forward and run past HMRC. We've also reformatted the chart.

Link to final version attached.

Happy to chat.

[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Tuesday, October 1, 2024 2:16 PM
To: [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Thanks, [redacted S.38(1)(b)] (and [redacted S.38(1)(b)]).

I had another read of this version and only added one very minor tweak. Not essential but flags that more outturn is now available.

It will be good to raise the profile of this research by putting a box into your report. When are you publishing?

Thanks,
[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]
Sent: Tuesday, October 1, 2024 5:43 PM
To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Cc: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]
Subject: RE: Economic insights report

Thanks [redacted S.38(1)(b)],

Change looks good.

Cheers,

[redacted S.38(1)(b)]

EMAIL CHAIN 4

From: [redacted S.38(1)(b)]
Sent: Thursday, September 26, 2024 4:18 PM
To: [redacted S.38(1)(b)]
Subject: Economic insights box on behavioural work - check

Hi [redacted S.38(1)(b)],

As discussed, attached is the box proposed for the Economic Insights publication next week. It should just be factual. Grateful to get any thoughts and comments?

The chart is still to be reformatted.

Cheers,

[redacted S.38(1)(b)]

EMAIL CHAIN 5

From: [redacted S.38(1)(b)]

Sent: Tuesday, October 1, 2024 10:54 AM

To: [redacted S.38(1)(b)]

Subject: RE: Economic Insights HMRC box - chart for reformatting

Hi [redacted S.38(1)(b)],

All looks good to HMRC, one minor correction on the income flow timing (it was just positive a year earlier than previously stated), attached is a corrected version.

Cheers,

[redacted S.38(1)(b)]

BRIEFING 1

Deputy First Minister Briefing for Scottish Property Federation's Policy Committee Meeting - 18 September 2024 – briefing extract

Tax Motivated Migration

- People base their decisions on where to live and work on a wide range of factors, not just the tax they will pay. In Scotland, people have access to a wide range of social security support and public services that go significantly beyond what is provided in other parts of the UK.
 - From the introduction of Scottish Income Tax in 2017-18, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year.
 - For the highest earning taxpayers, paying the Top Rate, net migration has also been positive since 2017-18, and sharply increasing since 2019-20.
 - More high earning taxpayers came to Scotland than left in 2021-22, the latest year for which we have data, increasing taxable income in Scotland increased by £200 million as a result of this positive inward migration.
-

BRIEFING 2

Draft Briefing pack for FPAC 8th October session – briefing extract

As the Fraser of Allander Institute recently noted, the majority of firms responding in the Scottish Business Monitor Q2 2024 survey reported experiencing no or only minimal impacts of our income tax policy decisions on their business. In 2021-22, the latest available year of data, net migration of taxpayers was positive across all tax bands and almost all age groups. **Full briefing can be found at Annex H.**

BEHAVIOUR CHANGE – TAXPAYER MIGRATION

HMRC research confirms that Scotland has attracted thousands of taxpayers from the rest of the UK since tax devolution, providing a welcome boost to our workforce.

- Since the introduction of Scottish Income Tax in 2017-18 until 2021-22 (latest data), more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year.
- In 2021-22, the latest available year of data, net migration of taxpayers was positive across all tax bands and almost all age groups.
- We will continue to prioritise our investment in public services so that Scotland remains a great place to live, work, study and do business in.

BEHAVIOUR CHANGE - TRANSPARENCY

We carefully consider the evidence on behaviour change as part of our decision making on Income Tax.

- Evidence on behaviour change resulting from our policies is entirely transparent:
- Since 2017 the Scottish Fiscal Commission has independently produced detailed public reports alongside the Budget which examine the behaviour change likely to result from any changes to policy.
- We published a policy evaluation in 2021 of the move to a five-band system, which found our policy had raised significant amounts of additional revenue after accounting for behaviour change.
- We have also funded HMRC to publish two separate pieces of research: a longitudinal dataset and a behavioural study measuring the impact of our Income Tax policies on taxpayer migration and labour market participation.
- I welcome any further suggestions from the Committee on how we can make the evidence on behaviour change resulting from our policies even more transparent.

MONITORING OF INCOME TAX CHANGES

We review a range of data and evidence throughout the year to help us understand the impact of tax decisions on the tax base.

- While income tax outturn data is only available at a long lag, a range of evidence sources build our understanding within the year.
- HMRC provide us with monthly data from the Real Time Information system covering the PAYE system, responsible for collecting almost 90% of Income Tax in Scotland.
- This allows us to monitor how taxpayer numbers, earnings, and tax are developing throughout the year for different sections of the tax base.
- As the SFC have noted, HMRC data shows growth in RTI tax receipts outperforming the rest of the UK in 2022-23 and 2023-24.
- We also engage and listen to business organisations frequently, to better understand the impact of policy decisions.
- These evidence sources supplement our understanding of how the tax base is evolving, combined with more formal research we support such as the HMRC taxpayer migration studies released earlier in the year.

EMAIL CHAIN 6

From: [redacted S.38(1)(b)]

Sent: Monday, September 30, 2024 4:42 PM

To: Deputy First Minister and Cabinet Secretary for Economy & Gaelic <DFMCSEG@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>

Cc: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; Communications Deputy First Minister, Economy and Gaelic <DFMEG@gov.scot>; Communications Finance and Local Government <CommunicationsFinanceandLocalGovernment@gov.scot>; [redacted S.38(1)(b)] ; Director of Economic Development <DirectorDED@gov.scot>; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; Stephen O'Neill <Stephen.O'Neill@gov.scot>; [redacted S.38(1)(b)] ; [redacted S.38(1)(b)] ; Colin Cook <Colin.Cook@gov.scot>; Director for Tax <DirectorforTax@gov.scot>; Emily Mackintosh <Emily.Mackintosh@gov.scot>; Ross Ingebrigtsen <Ross.Ingebrigtsen@gov.scot>; Jack Middleton <Jack.Middleton@gov.scot>

Subject: For Clearance - Media Query - Sir Tom Hunter comments on Economy/Tax/Entrepreneurship - Scotsman [redacted S.38(1)(b)], PO

CC PO Finance for awareness

The Scotsman will be running the below piece from Sir Tom Hunter tomorrow and have asked for comment for a related news story.

We've agreed the following response with Officials and SpAds. Grateful for DFM's clearance, please.

Deputy First Minister Kate Forbes said:

"Economic growth is a key priority and Ministers are working hard to maximise the economic opportunities that lie ahead.

“Scotland has the potential to be one of Europe’s fastest-growing start-up economies. I look forward to continuing working with Sir Tom Hunter, and private and public partners across the country, to continue supporting our entrepreneurs and start-up businesses scale-up, succeed and flourish.

“Scottish Income Tax policy protects those earning less and asks those earn more to contribute more, raising vital revenue to invest in our public services. We will continue to keep our tax policy under review to ensure it delivers for taxpayers and the wider economy. Recent HMRC research has shown that thousands more taxpayers moved to Scotland than left between 2017-18 and 2021-22.”

Background

Recent HMRC research has shown that thousands more taxpayers moved to Scotland than left between 2017-18 and 2021-22: Intra-UK migration of individuals: movements in numbers and income - GOV.UK (www.gov.uk)

Scottish Income Tax policy for 2025-26 will be announced during the annual Budget process.

Thanks

[redacted S.38(1)(b)]

FW: income tax lines - blair estate meeting briefing extract

TALENT ATTRACTION

Publication of research by HMRC confirms that Scotland has attracted thousands of taxpayers from the rest of the UK since devolution of Income Tax, providing a welcome boost to our workforce.

- Since the introduction of Scottish Income Tax in 2017-18 until 2021-22, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year.
- These are additional individuals who have joined Scotland’s workforce and contributed to Scotland’s economy.
- In 2021-22, the latest available year of data, net migration of taxpayers was positive across all tax bands and almost all age groups.
- We will continue to prioritise our investment in public services so that Scotland remains a great place to live, work, study and do business in.

EMAIL CHAIN 7

From: [redacted S.38(1)(b)]

Sent: Thursday, September 19, 2024 4:47 PM

To: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Subject: RE: Briefing for Alyson- 26 Sept CIPFA Conference

Something like the below cover this? Let me know any amends and I’ll send to Alyson at the start of next week.

Cheers,

[redacted S.38(1)(b)]

Impact of income tax divergence

- We continually review data and evidence to understand how this divergence is impacting the tax base in Scotland.
- In 2021, we published a policy evaluation of the switch to a five-band system. This found behavioural changes associated with the policy change were largely in line with what was expected at the time the policy was announced, and that it had raised significant additional revenue – estimated at £239 million in 2018-19.
- More recently, we funded HMRC to produce two papers on taxpayer migration across the UK published earlier this year.
- Since the introduction of Scottish Income Tax in 2017-18 until 2021-22, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year. In 2021-22, the latest available year of data, net migration of taxpayers was positive across all tax bands and almost all age groups.
- However, a separate study by HMRC provided some evidence of a reduction in net migration of higher rate taxpayers in 2018-19 after our move to a five band system, though no evidence that this persisted into the following year.
- Evaluating the impact of the most recent changes is more challenging at the current time. Income Tax data covering the entirety of the tax base is only available at a long lag due to the timing of self-assessment returns.
- However, we do receive monthly information from HMRC via the RTI system which tracks the PAYE system – responsible for collecting a little under 90% of income tax in Scotland.
- RTI data in 2023-24 showed....
- It's still too early to make any conclusions based on the data we have on 2024-25, but we will be closely monitoring metrics such as earnings and numbers of taxpayers in higher tax bands – and comparing these to what is happening in the rest of the UK to build our understanding.

From: [redacted S.38(1)(b)]

Sent: Friday, September 20, 2024 12:56 PM

To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]

Subject: RE: Briefing for Alyson- 26 Sept CIPFA Conference

Hi [redacted S.38(1)(b)], looks good I've made some additions and tweaks, see what you think.

Impact of income tax divergence

- We continually review data and evidence to understand how this divergence is impacting the tax base in Scotland.
- In 2021, we published a policy evaluation of the switch to a five-band system. This found behavioural changes associated with the policy change were

largely in line with what was expected at the time the policy was announced, and that it had raised significant additional revenue – estimated at between £239 and £245 million in 2018-19, although the study could not measure migration effects.

- More recently, we funded HMRC to produce two papers on taxpayer migration across the UK - these were published earlier this year.
- Since the introduction of Scottish Income Tax in 2017-18 until 2021-22, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year. In 2021-22, the latest available year of data, net migration of taxpayers was positive across all tax bands and almost all age groups.
- However, a separate study by HMRC provided some evidence that our move to a five band system may have resulted in a reduction in the net migration of Higher Rate taxpayers in 2018-19, although it could not find evidence that this persisted into the following year. The migration effects were in line with findings in the international literature and overall, evidence suggests that the 2018-19 policy still raised additional revenue for investment in public services.
- Evaluating the impact of the most recent changes is more challenging at the current time. Income Tax data covering the entirety of the tax base is only available at a long lag due to the timing of self-assessment returns.
- However, we do receive monthly information from HMRC via the RTI system which tracks the PAYE system – responsible for collecting almost 90% of Income Tax in Scotland.
- RTI data in 2023-24 saw broad based growth in Scottish PAYE Income Tax receipts, outperforming the rest of the UK for the second year in a row, with tax receipts per head growing the fastest since data has been available in 2017-18.
- It is still too early to draw firm conclusions about 2024-25. Scotland is currently outperforming rUK albeit by less than in 2023-24. We are working closely with HMRC, and will continue to monitor developments through metrics such as earnings and growth by band against rUK to continue to build our understanding of tax performance in-year.

Cheers,
[redacted S.38(1)(b)]

EMAIL CHAIN 8

From: [redacted S.38(1)(b)]

Sent: Thursday, September 26, 2024 2:27 PM

To: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Subject: RE: Briefing Contribution Commission - DFM - Scottish Engineering - 10 October

Hi [redacted S.38(1)(b)],
Please see the below lines as requested.
Thanks,
[redacted S.38(1)(b)]

Top Lines

Income Tax policy for 2024-25 builds on our progressive approach to tax, protecting the majority of households, while supporting investment in our public services and the social contract.

- This social contract ensures people of Scotland benefit from a wide range of services and social security payments not provided elsewhere in the UK, including our flagship Scottish Child Payment, free prescriptions and free higher education.
- Our decisions on tax have been taken in a challenging period of continued high inflation, alongside severely constrained funding settlements from the UK Government.
- The SFC have estimated that our Income Tax policy choices since devolution, will raise an additional £1.5 billion in 2024-25, compared to if we had matched UK Government policy.
- Our forthcoming Tax Strategy will lay out our ambition for a tax system that delivers the stability and certainty that businesses need to plan and invest.

Taxpayer Impacts

Our Tax proposals in the 2024-25 Budget are highly progressive, asking those who can, to contribute more.

- We estimate that just over half of taxpayers will continue to pay less Income Tax in Scotland than in the rUK.
- Only taxpayers earning significantly above forecast median income of £28,200 will pay more Income Tax in 2024-25 with the new Advanced rate only being paid by those earning above £75,000.
- The introduction of the new Advanced rate is estimated to impact only the highest earning 5% of taxpayers in 2024-25.

Taxpayer Migration

Since the introduction of Scottish Income Tax in 2017-18, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year.

- These are additional individuals who have joined Scotland's workforce and contributed to Scotland's economy.
- For the highest earning taxpayers, paying the Top Rate, net migration has also been positive since 2017-18, and sharply increasing since 2019-20.
- In 2021-22, the latest available data, taxable income in Scotland increased by £200 million as a result of this positive inward migration of taxpayers.

- We will continue to protect our investment in public services so that Scotland remains a great place to live, work, study and do business in.

[redacted S.38(1)(b)]

EMAIL CHAIN 9

From: [redacted S.38(1)(b)]

Sent: Wednesday, October 9, 2024 10:01 AM

To: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Cc: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Subject: City of London - Policy Chair Chris Hayward Meeting with the First Minister (9th October, 13.15 - 14:00) - Request for Lines

Importance: High

Hi Everyone,

We have had a last minute request in from FMPO for lines in response to the article below in relation to comments the Policy Chair at City of London Chris Hayward has made in the article below published by the Scotsman on the impacts from differences in income tax between Scotland and England.

SNP must narrow Scotland-England income tax gap in Budget, says City of London (scotsman.com)

These comments are similar to those that have been raised previously by the Financial Services Sector. The First Minister is due to meet the Policy Chair this afternoon at parliament (13:15) where this issue may be discussed.

Would you be able to provide some lines in response to the comments raised around tax policy in the article that we can share with FMPO by 11:30 at the latest (apologies for this short deadline we have only just been sighted on the article)

Happy to discuss and chat through anything on this.

Many thanks,

[redacted S.38(1)(b)]

From: [redacted S.38(1)(b)]

Sent: Wednesday, October 9, 2024 11:12 AM

To: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Cc: [redacted S.38(1)(b)]; [redacted S.38(1)(b)]

Subject: RE: City of London - Policy Chair Chris Hayward Meeting with the First Minister (9th October, 13.15 - 14:00) - Request for Lines

Hi [redacted S.38(1)(b)],

Hope you're well, please see the below lines. The following article, published yesterday, may also be of interest as background context on migration to Scotland: Scotland's population rising at fastest rate since 1940s - BBC News

Thanks,

[redacted S.38(1)(b)]

Response

- People choose where to live and work on a range of factors, not just tax. In Scotland, people have access to a range of services not provided elsewhere such as free prescriptions and free higher education.
- Our Income Tax decisions balance the need to support households through a challenging economic period, while raising revenue to sustain our investment in public services.
- We closely monitor the impacts of our policy decisions on taxpayers, businesses, and the economy using a range of evidence such as real time economic data, formal evaluations and engagement with stakeholders, including the business community.
- Since the introduction of Scottish Income Tax in 2017-18, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year. In 2021-22, the latest year of data, net migration of taxpayers was positive across all tax bands and almost all age groups.
- Our forthcoming Tax Strategy will support more transparent and consistent decision-making on tax policy in Scotland. It aims to provide more certainty for taxpayers and will include a focus on improving how we approach evidence and evaluation of our Income Tax policies.

[redacted S.38(1)(b)]

EMAIL CHAIN 10

From: [redacted S.38(1)(b)]

Sent: Wednesday, September 4, 2024 9:40 AM

To: [redacted S.38(1)(b)] ; [redacted S.38(1)(b)]

Subject: RE: DFM meeting with Scottish Property Federation - request for briefing by 7 Sept

Hi [redacted S.38(1)(b)],

With thanks to [redacted S.38(1)(b)], please find our contribution below:

Income Tax

- Income Tax policy for 2024-25 builds on our progressive approach to tax, protecting the majority of households, while supporting investment in our public services and the social contract.
- We estimate that just over half of taxpayers will continue to pay less Income Tax in Scotland than in the rUK.
- Our decisions on tax have been taken in a challenging period of continued high inflation, alongside severely constrained funding settlements from the UK Government. We have not taken these decisions lightly and we recognise the challenging economic conditions that many people and businesses are continuing to face.

- The SFC have estimated that our Income Tax policy choices since devolution, will raise an additional £1.5 billion in 2024-25, compared to if we had matched UK Government policy.
- The introduction of the new Advanced rate has further enhanced the progressivity of our tax system, while raising valuable revenue to invest in public services and our social contract with the people of Scotland.
- This social contract ensures that the people of Scotland benefit from a wide range of services and social security payments which are not provided elsewhere in the UK, including our flagship Scottish Child Payment, free prescriptions and free higher education.

TAX MOTIVATED MIGRATION

- People base their decisions on where to live and work on a wide range of factors, not just the tax they will pay. In Scotland, people have access to a wide range of social security support and public services that go significantly beyond what is provided in other parts of the UK.
- From the introduction of Scottish Income Tax in 2017-18, more taxpayers have come to Scotland than have left, with net inflows averaging almost 4,200 per year.
- For the highest earning taxpayers, paying the Top Rate, net migration has also been positive since 2017-18, and sharply increasing since 2019-20.
- More high earning taxpayers came to Scotland than left in 2021-22, the latest year for which we have data, increasing taxable income in Scotland increased by £200 million as a result of this positive inward migration.

Future policy

- Scottish Income Tax policy for 2025-26 will be announced during the annual Budget process.
- Our forthcoming Tax Strategy will also be published alongside the 2025-26 Budget and will lay out our ambition for a tax system that delivers the stability and certainty that businesses need to plan and invest.
- The work of the Tax Advisory Group will support the further development of our strategic approach to taxation in Scotland.
- The Tax Advisory Group will help ensure we have a tax system that is fair and allows us to continue to deliver high-quality public services and keep our finances on a sustainable footing.