



## Parliamentary briefing Budget Priorities 2025-26 8<sup>th</sup> October 2024

### Key points

- The people of Scotland do not want a Scottish Government that is simply an administrator of cuts. They want politicians to use their tax powers to invest in the services we rely on.<sup>1</sup>
- While the STUC support further devolution of powers to the Scottish Parliament including additional borrowing powers and employment rights, our research shows that £3.7 billion a year could be raised using existing powers.<sup>2</sup>
- New levies and charges, including a private jet tax, could play an important role in raising revenue, but fundamental changes to property and wealth taxes is also needed.
- A proportional property tax of 0.7% could raise £783 million more for local authorities whilst also giving the most hard-pressed households a rebate. But this reform, or any other, can only proceed following a revaluation of property across the country.
- UK household wealth is now more than 600% of GDP, up from 300% four decades ago. But while wealth has rocketed, wealth taxes, as a proportion of GDP, have barely moved.
- The recent Labour and SNP conferences both voted in favour of a wealth tax. Ordinary party members know what is needed – and it is time party leaders follow suit.
- With an ageing population and rising delivery costs, pressures on the public purse will only build. The Scottish Fiscal Commission has warned that, without action, Scottish Government spending is projected to exceed estimated funding by £1.5 billion a year.<sup>3</sup>

### Raising taxes to deliver for Scotland

Published ahead of last year's Budget, STUC's report 'Raising Taxes to Deliver for Scotland' outlines several ways in which Scotland's tax levers could be used to raise £3.7 billion worth of investment. This includes income tax reforms on those earning more than £40,000, scrapping the Small Business Bonus Scheme<sup>4</sup> and replacing it with a better targeted scheme of relief for Fair Work employers, a super tax on private jets, a carbon emissions land tax, a Land Value Tax for commercial land, replacing the council tax with a property tax, and introducing a local wealth tax.

The elements of the package of tax increases which can be modelled are distributionally progressive whether measured by household wealth or household income. Taken together, £3.7 billion could fund 82,000 public sector workers in Scotland.

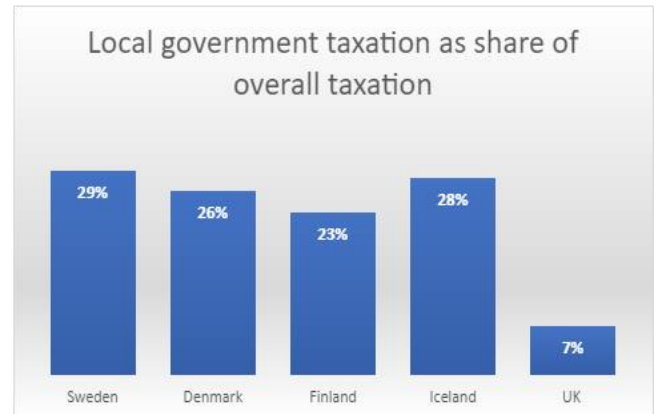
### Local tax reform

The council tax is unfair, inadequate and outdated. In Inverclyde, the average Council Tax bill for 2023/24 is £1,158 which is 0.87% of the average house price in mid-2023. By comparison, in the City of Edinburgh the average Council tax bill of £1,484 is 0.44% of the average house price – only half as much as in Inverclyde. Bandings are based on valuations from 1991 – more than three

decades out of date. Meanwhile, Scottish Government policy to hold down council tax bills since 2007/08, has led to a 'council tax gap' of more than £800 million with the rest of the UK.

There is a fundamental need for local tax reform if we are to tackle inequality and raise revenue to put our public services on a sustainable footing. Put simply, you can't have Scandinavian levels of public services with Scottish levels of local taxation.

A proportional property tax of 0.7% could raise £783 million more for local authorities whilst also giving the most hard-pressed households a rebate. But this reform, or any other, can only proceed following a revaluation of property across the country.

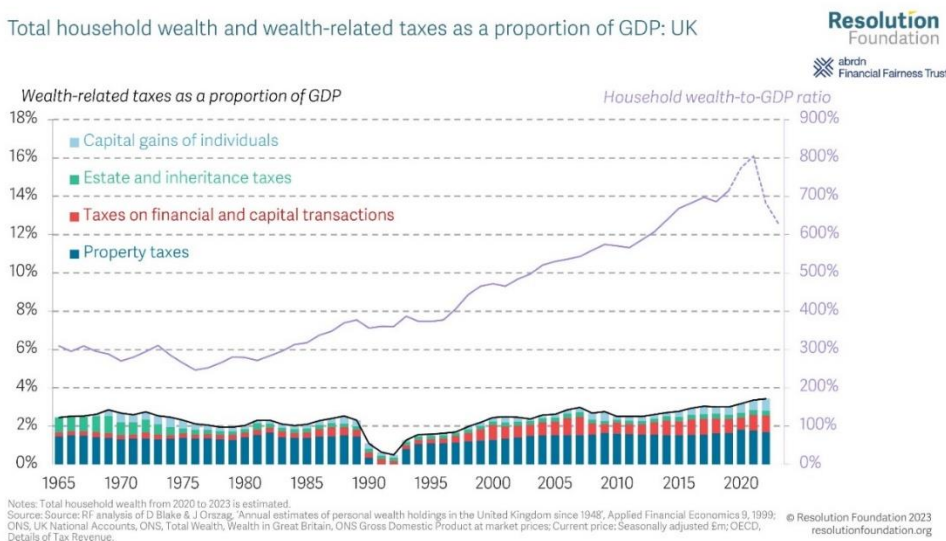


Author's analysis of Eurostat and IFS data <sup>5</sup>

## Taxing wealth

UK household wealth is now more than 600% of GDP, up from 300% four decades ago. But while wealth has rocketed, wealth taxes, as a proportion of GDP, have barely moved.

Total household wealth and wealth-related taxes as a proportion of GDP: UK



The Scottish Government has the power to introduce a tax on wealth, provided this is implemented as part of the local tax system rather than a national tax. This may require HMRC support, but if the Scottish Government was to call on the UK Government to enable this – it would have the full support of the Scottish trade union movement.

### For further information contact:

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<sup>1</sup> <https://www.gov.scot/publications/ministerial-scottish-budget-2024-25-attitudes-tax-public-engagement/pages/2/>

<sup>2</sup> <https://www.stuc.org.uk/resources/scottish-tax-options.pdf>

<sup>3</sup> <https://www.fiscalcommission.scot/fiscal-sustainability-report-shows-tough-decisions-for-scottish-government/>

<sup>4</sup> Independent analysis found no 'empirical evidence that identifies the SBBS as supporting enhanced business outcomes' <https://www.gov.scot/publications/evaluation-small-business-bonus-scheme/>

<sup>5</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax\\_revenue\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics) and <https://ifs.org.uk/taxlab/taxlab-key-questions/where-does-government-get-its-money>