

Growing Up: A Corporation Tax For Scotland

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i. Executive summary

Scotland needs to attract more taxpayers and, in particular, more high earners. To do this we need a thriving, competitive and incentivised economic climate that encourages entrepreneurs and the creation of new businesses.

When compared to other parts of the UK, Scotland is frequently in the top three performing regions, behind London and the South East.

However, as Reform Scotland demonstrated in *The State of Scotland's Economy* (2017) and *Beyond Holyrood* (2019) reports, when it comes to the number of businesses per capita Scotland sits near the bottom of the table, behind every other area apart from the North East.

Scotland is also facing demographic pressures, with a rising number of older people, a falling proportion of working-age people and an increase in the dependency rate.

These facts will have a major impact on the nation's future and cannot be ignored.

Reform Scotland has always believed that more fiscal powers should be devolved to the Scottish Parliament so it is responsible for raising more of what it spends. This paper, therefore, argues that devolving corporation tax to Scotland in order to attract more and higher earners would help to address these issues.

Findings

- The biggest area of expenditure in Scotland in 2018/19 was social protection, which accounted for 32% of all public spending, nearly double that spent on health.
- The state pension is by far the biggest single expense within social protection spending in Scotland and has increased by 11% in the last four years. The amount spent on the state pension alone was only slightly less than the amount spent on education and training. (£8.146bn compared to £8.487bn)
- Scotland is facing demographic challenges and an aging population. Its working-age population is projected to stall by 2043, whereas there is expected to be an increase in the working-age population across the UK as a whole. The UK's population is growing faster than Scotland's and consequently Scotland's share could fall from its current 8.2% to 7.7% by 2043.
- In 2017/18, 0.6% of taxpayers in Scotland were additional rate (AR) payers, compared to 1.1% for the rest of the UK (rUK).

- Scotland is more reliant on basic rate payers, who in 2017/18 contributed 44% of all non-savings, non-dividend (nsnd) income tax. AR payers contributed 16%. In rUK basic rate payers contributed 35% nsnd income tax and 30% came from top rate payers.
- In 2019 Scotland had 739 businesses per 10,000 resident adults, over 100 fewer than Wales, and behind every other UK region and country apart from the North East. The UK figure was 1,090.
- Despite Scotland’s population being similar to that of the West Midlands, the turnover from businesses is considerably lower, standing at £330bn for the West Midlands, compared to £212bn for Scotland. Similarly, the East Midlands has a smaller population, but its turnover from business is higher.
- The Scottish Parliament controls 63% of expenditure in Scotland, but only 28% of revenue.
- Nsnd income tax revenue accounts for 65% of devolved revenue. This compares to only 24% for all of income tax across the UK as a whole, illustrating how the Scottish Government is heavily dependent on a single tax.

Policy Recommendations

Devolve on-shore corporation tax to Scotland

On-shore corporation tax can be devolved – this was done for Northern Ireland in the 2015 Act. Once power sharing is re-established in Northern Ireland, the Assembly will be able to set its own rate, and is likely to match the lower rate of the Republic of Ireland. As a result, there will no longer be a single corporation tax rate for the whole of the UK.

The legislation for Northern Ireland established rules to ensure companies couldn’t simply set up a brass plate to benefit from a lower Northern Ireland rate. The then Finance Secretary David Gauke told the House of Commons:¹

“It will not be possible for companies to set up a brass plate to benefit from a lower rate in Northern Ireland. The rules require a permanent physical presence in Northern Ireland and, more fundamentally, a calculation of Northern Ireland’s trading profits based on the profits that the Northern Ireland activity would have made as a stand-alone entity.”

In other words the ground work has been done and the precedent has been set – it is simply political will that is required.

¹ Seely. A, “Corporation Tax in Northern Ireland”, House of Commons Library, 28 September 2017

Scotland's current devolved fiscal settlement is far too reliant on a single tax - nsnd income tax. There is also a huge imbalance between devolved expenditure and revenue which means that Holyrood controls only 37% of what it spends. Devolving on-shore corporation tax would increase this to 46%.

Create a corporation tax policy designed to encourage the creation of more businesses and which contributes towards a policy environment aimed at growing the number of entrepreneurs and higher earners in Scotland

Once the tax has been devolved, the opportunity should be taken to design a policy that can attract more entrepreneurs, new businesses and, ultimately, more top rate taxpayers to Scotland.

One scheme that could be considered is to offer a zero rate of corporation tax for new businesses setting up in Scotland for a set period after they begin to earn profits.

Corporation tax is charged on profits (revenue less costs) and many new businesses may not make any profits to begin with, but a zero rate could be offered for a period once profits are being made. Such a policy would have no cost because it is applied only to new businesses setting up in Scotland. However, it is important to recognise that although a business may not pay corporation tax for a period, it contributes in other ways to public revenue, particularly through employment.

Such a policy would send a clear message that Scotland is open and a place to do business, as well as encouraging innovators to set up here and lay roots for the longer term. Further, policies could be designed to aid particular sectors, as well as to help grow existing businesses.

In 2011 the Scottish Government published a corporation tax discussion paper² arguing that setting an attractive corporation tax strategy could improve the competitiveness of the Scottish economy and support jobs as well as bringing wider benefits to the economy and boosting living standards. Reform Scotland agrees.

² <https://www2.gov.scot/resource/doc/919/0120786.pdf>

1. Background statistics

1.1 GERS and demographic pressures

Each year the Scottish Government publishes its Government Expenditure and Revenue Scotland (GERS) report. The report looks at the state of Scotland's finances, setting out estimates of what revenue has been raised and how much has been spent.

The report is a National Statistics publication, assessed by the independent UK Statistics Authority,³ meaning that the statistics have been judged to be methodologically sound and produced free of political interference.

However, with each publication there follows a robust debate about the statistics, their reliability, and whether we should trust them, as opposed to a debate about what the information indicates and what it may mean for policy development in Scotland.

There are undoubtedly limits to GERS reports. Graeme Roy, Director of the Fraser of Allander Institute and former civil servant in the GERS team, wrote an excellent summary about how GERS is put together in 2017.⁴ In it he outlines that while actual expenditure figures are used, estimates need to be used for the revenue side:

“Firstly, estimates are not unusual in economic statistics. Scottish GDP figures are based entirely on estimation, as are the productivity, trade, employment, unemployment and national income statistics. And Scotland is not unique, all countries rely on estimates – including UK GDP!

“Secondly, there’s a good reason (under the current constitutional settlement) why estimation is used – collecting data for the purposes of a statistical publication can only be justified if costs are proportionate. Collecting real-time data on alcohol duties for example, would require monitoring each and every alcohol sale in Scotland (and cross-border sales). This would be required for every betting and gaming transaction, tobacco purchase, when you filled up your car with fuel and so on. The key issue therefore, is whether or not these estimates are robust. In my view, the methods used are the best available.”⁵

GERS may not be perfect - and Scotland does need more accurate data, especially if we are to make judgements about further devolution, both from Westminster to

³ <https://www.gov.scot/publications/government-expenditure-revenue-scotland-gers/>

⁴ <https://fraserofallander.org/scottish-economy/fiscal-policy/estimating-scotlands-fiscal-position/#more-1745>

⁵ <https://fraserofallander.org/scottish-economy/fiscal-policy/estimating-scotlands-fiscal-position/#more-1745>

Holyrood and Holyrood to local authorities - but it is still a good starting point. Therefore, it is regrettable that all too often the debate following publication of a report about Scotland's economic wellbeing results in a mudslinging match where each side claims some subsection of the statistics backs up its constitutional outlook and there is little discussion of problems and solutions.

The latest edition of GERS, covering 2018/19, was published in August 2019. It highlighted that Scotland raised £62.7bn in revenue but spent £75.3bn. Some responded to the report highlighting the how much more Scotland spent than raised. Others pointed out that the notional deficit had fallen compared to the previous year.

But dig a little deeper and there are many other potential warning signs that need to be considered and addressed, before they become bigger problems in the future.

For example, the breakdown of expenditure within Scotland.

Table 1: Total Expenditure: Scotland 2018-19⁶

	Scotland	
	£m	% of total
General public services		
Public and common services	1,709	2.3%
International services	989	1.3%
Public sector debt interest	3,162	4.2%
Defence	3,305	4.4%
Public order and safety	2,996	4.0%
Economic affairs		
Enterprise and economic development	1,634	2.2%
Science and technology	715	0.9%
Employment policies	240	0.3%
Agriculture, forestry and fisheries	894	1.2%
Transport	3,788	5.0%
Environment protection	1,234	1.6%
Housing and community amenities	2,221	2.9%
Health	13,111	17.4%
Recreation, culture and religion	1,339	1.8%
Education and training	8,487	11.3%
Social protection	24,126	32.0%
EU transactions	303	0.4%
Accounting adjustments	5,084	6.7%
Total Expenditure	75,338	100%

Scotland's biggest area of expenditure was social protection, which in 2018/19 accounted for 32% of all public expenditure in Scotland, nearly double what was spent on health.

⁶ GERS 2018/19 Table 3.1

GERS goes on to break down the social protection spending, as illustrated in Table 2.

Table 2: Social protection spending for Scotland⁷

	2014-15	2015-16	2016-17	2017-18	2018-19
Social security spending in Scotland					
State pension	7,324	7,560	7,744	7,919	8,146
Housing benefit	1,776	1,772	1,733	1,671	1,588
Other DWP social security	5,693	5,795	5,834	6,051	6,364
HMRC child benefit and tax credits and universal credit	2,912	2,867	2,755	2,688	2,422
Scottish Government social security	446	426	418	419	666
Social security spending in Scotland	18,152	18,421	18,485	18,748	19,186
Share of benefit spending outside UK and corporate spend	544	586	593	625	376
Other social protection					
Net public sector pensions	974	959	867	811	876
Social care for the elderly	2,296	2,292	2,216	2,325	2,483
Other	929	1,046	929	755	1,206
Total social protection	22,894	23,304	23,089	23,264	24,126

This shows that the state pension was by far the single biggest expense and has increased by 11% in just four years. It is worth reflecting on the fact that we spend nearly the same on education and training in total as we do on the state pension.

It is obviously to be celebrated that Scots are living longer, but such increases in such a big single expenditure carry consequences for the public purse when we are also facing demographic challenges.

The National Records of Scotland has suggested that over the next 25 years, the number of births minus the numbers of deaths is projected to be negative and any increase in Scotland's population will be due to migration.

NRS's Projected Population of Scotland, which considers what may happen to Scotland's population over the next 25 years, was published on 21 October 2019⁸ and highlighted a number of additional trends:

- Births minus deaths are projected to fall to lower levels than have ever previously been recorded.
- Between mid-2017 and mid-2018, Scotland's population grew by +0.25%. Annual population change is projected to slow, reaching a point where population growth may stall in mid-2043. This is due to natural population

⁷ GERS 2018/19 Box 3.1 Other social protection spending consists primarily of Local Authority expenditure on social care to families and children.

⁸ <https://www.nrscotland.gov.uk/files/statistics/population-projections/2018-based/pop-proj-2018-scot-nat-pub.pdf>

decline projected to become more negative year-on-year, offsetting the projected increase in the population due to positive net migration.

- The proportion of the population of pensionable age is projected to increase. This is initially slower due to changes to the state pension age, but speeds up after 2028. By mid-2043, it is projected that 22.9% of the population will be of pensionable age, compared to 19.0% in mid-2018. The proportion who are of working age is projected to decrease.
- The working-age population in Scotland is projected to stall, whereas the UK's as a whole is projected to see an increase.
- The UK's population is growing faster than Scotland's and our share could fall from 8.2% to 7.7% by 2043.

The Scottish Fiscal Commission has commented, *“The size of the population aged 16 to 64, which makes up most of the working age population, is very important for the economy and public finances. These individuals are more likely to be working and will be generating the highest tax receipts, for example, in income tax”*⁹

Today's taxpayers pay the state pensions of today's pensioners. Paying National Insurance does not mean you contribute towards your own retirement pot, it is simply another form of taxation that is used to fund expenditure. Therefore, as the number of pensioners grows at a faster rate than the number of taxpayers, an increasing strain is placed on the public purse.

Although the dependency rate is increasing across the UK as a whole, it is happening faster in Scotland.

Brexit and changes to immigration policies at Westminster present potential additional challenges to the task of attracting more people, but regardless of whether we are in or out of the EU or in or out of the UK, Scotland needs more taxpayers.

But we also need more high-earning taxpayers.

⁹ Referred to in Scottish Government's immigration report but sourced: Scotland's Economic and Fiscal Forecasts December 2017",

1.2 Non-savings non-dividend income tax

In July 2019 HMRC¹⁰ published data highlighting the number of nsnd (non-savings non-dividend) income taxpayers in Scotland compared to the rest of the UK. The information covers 2016/7 and 2017/8, so before the introduction of changes to the tax bands and rates in Scotland. However, as the report explains, it does take account of the minor changes to the tax regimes in 2017/18 whereby the basic-rate band width is narrower for Scottish taxpayers but wider for rUK taxpayers. This is due to the rUK higher rate threshold (HRT) being raised to £45,000. The divergence of the HRT also means that the higher-rate band width is wider for Scottish taxpayers in 2017-18 than it is for rUK taxpayers.

Regardless of the data being based on the previous tax bands and rates it does highlight some interesting issues, in particular that Scotland is more reliant on basic rate payers than rUK.

Table 3: NSND income taxpayers in Scotland & rUK¹¹

		2016/17		2017/18	
		Number of taxpayers	% of total	Number of taxpayers	% of total
Scottish	Total	2,528,000	100%	2,513,000	100%
	Basic	2,221,000	87.9%	2,191,000	87.2%
	Higher	294,000	11.6%	308,000	12.3%
	Additional Rate	13,000	0.5%	14,000	0.6%
rUK	Total	28,343,000	100%	28,497,000	100%
	Basic	24,264,000	85.6%	24,475,000	85.9%
	Higher	3,790,000	13.4%	3,714,000	13.0%
	Additional Rate	289,000	1.0%	308,000	1.1%

Table 3 demonstrates that only 0.6% of Scottish taxpayers fell within the Additional Rate of income tax in 2017/18, whereas the figure for the rest of the UK was nearly double at 1.1%.

The lack of top rate taxpayers is more dramatically highlighted in Table 4 below which details how much each group contributed to the public purse. The 1.1% of additional rate taxpayers in rUK accounted for 19.5% of nsnd income tax, whereas it was only 9.6% for Scotland. Around half of nsnd tax for rUK taxpayers is at the basic rate compared to over 60% for Scottish taxpayers.

¹⁰ Scottish Income Tax Outturn Statistics, July 2019, <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

¹¹ Scottish Income Tax Outturn Statistics, July 2019, <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

Table 3: NSND income tax in Scotland & rUK¹²

£		2016/17		2017/18	
		Amount of nsnd income tax	% of total	Amount of nsnd income tax	% of total
Scottish	Total	10,719,000	100%	10,916,000	100%
	Basic	6,753,000	63.0%	6,728,000	61.6%
	Higher	3,025,000	28.2%	3,136,000	28.7%
	Additional Rate	941,000	8.8%	1,052,000	9.6%
rUK	Total	149,713,000	100%	154,199,000	100%
	Basic	75,926,000	50.7%	78,188,000	50.7%
	Higher	46,087,000	30.8%	45,871,000	29.7%
	Additional Rate	27,700,000	18.5%	30,140,000	19.5%

Higher and additional rate taxpayers also of course pay lower rates of tax on earnings up to the different thresholds. When nsnd income tax revenue is broken down by taxpayers by marginal rate, our over-reliance on basic rate payers is more stark, as illustrated in Table 4:

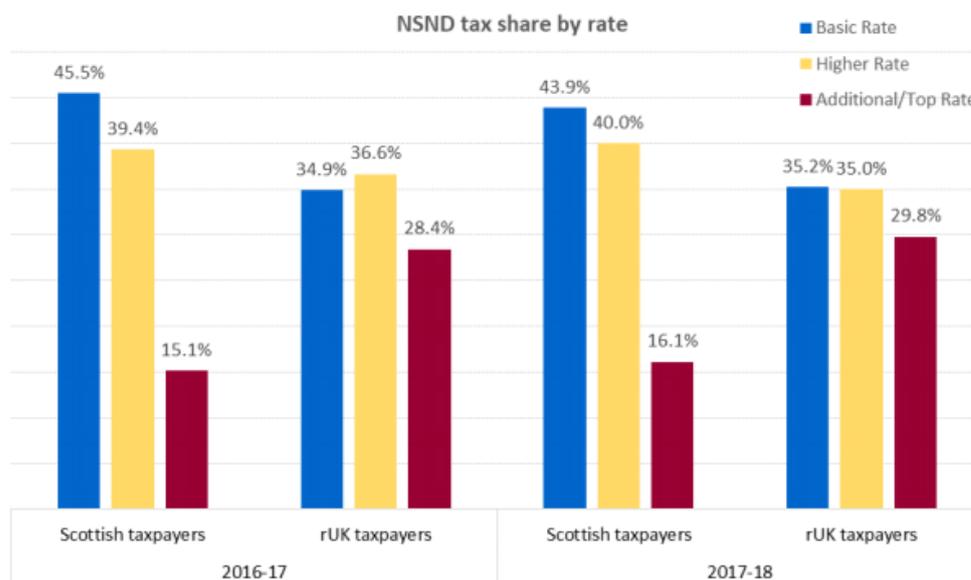
Table 4: NSND income tax by taxpayers at each rate in Scotland & rUK¹³

£		2016/17		2017/18	
		Amount of nsnd income tax paid by taxpayers by band	% of total	Amount of nsnd income tax paid by taxpayers by band	% of total
Scottish	Total	10,719,000	100%	10,916,000	100%
	Basic	4,878,000	45.5%	4,789,000	43.9%
	Higher	4,220,000	39.4%	4,369,000	40.0%
	Additional Rate	1,621,000	15.1%	1,758,000	16.1%
rUK	Total	149,713,000	100%	154,199,000	100%
	Basic	52,271,000	34.9%	54,303,000	35.2%
	Higher	54,868,000	36.6%	53,927,000	35.0%
	Additional Rate	42,573,000	28.4%	45,969,000	29.8%

¹² Scottish Income Tax Outturn Statistics, July 2019, <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

¹³ Scottish Income Tax Outturn Statistics, July 2019, <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

This data is also illustrated in the graph below:¹⁴



In other words, in Scotland we are more reliant on basic rate payers. 43.9% of all nsnd income tax comes from the lowest earners. The highest earners, because we have fewer of them, contribute only 16%. By increasing the number of higher earners, we can increase our tax take while rebalancing the burden, as is the case in rUK.¹⁵

1.3 Comparison with UK

In Reform Scotland’s reports *The State of Scotland’s Economy (2017)* and *Beyond Holyrood (2019)*, we argued that it was important not just to compare Scotland with the UK, where the dominance of London on the UK’s economy can skew results, but to look at how Scotland compares with other regions and nations of the UK.

Although the revenue data used in the previous section published by HMRC only allows comparison between Scotland and rUK, the UK Government also publishes the number of individual income taxpayers by marginal rate and by country and region, as set out in Table 5 below. Data from 2016/17, prior to the change in tax bands in Scotland, has been used so that a comparison can be made.

¹⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817259/Scottish_Income_Tax_Outturn_Statistics_2019.pdf

¹⁵ Scottish Income Tax Outturn Statistics, July 2019, <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

Table 5: Taxpayers by marginal rate and country & region, 2016/17¹⁶

thousands	All taxpayers	Savers rate	Basic rate	Basic rate payers as % of total	Higher rate	Higher rate payers as % of total	Additional rate	Additional rate payers as % of total
London	4,210	91	3,120	74.11%	879	20.88%	126	2.99%
South East	4,640	111	3,600	77.59%	848	18.28%	81	1.75%
East of England	3,030	65	2,440	80.53%	489	16.14%	41	1.35%
England	26,300	529	21,500	81.75%	3,860	14.68%	330	1.25%
South West	2,720	57	2,310	84.93%	336	12.35%	19	0.70%
Scotland	2,600	36	2,210	85.00%	331	12.73%	17	0.65%
East Midlands	2,210	40	1,900	85.97%	260	11.76%	13	0.59%
West Midlands	2,580	45	2,220	86.05%	302	11.71%	15	0.58%
North West	3,280	62	2,820	85.98%	377	11.49%	18	0.55%
Yorkshire & the Humber	2,430	42	2,120	87.24%	257	10.58%	12	0.49%
Northern Ireland	741	6	668	90.15%	64	8.64%	3	0.40%
Wales	1,380	17	1,230	89.13%	126	9.13%	5	0.36%
North East	1,140	15	1,010	88.60%	113	9.91%	4	0.35%

Despite the data not having the same detail as the Scotland vs rUK set, it does highlight the dominance of London. Scotland may struggle to match the rest of the UK when it comes to higher taxpayers, but by breaking down the figures, it highlights that it is not just London that performs better than Scotland, but also the South East, East of England and, though only marginally ahead, the South West.

Looking at economic indicators by the different nations and regions that make up the UK can help identify areas where Scotland should be doing better as well as highlighting those where our more sluggish performance is simply due to the London effect on UK data. In Beyond Holyrood,¹⁷ Reform Scotland looked at a wide range of economic indicators and how Scotland compared. In a number of areas we performed well, falling behind only London and the South East. However, when it came to the level of private sector employment as a proportion of all employment Scotland lagged behind most areas, and for business density Scotland was the second-worst performing country or region across the UK in 2019, only ahead of the North East.¹⁸

¹⁶ <https://www.gov.uk/government/statistics/number-of-individual-income-taxpayers-by-marginal-rate-gender-and-age-by-country>

¹⁷ Reform Scotland, Beyond Holyrood, 2019

¹⁸ Department for Business, Energy & Industrial Strategy, "Business Population Estimates For The UK And Regions 2019", October 2019 <https://www.gov.uk/government/statistics/business-population-estimates-2019>

Data from the Department for Business, Energy and Industrial Strategy’s business population estimates for 2019 highlights the problem. The publication reports on the number of private sector businesses operating in the UK. This covers sole proprietorships, ordinary partnerships, and companies but excludes the government and not-for-profit sectors.

Table 6: Number of businesses per 10,000 resident adults (aged 16 and over), by number of employees and UK region / country, 2019

	Businesses per 10,000 adults				
	None	1-49	50-249	250+	All sizes
United Kingdom	828	254	7	1	1,090
North East	507	181	5	1	694
North West	740	233	6	1	981
Yorkshire and the Humber	734	225	6	1	967
East Midlands	666	237	7	1	912
West Midlands	764	241	6	1	1,012
East of England	911	278	7	1	1,198
London	1,199	333	9	2	1,544
South East	989	277	7	2	1,274
South West	948	262	6	1	1,218
England	877	262	7	2	1,147
Wales	642	214	5	1	862
Scotland	525	208	6	1	739
Northern Ireland	597	229	7	1	834

"None" includes sole proprietorships and partnerships with only the self-employed owner-manager(s), and companies with 0 or 1 employees, who are assumed to be employee directors.

Table 7, below, goes on to illustrate the difference in turnover. The figures below represent total turnover. The adult population data is included to give a wider context. For example, Scotland’s population is only just behind that of the West Midlands, yet the turnover in the West Midlands from businesses is considerably higher at £330bn, compared to £212bn for Scotland. Similarly, the East Midlands has a smaller population, but its turnover from business is higher.

Table 7: Turnover of businesses in the private sector by UK region / country, 2019¹⁹

	Resident Adults Mid-year 2018	Turnover (£ millions)	Percent Size (number of employees)			
			None	1-49	50-249	250+
United Kingdom	53,811,371	4,149,973	7.3	29.5	15.4	47.8
England	45,228,720	3,779,775	7.3	29.3	15.1	48.3
South East	7,378,358	712,299	6.9	23.1	12.8	57.2
London	7,073,286	1,196,518	6.4	35.3	16.7	41.6
North West	5,897,142	341,733	7.9	28.6	16.8	46.7
East of England	5,000,231	398,954	7.5	26.3	12.8	53.4
West Midlands	4,740,406	330,074	6.8	24.6	12.5	56.1
South West	4,612,827	223,446	9.9	33.1	16.2	40.8
Scotland	4,518,598	211,760	6.9	28.1	17.6	47.5
Yorkshire and the Humber	4,433,234	251,494	6.8	28.9	16.0	48.2
East Midlands	3,910,325	243,115	9.5	27.7	15.2	47.6
Wales	2,575,922	92,440	8.8	32.5	17.9	40.8
North East	2,182,911	82,143	7.7	28.4	20.5	43.4
Northern Ireland	1,488,131	65,998	11.3	41.0	22.8	24.9

The data on taxpayers and business density highlights that Scotland needs more of both – more private businesses and more higher taxpayers. It is important, therefore that policy makers develop policies that illustrate Scotland is open and welcoming for business.

The creation of new businesses in particular sectors can strengthen economic growth and, importantly, help develop clusters. Strong economic clusters promote economic growth through leveraging the innovation and business potential of a region; generating new employment opportunities, new products and services, new companies, new R&D activities and new patents.

¹⁹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836550/Business_Population_Estimates_for_the_UK_and_regions_-_2019_Statistical_Release.pdf

2. Scotland's tax basket

Holyrood's tax powers journey	Smith / 2016 Act	
	Calman / 2012 Act	
	Council Tax	Non-Domestic Rates
	Non-Domestic Rates	Income Tax (NSND)
1999	Income Tax (10p)	Landfill Duty
Council Tax	Land & Buildings Transaction Tax	Air Passenger Duty (to be replaced with Air Departure Tax)
Non-Domestic Rates	Stamp Duty (replaced by Land & Buildings Transaction Tax)	Aggregates Levy

2.1 1999-2012

There is no doubt that over its 20-year existence, the fiscal powers of the Scottish Parliament have changed dramatically.

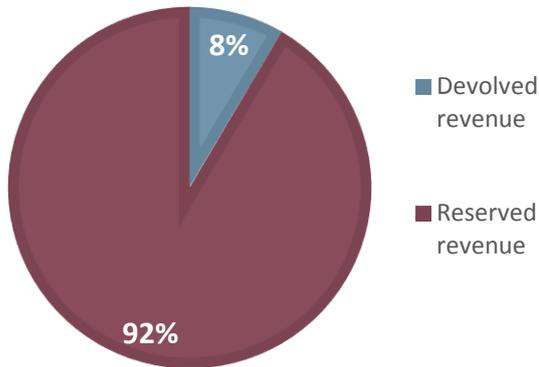
In 1999, when the Parliament was established, it had full control over just two taxes. It is worth remembering that those two taxes were actually local taxes – Council Tax and Non-Domestic Rates. However, it is perhaps understandable that with no other fiscal powers at their disposal, different Scottish Governments sought to use and centralise these powers.

The Scottish Parliament also had the power to vary income tax by 3p, the Scottish Variable Rate, though this was never used.

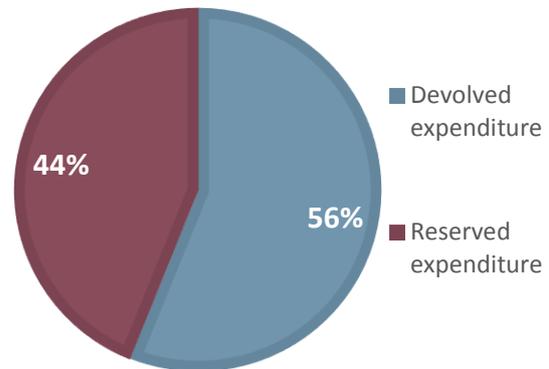
Essentially, the Scottish Parliament as established was an expenditure parliament. It received a block grant from Westminster and discussions were made about how to spend that money. This clearly caused problems of accountability and transparency. The people making decisions about how money was spent were not the same people making the decisions about how money was raised. In reality there was no Scottish Budget, rather there were expenditure plans. As the pie charts below illustrate,²⁰ during this period there was a huge imbalance in the level of expenditure powers – 56% of all expenditure being devolved to Holyrood, yet only 8% of revenue powers. As a result, the Scottish Parliament was responsible for raising only 14% of the money it spent.

²⁰ Government Expenditure and Revenue Scotland 2018/19 Main excel tables:
<https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2019/08/government-expenditure-revenue-scotland-gers/documents/main-charts-tables/main-charts-tables/govscot%3Adocument/main-charts-tables.xlsx>

1999/2000 Share of tax powers



1999/2000 share of expenditure powers



2.2 2012-2016

In March 2008 the UK Government established the Commission on Scottish Devolution, chaired by Kenneth Calman (commonly known as the ‘Calman Commission’).

The Commission’s remit was:

To review the provisions of the Scotland Act 1998 in the light of experience and to recommend any changes to the present constitutional arrangements that would enable the Scottish Parliament to serve the people of Scotland better, that would improve the financial accountability of the Scottish Parliament and that would continue to secure the position of Scotland within the United Kingdom.

The Commission’s membership included politicians from the Conservatives, Liberal Democrats and Labour, but there was no SNP representative, though the Scottish Government gave evidence to the Commission.

The Commission published its final report in June 2009, recommending the devolution of some of income tax, along with Aggregates Levy, Landfill Tax, Air Passenger Duty and Stamp Duty Land Tax.

Although the Commission’s final report went against devolution of Corporation Tax, its interim report had identified the tax as a potential devolution target.

The Commission noted that devolution of VAT had the “*potential to deliver accountability given its significant yield and the transparency to the population. Vat receipts are also directly related to the performance of the economy*” but that “*devolution of VAT to Scotland is precluded by EU law.*”²¹

²¹ Commission on Scottish Devolution, Final Report, 2009 para 3.119

It is worth noting that the Commission had decided not to devolve all of income tax to Scotland because it would leave the Scottish Budget “*so heavily dependent on one single tax*” and that “*governments seek to operate a broad tax base in order to mitigate variations in one particular component of that tax base*”²²

The Calman Commission led to the Scotland Act 2012, which devolved 10p of income tax. In reality, this meant that non-savings non-dividend income tax was reduced by 10p in Scotland and replaced with the Scottish Rate of Income Tax (SRIT). This then would allow ministers to levy the SRIT which would apply equally to all income tax rates.²³ The Act set out a definition of a Scottish taxpayer, with HMRC continuing to collect tax from these individuals on behalf of the Scottish Government.

The Scotland Act also led to the disapplication of Stamp Duty Land Tax to Scotland, which was replaced by the Land and Buildings Transaction Tax, which would be collected by Registers Scotland.

Finally, the Act devolved Landfill tax, which would be collected by the Scottish Environment Protection Agency (SEPA) instead of HMRC.

Although recommended for devolution by the Calman Commission, Aggregates Levy and Air Passenger Duty were not devolved by the 2012 Act.

Although the Scotland Act was passed in 2012, it was not until the 2016/17 financial year that all these powers were in force, by which time the subsequent 2016 Scotland Act, had already been passed. As a result, there was, and will only be, one fiscal year when the full regime set out in the 2012 Act was in force.

While recognition had been given that in order to be more accountabl, the Scottish Parliament needed more fiscal powers, the actual end result did not lead to much of an improvement. As illustrated in the pie charts²⁴ below, a huge imbalance between Holyrood’s expenditure and tax powers remained.

As an aside it is worth noting that the Calman Commission documents, including the full reports from the Independent Expert Group, are no longer available online, the website commissiononscottishdevolution.org.uk no longer being supported and the documents not held²⁵ by the Scotland Office online. Reform Scotland retrieved the more detailed papers through the Wayback Machine²⁶.

²² Commission on Scottish Devolution, Final Report, para 3.168

²³ Berthier, A, Burnside, R & Nicol, S, “Financial Scrutiny Briefing: Scotland Act 2012”, SPICe, 4 February 2014

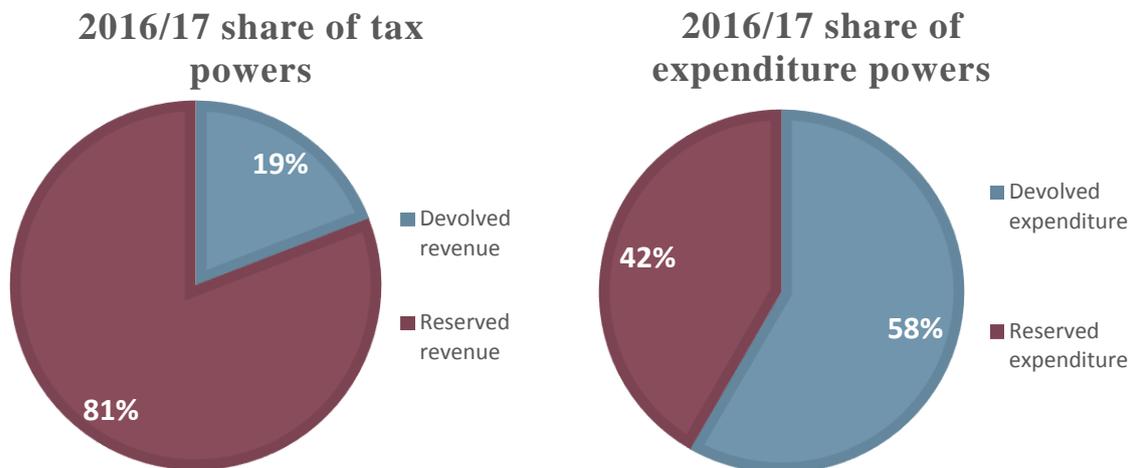
²⁴ Government Expenditure and Revenue Scotland 2018/19 Main excel tables:

<https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2019/08/government-expenditure-revenue-scotland-gers/documents/main-charts-tables/main-charts-tables/govscot%3Adocument/main-charts-tables.xlsx>

²⁵ As at 3 September 2019

²⁶ <https://web.archive.org/web/20120511090132/http://www.commissiononscottishdevolution.org.uk/>

Given the significance and extent of the work carried out by the Calman Commission, it is disappointing that its work has been allowed to slip away.



2.3 2016-?

The impact of the previous Scotland Act may not yet have been in force, but events in the lead up to, and following, the 2014 Scottish Independence referendum ensured that the issue of Holyrood's powers was under scrutiny again.

On 19 September 2014, then Prime Minister David Cameron announced that Lord Smith of Kelvin had agreed to oversee the process to take forward the devolution commitments on further powers for the Scottish Parliament. The Smith Commission's terms of reference were as follows:

“To convene cross-party talks and facilitate an inclusive engagement process across Scotland to produce, by 30 November, 2014, Heads of Agreement with recommendations for further devolution of powers to the Scottish Parliament.

“This process will be informed by a Command Paper, to be published by 31 October and will result in the publication of draft clauses by 25 January, 2014. The recommendations will deliver more financial, welfare and taxation powers, strengthening the Scottish Parliament within the UK.”

In contrast to the Calman Commission, the Smith Commission included representatives from both sides of the constitutional divide, as well as taking evidence from a wide range of civic Scotland.

The Commission's final report was published in November 2014 and paved the way for the Scotland Act (2016).

With regard to additional fiscal powers, the 2016 Scotland Act devolved:

- Non-savings, non-dividend income tax rates and thresholds
- Air Passenger Duty
- Aggregates Levy

The Act also assigned 10p of VAT revenue to Scotland.

Additional expenditure powers devolved to Holyrood included a number of social security powers.

The following powers were devolved to Holyrood prior to the 2016 Act and accounted for £431m of expenditure in 2018/19.²⁷

- Council tax reduction
- Scottish Welfare fund
- Discretionary housing payments

An additional £3bn of social security powers were devolved as part of the 2016 Act. Carer's Allowance was devolved to the Scottish Government on 3 September 2018. The Sure Start maternity grant was replaced in Scotland by the Scottish Government's Best Start Grant on 10 December 2018. The rest of the powers have yet to be implemented.²⁸

- Disability Living Allowance
- Attendance Allowance
- Carer's Allowance
- Winter Fuel Payment
- Personal Independence Payment
- Industrial Injuries Disablement Benefit
- Severe Disablement Allowance
- Discretionary Housing Payments
- Cold Weather Payment
- Funeral Payment
- Sure Start Maternity Grant.

However, although a number of social security powers have now been devolved to Scotland, it accounts for a small fraction of the £24bn total of social protection funding spent in Scotland in 2018/19.

²⁷ GERS 2018/19 Table 4.5

²⁸ GERS 2018/19 Table 4.6

As the pie charts below illustrate, there remains a big imbalance in the level of expenditure devolved as opposed to fiscal powers devolved.²⁹ The Scottish Parliament is still responsible for raising less than 50% of what it spends. However, the changes brought about by the 2016 Act were far wider than the previous 2012 Act, and also meant that, for the first time, a major taxation was to be set at Holyrood.

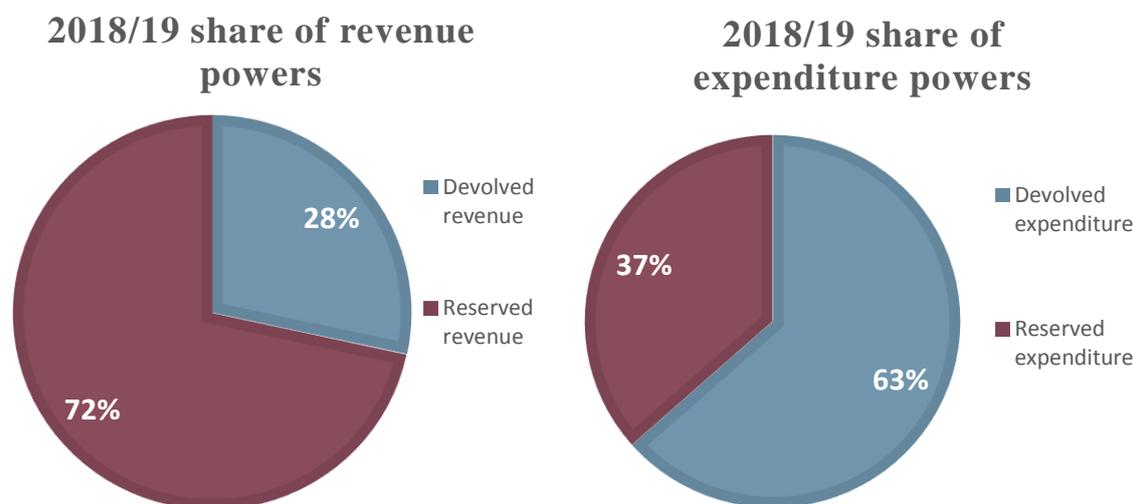


Table 8 below highlights the figures used to form the pie charts. VAT is not included in this table as that tax has only been assigned, not devolved.

Table 8: Devolved and reserved revenue and expenditure

£m	Total Scottish Revenue (inc North Sea Oil)	Total devolved revenue	Devolved revenue as % of all Scottish revenue	Total Scottish Expenditure	Total devolved expenditure	Devolved expenditure as % of total	Devolved revenue as % of devolved expenditure
1999/2000	32,003	2,704	8.45%	34,042	19,087	56.07%	14.17%
2016/17 (Scotland Act 2012) ¹	56,511	10,794	19.10%	71,432	41,666	58.33%	25.91%
2018/19+ (Scotland Act 2016) ^{2,3}	62,708	17,787	28.36%	75,338	44,717	63.45%	37.21%

1. Although the Scotland Act was passed in 2012, 2016/17 was the first tax year that all the new powers were in place. 10p of NSND income tax was devolved at this time, so half the NSND income tax figure used in Table 4.1 of GERS 18/19 has been included.
2. Air Passenger Duty, to be replaced with Air Departure Tax, and Aggregates Levy were devolved by the 2016 Act but the powers are not yet fully in place. However, the estimated value for these taxes used in Table 4.2 in GERS 18/19 have been added to the figures used for Devolved tax revenue in Table 4.1 are included in the above estimates for 2018/19
3. Total devolved expenditure for 2018/19 includes social security powers devolved under the 2016 Act but not yet enacted. (Gers 18/19 table 4.6)

²⁹ As VAT is assigned, it is therefore NOT devolved and therefore not included in devolved fiscal powers in the charts.

As previously noted, the Calman Commission highlighted the dangers of a Parliament being over-reliant on a single tax, and therefore potentially being unable to mitigate against any changes to that tax. However, that is exactly the situation in which Holyrood now finds itself.

Based on the 2018/19 figures detailed in GERS³⁰ and using the powers devolved in the 2016 Act, Holyrood raised £17.8bn. Table 9 gives the breakdown of how that figure is made up³¹:

Table 9: Devolved revenue

Tax	Amount raised in 2018/19 (£m)	% of Holyrood's tax revenue
NSND Income Tax	11,486	65%
Non-Domestic Rates	2,847	16%
Council Tax	2,360	13%
Land & Buildings Transaction Tax	556.5	3%
Scottish Landfill Tax	142.5	1%
Air Passenger Duty*	338	2%
Aggregates Levy*	57	0%
Total	17,787	100%

*Air Passenger Duty and Aggregates Levy were devolved in the 2016 Act but the power has yet to be fully enacted.

As Table 9 clearly indicates, 65%, or nearly two-thirds of all Holyrood's tax revenue, comes from a single source – non savings non-dividend income tax.

In comparison, across the UK as a whole, all of income tax accounted for only 24% of tax revenue in 2018/19.

³⁰ Scottish Government, GERS 2018/19, August 2019

³¹ Scottish Government, GERS 2018/19, August 2019 Tables 4.1 and 4.2

3. Corporation Tax

In Scotland we are perhaps a little guilty of being inward looking when it comes to the progress of devolution and constitutional issues throughout the rest of the UK. Brexit has undoubtedly shone a light on the situation in Northern Ireland, but it may surprise some just how many more powers have been devolved to Stormont in certain areas.

For example, as part of the discussions around the Smith Commission and subsequent Scotland Act a number of benefits were devolved to Scotland. While certainly a step towards linking up policy areas that were already devolved to the benefits associated with them, they account for only small fraction of UK Government social protection expenditure in Scotland each year. Yet nearly 20 years prior to this the Northern Ireland Act 1998 transferred pensions, child support and all social security to Belfast. All of these areas remain reserved in relation to Scotland.³²

But it's not just with regard to expenditure powers that Northern Ireland offers an example. The purpose of this chapter is to highlight the Corporation Tax (Northern Ireland) Act 2015 that gave the Assembly the power to set the main rate of corporation tax.

The tax was not devolved in full, rather the base, reliefs and allowances remain with Westminster, while certain trades and activities, such as lending and investing activities, are excluded. However, the precedent of devolving corporation tax was set, and once power sharing has been restored and the Northern Ireland Executive is able to set the main rate of that tax for the area, there will no longer be a UK-wide level of corporation tax.

3.1 Background

Corporation tax is charged on profits (revenue less costs). On-shore corporation tax raised £4.1bn in Scotland in 2018/19.³³

The UK's corporation tax main rate is currently 19%. It fell from 20% on 1 April 2017.³⁴ Historically, the rate had been higher. Between 1999 and 2007 the main rate sat at 30%, falling to 28% in 2008. The speed in the decline of the rate quickened from 2011.³⁵ In April 2020 the main rate is due to fall further, to 17%.³⁶

³² <https://www.gov.uk/guidance/devolution-settlement-northern-ireland>

³³ <https://www.gov.scot/publications/government-expenditure-revenue-scotland-gers/pages/3/>

³⁴ <https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax>

³⁵ <https://www.figurewizard.com/list-uk-corporation-tax-rates.html>

³⁶ <https://www.gov.uk/government/publications/corporation-tax-to-17-in-2020>

Despite this decline in the rate of tax, the Republic of Ireland's corporation tax level is lower still, and has been for some time.

Ireland has two rates of corporation tax:

- 12.5% for trading income
- 25% for income from an excepted trade and also for non-trading income, for example rental and investment income.³⁷

The 12.5% general tax rate first applied on 1 January 2003.³⁸ As well as being lower than the UK's, Ireland's rate is among the most globally competitive rates.³⁹

As a result, this situation has meant Northern Ireland sharing its land border with a country where the corporation tax rate was significantly below that of the UK's - indeed at times was less than half the UK rate.

In March 2011, the UK Government published 'Rebalancing the Northern Ireland economy',⁴⁰ which looked at growing the private sector and increasing the area's capacity to export. The idea of varying corporation tax rates was considered to "to enable it to attract and expand private investment".

The report commented:

"The Government is committed to a radical decentralisation of power from Westminster, and is examining the potential for devolution of corporation tax rate-setting powers to the Northern Ireland Assembly in this context."

It suggested that a lower corporation tax rate would, on its own, be likely to have a positive effect on local private sector investment and foreign direct investment (FDI) by increasing the return on capital to investors.⁴¹

3.2 Devolution to Northern Ireland

The debate around devolving corporation tax to Northern Ireland was always linked to allowing it to cut the main rate to the same level as Ireland's. EU rules on State Aid meant that the full fiscal consequences of a reduction in the tax could not be offset by aid or subsidies from central government. In other words

³⁷ <https://www.revenue.ie/en/companies-and-charities/corporation-tax-for-companies/corporation-tax/basis-of-charge.aspx>

³⁸ http://www.budget.gov.ie/Budgets/2015/Documents/EY_Historical_Dev_International_Context_Irish_%20Corporation_Tax.pdf

³⁹ <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>

⁴⁰

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/81554/rebalancing_the_northern_ireland_economy_consultation.pdf

⁴¹

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/81554/rebalancing_the_northern_ireland_economy_consultation.pdf

Stormont had to bear the full fiscal consequences of changing the rate, and any decline in its budget that may arise from a tax cut.⁴²

In his Autumn Statement of December 2014, then Chancellor George Osborne announced that he believed corporation tax could be devolved to Northern Ireland if the Executive could show “*that they are able to manage the financial implications*”.⁴³

An agreement concluded on 23 December 2014 confirmed that legislation would be introduced to enable the devolution of the tax in April 2017.⁴⁴

The Corporation Tax (Northern Ireland) Act received Royal Assent on 26 March 2015. The act gave the Northern Ireland Executive the ability to set the main rate of corporation tax for certain trading profits. The explanatory notes of the Act explained how it would apply:

“The rate, in general, will apply to all of the trading profits of a company if that company is a micro, small or medium-sized enterprise (SME), and the company’s employee time and costs fall largely in Northern Ireland. It will also apply to a corporate partner’s share of the profits of a partnership trade if that company and partnership are both SMEs and the partnership’s employee time and costs fall largely in Northern Ireland.

“The rate will also apply to the profits of large companies, and (in the case of a corporate partner not covered by the SME rules referred to above) to a corporate partner’s share of the profits of a partnership that are attributable to a Northern Ireland trading presence, that presence being termed as a “Northern Ireland regional establishment” (NIRE). The trading profits attributable to the NIRE are computed using internationally recognised principles with some modifications and adaptations.”

Small and medium-sized enterprises which do not have at least 75% of employment time and costs in Northern Ireland have all profits taxed at the UK main rate.⁴⁵ The legislation also excluded certain trades and activities from the Northern Ireland regime including⁴⁶:

- Lending & investing activities
- Asset management
- Long-term insurance

⁴² Seely. A, Corporation tax in Northern Ireland, House of Commons Briefing Paper, 28 September 2017.

⁴³ House of Commons, 3 December 2014 c314

⁴⁴ Seely. A, Corporation tax in Northern Ireland, House of Commons Briefing Paper, 28 September 2017.

⁴⁵ HMRC, ‘Northern Ireland of Corporation Tax: changes to small and medium-sized enterprise regime’, 5 December 2016.

⁴⁶ Seely. A, Corporation tax in Northern Ireland, House of Commons Briefing Paper, 28 September 2017.

- Profits subject to the oil and gas regime ring-fence and activities of oil and gas contractors working on the UK continental shelf.

When the Bill was passing through the House of Commons, then Secretary of State for Northern Ireland, Theresa Villiers, gave some more detail about the impact of the rules:

“Larger businesses will need to divide their profits between Northern Ireland and Great Britain, as they do now between the UK and other countries ... We recognise, however, that this would be burdensome for smaller businesses ... Therefore, if at least 75% of such a business’s staff time and staff costs relate to work in Northern Ireland, then all their trading profits will be chargeable at the Northern Ireland rate. If not, they will be chargeable at the UK corporation tax main rate. This simple in/out test will mean that the majority of small and medium-sized enterprises are spared the burden and cost of apportioning profits.”⁴⁷

While David Gauke, then Finance Secretary to the Treasury, addressed concerns about tax avoidance:

“This is not about profit shifting or a brass plate. I can assure the House that we very much share that view. This is not about finding a way in which companies can reduce their tax base through contrived or artificial arrangements, but about encouraging jobs and growth in Northern Ireland....It is worth pointing out that it will not be possible for companies to set up a brass plate to benefit from a lower rate in Northern Ireland. The rules require a permanent physical presence in Northern Ireland and, more fundamentally, a calculation of Northern Ireland’s trading profits based on the profits that the Northern Ireland activity would have made as a stand-alone entity.”⁴⁸

In other words, the legislation was designed to allow devolution of corporation tax and an end to a single UK rate without the risk of companies seeking to “brass plate” their businesses in the region.

The legislation was passed in 2015 and was followed by talks between the UK Government and Northern Ireland Executive, culminating in the Fresh Start Agreement^{49,50} which agreed a commencement date of April 2018 for the introduction of the 12.5% Northern Ireland rate of corporation tax. However, the collapse of the Northern Ireland Executive in 2017 and failure in all attempts to

⁴⁷ House of Commons, 27 January, 2015

⁴⁸ House of Commons, 27 January 2015

⁴⁹ Seely, A, “Corporation Tax in Northern Ireland, House of Commons Library, 16 May 2018

⁵⁰ <https://www.gov.uk/government/news/a-fresh-start-for-northern-ireland>

restore power-sharing since has meant that the new powers have yet to be introduced.

3.3 Implications for Scotland

The UK Government's 2011 Northern Ireland report referred to Scotland, but highlighted concerns about potential devolution:

“The Calman Commission’s report to the UK Government considered devolution of corporation tax but recommended against a separate rate of corporation tax for Scotland, on the grounds that a separate rate could distort competition within the UK, and that the required legislation would be likely to create significant administrative burdens.”

But the concerns expressed by Calman are arguably no longer applicable.

Although a break down in the power-sharing government in Northern Ireland has meant that a new Northern Ireland rate of corporation tax has yet to be introduced, the principle that corporation tax can be devolved has been conceded and once power sharing has been restored, there will no longer be a single UK-wide rate.

In addition, the groundwork for different corporation tax rates operating within the UK has been done - as has the work around legislation to ensure businesses don't take advantage of a lower rate in Northern Ireland while really being based elsewhere. Enterprises which do not have at least 75% of employment time and costs in Northern Ireland have all profits taxed at the UK main rate.

Alan Trench, Professor of Politics at the University of Ulster, who also gave evidence to Westminster during the passing of the legislation, commented:

“If corporation tax were to be devolved to Northern Ireland, there can be no good argument of principle for not devolving it to Scotland as well ... If the UK Government were to decline to do so, it would be a reflection of sheer cussedness rather than a desire to maintain the integrity of the UK economy (for example).”⁵¹

Corporation tax can be devolved. The argument that there must be a single UK-rate has been conceded. The precedent has been set. All that is required is political will.

As outlined in the previous chapter, Holyrood is currently responsible for 63% of all Scottish expenditure, but only 28% of revenue. This creates a huge imbalance

⁵¹ <https://devolutionmatters.wordpress.com/2011/05/25/devolving-corporation-tax-in-northern-ireland-the-commons-northern-ireland-affairs-committee-reports/>

and means the Scottish Parliament is only responsible for raising 37% of what it spends. Devolving corporation tax would help contribute towards correcting this, as illustrated below.

Table 10: Devolved and reserved revenue and expenditure – with on-shore corporation tax devolved.

£m	Total Scottish Revenue (inc North Sea Oil)	Devolved revenue	Devolved revenue as % of total		Total Scottish Expenditure	Devolved expenditure	Devolved expenditure as % of total		Devolved revenue as % of devolved expenditure
1999/2000	32,003	2,704	8.45%		34,042	19,087	56.07%		14.17%
2016/17	56,511	10,794	19.10%		71,432	41,666	58.33%		25.91%
2018/19	62,708	17,787	28.36%		75,338	47,801	63.45%		37.21%
2018/19 + onshore Corporation Tax	62,708	21,854	34.85%		75,338	47,801	63.45%		45.72%

As well as arguing more powers should be devolved to Holyrood in order to make the Scottish Government more accountable and responsible for raising more of the money it spends, Reform Scotland has always believed devolving more powers to lower tiers of governments allows policy makers to respond to the differing priorities and circumstances they face.

While devolving on-shore corporation tax would undoubtedly help create a more accountable Scottish Parliament, it would also provide the opportunity to develop policy in Scotland to attract more entrepreneurs, encourage business start-ups and create and attract more higher earners.

4. Policy Recommendations

Devolve on-shore corporation tax to Scotland

On-shore corporation tax can be devolved – as it was done to Northern Ireland by the 2015 Act. Once power sharing is re-established in Northern Ireland, the Assembly will be able to set its own rate, likely to match the lower rate of Ireland. As a result, there will no longer be a single corporation tax rate for the whole of the UK.

The legislation for Northern Ireland established rules to ensure companies couldn't simply set up a brass plate to benefit from a lower Northern Ireland rate. The then Finance Secretary David Gauke told the House of Commons:⁵²
“It will not be possible for companies to set up a brass plate to benefit from a lower rate in Northern Ireland. The rules require a permanent physical presence in Northern Ireland and, more fundamentally, a calculation of Northern Ireland’s trading profits based on the profits that the Northern Ireland activity would have made as a stand-alone entity.”

In other words, the ground work has been done and the precedent has been set, only political will is required.

Scotland’s current devolved fiscal settlement is far too reliant on a single tax - nsnd income tax. There is also a huge imbalance between devolved expenditure and revenue which means that Holyrood controls only 37% of what it spends. Devolving on-shore corporation tax would increase that to 46%.

Devise a corporation tax policy designed to encourage the creation of more businesses and contribute towards a policy environment aimed at growing the number of entrepreneurs and higher earners in Scotland

Once the tax has been devolved, the opportunity should be taken to design a policy that can create and attract more entrepreneurs, new businesses and, ultimately, more top rate taxpayers.

One scheme that could be considered is to offer a zero rate of corporation tax for new businesses setting up in Scotland for a set period after they begin to earn profits.

Corporation tax is charged on profits (revenue less costs) and many new businesses may not make any profits to begin with, but a zero rate could be

⁵² Seely. A, “Corporation Tax in Northern Ireland”, House of Commons Library, 28 September 2017

offered for a period once profits are being made. Such a policy would have no cost because it is applied to new businesses setting up in Scotland. However, it is important to recognise that although a business may not pay corporation tax for a period, it contributes in other ways to public revenue, particularly through employment.

Such a policy also sends a clear message that Scotland is open and a place to do business. Policies could also be designed to aid particular sectors, as well as help grow existing businesses.

In 2011 the Scottish Government published a corporation tax discussion paper.⁵³ The paper argues that setting an attractive corporation tax strategy could improve the competitiveness of the Scottish economy and support jobs as well as bringing wider benefits to the economy and boost living standards. Reform Scotland agrees.

⁵³ <https://www2.gov.scot/resource/doc/919/0120786.pdf>

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