

Kenneth Sutherland submission received: A Scottish approach to taxation call for evidence

I would like to make some suggestions as to how Scotland can be a better/fairer nation by changing its tax laws.

What it really needs to do is to be very different to the other nations in the UK otherwise people will simply look at a base rate and say Scotland has an extra 1% tax therefore I'm not going there without realising that the extra 1% is more than made up for in the free eye tests, free prescriptions etc.

There was a policy that came out from the party RISE during the last election. I didn't agree with it, but I think it makes for a good explanation as to how looking at the same thing can be so radically different.

This was RISE's proposed policy

- between £0 - £10,000, will be tax free;
- between £10,000 and £30,000 will be taxed at 4.5 per cent;
- between £30,000 and £40,000 will be taxed at 15 per cent;
- between £40,000 and £50,000 will be taxed at 18 per cent;
- between £50,000 and £90,000 will be taxed at 21 per cent;
- above £90,000 will be taxed at 23 per cent.

Now by going over some examples I can show how different takes on the same values can make the difference between a fair tax and an unfair tax.

If the tax is based on personal incomes (which it generally is at the moment) even though we on the whole live in shared households -

Two people in a house – one earns £40001 and the other doesn't (say for example stays to look after children) = 18% due on that = **£7.2K**

Two people in a house – one earns £29999, the other also earns £29999 = 4.5% = **£2.7K**

This shows how unfair basing it on personal income is, households with more pays a lot less.

Scotland must change from this.

Same situation based on combined household income

Two people in a house – one earns £40001 and the other doesn't (say for example stays to look after children) = 18% due on that = **£7.2K**

Two people in a house – one earns £29999, the other also earns £29999 = 21% = **£12K**

Shows a much fairer split, the house with more, pays more.

Finally if based on combined household income divided by number of working age adults (say excluding students or similar). So as if tax burden shared among all eligible tax payers in the house.

Two people in a house – one earns £40001 and the other doesn't (say for example stays to look after children) = average of about £20k per adult, so two lots 4.5% = **£1.8k** (£900 each)

Two people in a house – one earns £29999, the other also earns £29999 = 4.5% each = **£2.7K** (£1350 each)

So three different ways to look at the same values and each presents very different results. **The final example is where I feel Scotland should be looking to go** and this provides a very good proportionate amount to pay while at the same time making Scotland very attractive for working families and for those wishing to raise children – which Scotland desperately needs to address the growing elderly population.

Why go for a household based tax split across the tax payers?

Now I stay in a small but friendly street and the vast majority of "families" on our street are single parents and you can really see the impact it has on the kids. If for example a tax was to be aimed at families/households then that could give a huge financial incentive for families to stay together. Too often it's so easy for either party to walk away - which is not only costly personally, but also for the state. I know those single parents end up having to get more state aid and then you have divorce costs, family issues, school issues etc. Single families cost everyone more, and not just financially.

Household based tax would be great to relieve childcare issues. The government are making big steps to improve this, but there is one massive area where they are missing out. The actual mums (and sometimes dads) themselves! Now not every mum wishes to look after their own kids, but those that do have to go to work and end up paying huge costs for care (as does the Gov). The more 'free' care you provide the more expensive it becomes because of shortages.

My wife used to be a fully registered childminder so that she could get some money while looking after our child but you can't get paid to look after your own child – even if that's your business. If she had given him to another carer she would have opened up a space in her business which ultimately would cost the Gov more money and on the whole mums/dads are going to look after their children better than paid for services.

So using the household tax system shared between tax paying adults they will equally share the tax burden which make it much more affordable for a parent to stay at home fulltime or both parents to do part time jobs and share the childcare between them.

Benefits –

- You'd enable more parents to look after their own children.
- You'd lower the pressure on existing nurseries.
- This would lower the costs as demand wouldn't be outstripping supply (reduce gov bill also).
- Children get much more personal care with a parent compared to say a full nursery.
- Children that get a better start go on to do better and so it goes on.
- Also if it can reduce pressure on families finance's which are generally at their greatest when a couple have young children then that may also help in general family life (i.e. reduce splits/divorce).
- More affordable for families means more families, which means more balanced demographic. In turn more tax, bigger economy etc.

Conclusion

Be radical, make Scotland a tax family friendly place. Enable more people to have families and give them the choice through taxes as to what they do.

Is it fair when tax is based on personal allowances and yet we on the whole live together? Loneliness is a growing issue (NHS costs etc), make it better for people to stay together through their whole life.

This can also feed into the council tax proposals. As the household income levels are known and this can be used in conjunction with the house value then an appropriate and proportionate value of local tax can be reached. So if say 50% of local income tax was based on the value of the home and the other 50% was based on the household income – therefore the rich couple in the £1M+ house will pay a very large amount, whereas a pensioner (with minimal income) that also lives in the same style of house will pay a large amount due to the size of the house, but it will be reduced as they have minimal income. If someone is able to stay in a very large house then they have to accept it will cost them and they should live within their means.

So this is how I think Scotland can differentiated itself with tax, be fair, be radical and grow our country. How this can be achieved I do not know, but it should be the goal to be reached.

Thanks Kenneth Sutherland