

Finance Committee
The Scottish Rate of Income Tax
Submission from NHS Health Scotland

Background

NHS Health Scotland is a national health board with a remit to improve health and reduce health inequalities. Inequalities in health in Scotland are particularly problematic, with greater inequalities here than in the rest of western and central Europe. These inequalities in health are largely determined by the social and economic conditions within society.

We have recently summarised the evidence on what policies and practice reduces or exacerbates health inequalities.¹ The main components of policy and practice which are known to be effective are those which:

- reduce income, wealth and power inequalities across society (inevitably working through policy on taxation, social security, industry and employment)
- reduce inequalities in environmental factors such as housing and education as well as health specific factors such as smoking and alcohol abuse. The most effective means of reducing health inequalities in relation to health behaviours are those which involve regulation and taxation (e.g. alcohol duty or sales restrictions).

It is from the perspective of the evidence of those policies and practices which are most likely to improve the overall health of the population and reduce health inequalities that we are responding to this consultation.

Consultation questions

1. What should be the rate for SRIT and why?

The evidence base on the fiscal policies which are most likely to support improved health and reduced health inequalities suggests that it is nations who fund generous and universal public services through taxation (equating to a higher tax take), and who are able to use the taxation system to reduce economic inequalities (through increased progressivity) that are most successful.²⁻⁴

However, the flexibility afforded to the Scottish Parliament in relation to SRIT facilitates only modest changes to income inequality (whereby an increase in SRIT will generate a small decrease in income inequality and vice versa),⁵ because of the limitations to altering the taxation bandings. Our modelling suggests that increasing SRIT by 1p would reduce the relative index of

inequalities (RII) in all-cause mortality by approximately 0.5%, but would require the resultant increased revenue to be used for redistribution or to fund effective public services for it to generate a positive impact on mean population mortality.⁶ Given that this additional revenue is likely to be used for such purposes, we would therefore support the introduction of SRIT at a rate greater than 10%.

2. If SRIT should be above 10%, how should the additional funding be allocated?

NHS Health Scotland's evidence review suggests that using additional revenues to increase the incomes of the lowest income groups, to fund high quality universal services (with proportionate universalism adopted where possible such that the greatest support is provided to those with the greatest needs in the context of a universal service) and to fund preventative interventions would all be effective uses of the additional revenue.¹

Particular consideration should be given to mitigating the impact of the reduced value, and increased conditionality, of the social security system as this is likely to reduce the incomes of the poorest and have multiple impacts on particular vulnerable groups (e.g. lone parents and people whose benefits have been sanctioned), with consequent negative impacts on their health.⁷

Many preventative measures would not necessarily require ongoing revenue support, but would improve health and reduce health inequalities and potentially reduce the demand for public services in the future. This includes policies to regulate the production and marketing of unhealthy food and further regulation of the sale and pricing of alcohol and tobacco. Other preventative measures, such as investment in high quality early years education and childcare, would require ongoing substantial revenue support which this additional revenue could be used to fund on a sustainable basis.⁸

3. If SRIT should be below 10% how the reduction should be funded from existing expenditure?

Not applicable.

4. Has the introduction of SRIT been sufficient well publicised to employers and tax payers?

We have no comment to make on this question.

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References

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- ⁸ Craig N. Best preventative investments for Scotland – what the evidence and experts say. Glasgow, NHS Health Scotland, 2014.