

A budget for real change

Progressive proposals to invest in Scotland's public services and tackle inequality



Scottish Labour's call for a budget for real change

The SNP's budget as it stands does not halt austerity in Scotland, and will just mean more cuts to hard pressed public services and see more children fall into poverty.

Our five budget tests

Richard Leonard has set out five tests for the Scottish budget which have not been met:

1. Does it stop Tory austerity?
2. Does it tackle the shameful growth of poverty?
3. Does it redistribute wealth?
4. Does it redistribute power?
5. Does it grow the economy for the many and not just the few?

Labour's proposals for an alternative budget pass these tests, and we will look to build a majority in parliament for these ideas.

Labour's alternative plan for the budget would deliver a near £1 billion stimulus for the Scottish economy, by saving lifeline local services, increasing Child Benefit by £5 a week to put money back into the pockets of working class families and deliver an extra £100 million for our NHS.

Labour's budget proposals would also mean a fully funded pay rise for public sector workers.

A more radical approach on income tax than the SNP

The top one per cent in Scotland own more wealth than the bottom 50 per cent put together, but the SNP's proposals on income tax tinker around the edges, putting only a penny on the top rate.

Labour's radical alternative matches the SNP's starter rate, but drops the threshold for the 45 pence rate to those earning over £60,000 and introduces a new 50p rate for those earning over £100,00.

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

The Scottish Parliament Information Centre (SPICe) have estimated that Scottish Labour's proposals would raise an additional £540million in comparison to the Scottish Government's draft budget 2018-19.

SNP Draft Budget proposals	Revenue per pound
£11,850 - £13,850	19p
£13,851 - £24,000	20p
£24,001 - £44,273	21p
£44,273 - £150,000	41p
Above £150,000	46p

SPICe have used Euromod to model the tax rates and bands. Euromod is a tax-benefit microsimulation model which considers the impact of changes in taxes or benefits on individuals and households in Scotland. These estimates have then been applied to Scottish Fiscal Commission (SFC) tax revenue forecasts to provide estimates of the monetary impact of the proposals. In its December 2017 forecasts, the SFC estimates that Scottish non-savings non-dividend (NSND) income tax receipts in 2018-19 will be £12,115m.

Who will pay more?

The richest

The table below shows average earnings across various occupations showing the weekly difference on financial year 2017-18 in tax paid for both SNP tax proposals and Labour tax proposals:

Occupations (average across professions)	Earnings (gross annual)	SNP proposal change on 2017/18 (per week)	Labour proposal change on 2017/18 (per week)
Nursing Assistant, Childminder	£20,000	+£1.73	+£1.73
Local Government administrative occupation, Bank and Post Office Clerk	£25,000	+£1.54	+£1.54
Nurse	£30,000	+£0.57	+£0.57
Primary School Teacher, Social Worker, Paramedic	£35,000	-£0.38	-£0.38
Solicitor, Police Officer, Secondary School Teacher, Chartered Accountant	£40,000	-£1.35	-£1.35
Head Teacher (primary school), Train Driver, Financial Institution Manager & Director	£50,000	+£1.63	-£5.63
Senior Police Officer, MSP	£60,000	-£0.29	-£7.56
Marketing & Sales Director, Medical Practitioner (GP or Surgeon)	£70,000	-£2.21	-£17.17
Air Traffic Controller, Senior Manager and Director (above median)	£80,000	-£4.13	-£26.79
Chief Executive, Airline Pilot	£90,000	-£6.06	-£36.40
Partner in some professional services firms, Chief Executive of larger organisations	£150,000	-£17.59	-£142.17

Source: Based on ASHE (Annual Survey of Hours and Earnings) 2016 table 14.7a. Income rounded to nearest £5,000 or £10,000

Labour's income tax plans would lower inequality

SPICe has confirmed that the inequality measure - the GINI coefficient - would fall by a greater level under our proposals than the current SNP income tax proposals.

The GINI coefficient is a measure of how equally income is distributed across a country's population. The most recent data show the GINI coefficient was 34 in 2015/16. This was an increase from 31 in 2014/15, due to increase in the income at the top of the distribution and decreases at the bottom.

- GINI for Scottish Government 2018-19 proposals: 0.3087
- GINI for Scottish Labour 2018-19 proposals: 0.3043

So Labour's proposals would lead to lower inequality as measured by GINI than the SNP's 2018-19 proposals.

Labour's spending priorities

Labour's priorities	Cost (£m)
Saving lifeline services (includes pay deal for councils)	545
Top up Child Benefit by £5 a week	256
Extra funding for the NHS (includes funding pay rise)	100
Funding public sector pay increase for other public sector workers	60
Total	961

Saving lifeline local services

The Convention of Scottish Local Authorities (COSLA) said that they needed £545million to protect lifeline services, Labour's funding package would deliver that, through a combination of increased central funding and devolution of revenue raising powers. Labour would fund a pay rise for local government workers, unlike the SNP who expect councils to fund this from their already squeezed budgets.

Local services have been cut by £1.5billion since 2011, and the knock of effect has been felt across services including schools and social care.

Increasing Child Benefit by £5 per week

Over 260,000 children in Scotland are living in poverty. Under the radical new powers of the Scottish Parliament, we could increase Child Benefit.

This move would lift 30,000 children out of poverty and help with the cost of living for families on a financial cliff edge.

This policy is supported by Labour, the Scottish Greens and the Give Me 5 campaign – a coalition of charities, churches and anti-poverty groups.

£100m more for the NHS

2018 has brought the worst A&E performance figures on record, and it is clear our health service is struggling to cope with additional demand.

Labour's alternative revenue package would allow for a £100m injection of cash into the health service, funding a pay rise and putting more money into the health budget.

A fully funded public sector pay rise

Public sector workers have faced years of real terms cuts to their wages thanks to the public sector pay cap. The current SNP proposals do not fully fund a pay rise. Labour's proposals will.

A radical package of revenue raised

In addition to our tax plans, this further investment could be delivered by making more radical decisions on income tax and delivering new economic powers to local authorities:

Revenue source	Amount (£m)
Income tax (above SNP plan)	540
Tourist Tax	70
Land Value Tax	75
Social Responsibility Levy	101
Non Domestic Rates pool	176
Total	962

Re-empowering local government

The Tourist Tax

Scottish Labour believes that power should be devolved to local government to charge a Tourist Tax on each hotel night per person.

Local authorities across Scotland have called for these powers for a number of years. Cities around the world charge a Tourist Tax on overnight stays; our proposal gives Scottish tourism destinations the power to raise up to £70m extra each year.

Countries and jurisdictions around the world apply some form of tax on tourism or visitors – generally in the form of a charge per night spent in commercially operated accommodation. This power allows local authorities to ensure that everyone who uses local services, facilities and infrastructure, can make their contribution to maintain facilities.

In France this ranges from 0.2 Euro to 1.5 Euro in a top grade hotel. Catalonia has recently introduced such a tax where in Barcelona the tax ranges from €2.25 in luxury hotels to €0.65 in self-catering.

California operates a tax on tourism related businesses; where the revenue is used to fund Visit California.

For example, a tax charged to each stay per night per person, of a maximum of £2 per night allows up to £70 million to be raised per annum.

A Tourist Tax will broaden the tax base for local government and was considered by the cross-party Commission on Local Tax reform.

Land Value Tax on vacant or economically inactive land

Scottish Labour believes in devolving the power to local authorities to tax more than 10,000 hectares of vacant, economically inactive land and to give them greater power to fund their services.

Local authorities would have the right to decide if they would use this power and the rate charged, limited to a maximum 4% of the value, allowing an annual revenue potential of £75m.

It would not apply to land with non-derelict buildings or facilities located on it or used for any purpose such as agriculture, recreation or sport.

Vacant land is failing to contribute to Scotland's economy; this provision would promote better use of our finite resources and make good use of this inactivity.

The Scottish Government quantifies the amount of unused land annually, allowing Scottish Labour to determine which local authorities can raise up to £70m per annum.

A Land Value Tax enhances and broadens the tax base across Scotland.

The main beneficiaries would be the cities of Glasgow and Dundee and several areas affected by industrial decline.

With a 3% tax Dundee could gain £29 per capita and Glasgow £19 per capita as compared to a Scottish average of £10.77.

If the tax encourages development it will reduce its own tax base which in turn will increase tax revenue from economic activity and support development goals.

Social Responsibility Levy

Provisions for a Social Responsibility Levy were included in the Alcohol Scotland Act 2010 and are general in scope but may apply to any licensed premises.

A levy calculated on alcohol sales and based on duty receipts to HMRC and linked to sales by individual licensed premises appears fairer and, with reservations, was accepted as being fairer by the Federation of Small Business in their response to the 2011 consultation on the Levy.

Scottish Government statistics show that total alcohol sales in Scotland in 2014 were equivalent to 4,500 million units of alcohol. The division between outlets was 28% on trade (pubs etc.) and 72% off trade.

A Social Responsibility Levy could be applied to all licensed premises and require a payment per unit of alcohol sold through those premises.

Assessment for the Levy could be based on a periodic return listing sales of drinks by recognised categories already used in official data (spirits, wine, cider beer, RTD etc.). Given that unit alcohol content of all retailed drinks is stated on sales material and given the detailed level of stock control in the licensed sector this should be relatively straightforward to set up.

Research commissioned by Scottish Labour in 2016 on a Social Responsibility Levy shows the different rates and revenues that could be applied:

Rate per Unit Alcohol Sold	Revenue (£m)
£0.01	45.9
£0.011	50.5
£0.022	101

The alcohol sales data indicates that 90% of the levy would be attributable in almost equal proportions to sales of wine, beer and spirits (the rest being cider, fortified wines, RTDs).

As alcohol consumption per capita does vary across Scotland to some degree (being about 10% higher in central Scotland than in the rest of the country) there will be some variation in potential revenue. This is likely to favour relatively deprived areas.

Non-Domestic rates pool

We believe the pool of Non-Domestic Rates income (NDRI) should be used to its full amount.

The Draft Budget 2018-19 shows that there is forecast NDR income of £2,812m against a Distributable Amount to local authorities of £2,636m. There is therefore £176m available to distribute further to local government.

During last year's budget, Derek Mackay relied upon the NDR pool as part of his Budget deal with the Greens.

As SPICe note: "Over half of this package (£125m) was found from underspends from the previous year being carried over into 2017-18; £60m came from the non-domestic rates pool; £29m from revenue raised by lowering the higher rate threshold relative to the initial draft budget proposal; and £6m from lower than expected borrowing costs." (<https://spice-spotlight.scot/2018/01/16/budget-2018-19-where-now/>)