



The Church of Scotland

Church and Society Council

Official Response

SUBJECT: A Scottish approach to taxation
REQUESTED BY: Scottish Parliament Finance Committee
REFERENCE: OR-2016/05
DATE: 30 September 2016
SUBMITTED BY: Chloe Clemmons on behalf of the Church and Society Council,

Introduction

In 2015 - 2016 the Church and Society Council of the Church of Scotland undertook “Speak Out: 10,000 voices for change”, a process which listened to nearly 11,000 individuals from churches and communities across Scotland, and heard their hopes and concerns for Scotland and the world. From our analysis there were two immediate conclusions.

An overwhelming number of responses emphasised that the way people fail to relate to one another is a key cause of injustice, inequality and unfairness. Correspondingly, changing the way we relate is a primary solution.

Secondly, a large number of responses highlighted that the need to tackle poverty and systematic injustice in Scotland and around the world, was a prominent concern. Two of the specific themes the Church of Scotland will focus on in future work derived from this consultation are “Creating an Economy driven by Equality” and “Doing Politics Differently”. In both these areas of work, the establishment of a fair and proportionate system of local and national taxation, that includes high levels of public engagement, was identified as essential.

The Church of Scotland has reflected long and hard on the issue of taxation and the part it plays in the creation of a fair and just economic system. In the report, *A Right Relationship with Money*, it states, “Our starting point is to ask what the economy is for...Love for our neighbours is the ultimate test of our economic arrangements. All economies are embedded in social relationships.”¹ Taxation is a significant part of our economic system; it is how we as individuals contribute to shared services such as health, welfare and education that we all depend on. It is also a mechanism for the Government to generate social change. These issues

¹ A Right Relationship with Money; the Report of the Church of Scotland Special Commission on the Purposes of Economic Activity, May 2012
http://www.churchofscotland.org.uk/data/assets/pdf_file/0009/9765/Economics_Commission_email_and_web_version.pdf

are explored more fully in the Church of Scotland's 2015 report, *Common Wealth? Sharing through tax and giving*². The report concluded that there is a need for a national debate about tax, giving and wealth sharing in the context of economic and social inequality. As such we welcome the Finance Committee Call for Evidence as part of this conversation.

Within this context, the Church of Scotland is pleased that the Scottish Government and Parliament are discussing Scottish taxation policy as one which is guided by principles. We fully support this approach to taxation policy. We would suggest that alongside the principles outlined by the Scottish Government there is a deeper value and principle that taxation should be used as a key vehicle to enable the Scottish Government and Parliament to deliver social, environmental and economic policy to deliver a fairer Scotland in a fairer world.

How does the current taxation regime and proposals for newly devolved taxes align against these four principles?

The Church and Society Council recently responded to the Scottish Government consultation on a Scottish replacement to Air Passenger Duty. It is disappointing that the proposals around Air Passenger Duty failed to acknowledge the environmental impact of increased air travel. We hope that the Scottish Government will consider the wider social, ethical and environmental implications of practical decisions around taxation.

The Council has also responded to the Scottish Parliament Local Government and Communities Committee call for evidence on the Council Tax (Substitution of Proportion) (Scotland) Order 2016. It is of great concern that the proposals around Council Tax did not seem to be proportionate to ability to pay. We encourage the Government to bring forward local and national taxation proposals that are in keeping with the four principles, which are intended to underpin their approach to taxation policy.

The Scottish Government should ensure that the tax system is used to promote the reduction of wealth and income inequality.

² Section 4.9.4.1, Church and Society Council, available to download here: http://www.churchofscotland.org.uk/_data/assets/pdf_file/0020/27119/2015_Vol_I_Blue_Book.pdf (Accessed 28 September 2016)