Finance Committee

The Scottish Rate of Income Tax

Submission from Johnston Carmichael

Response

I am responding in relation to the questions you have invited responses on:

- 1 What should the rate be for SRIT and why;

- 2 If SRIT should be above 10% how the additional funding should be allocated;

- 3 If SRIT should be below 10% how should the reduction be funded from existing expenditure;

- 4 Has the introduction of SRIT been sufficiently well publicised to employers and tax payers.

We have consulted with a number of our clients and our responses reflect their sentiments.

Our recommendations to the Scottish Parliament are that it is critical for Scotland to remain competitive with the rest of the UK, for there to be a level playing field and for Scotland to be a fiscally and administratively attractive country to do business in and from. Businesses must be able to attract talent to Scotland and individual employees should not be personally worse off by selecting to live and work in Scotland.

Until a full budget and spending plan is prepared for Scotland, we recommend that SRIT is retained at 10% for the first year, 2016/17. This will provide time for the people of Scotland to become more aware of what SRIT means in practice and for HMRC to establish and stabilise the administrative procedures necessary to operate SRIT. In turn, this will ensure that the tax compliance frameworks within HMRC are fully prepared for any deviation in the rates that may come in the future when the Smith Commission proposals are implemented.

In answer to the 4 questions above:

> 1 – Same as UK rates, for reasons given in our summary above.
> 2 & 3 – We believe such questions are premature.
> 4 – No. Many of our clients are still unaware, though we as a firm have endeavoured to inform and keep them up to date of developments, tax is complicated and what they want is simplicity, transparency and no additional tax, no increase in professional fees or bureaucracy.

Very happy to discuss our response with you should that be of assistance.