

SUBMISSION FROM REFORM SCOTLAND.

Our response deals mainly with questions 1 and 5, which focus on the proposal for a finance bill.

Essentially, the Scottish Parliament as established in 1999 was an expenditure parliament. It received a block grant from Westminster and discussions were made about how to spend that money. Although it had full control over two taxes, council tax and non-domestic rates, those taxes were local taxes.

This set up 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. As a result, although there were annual Scottish Budget bills that were passed by the Scottish Parliament, those pieces of legislation were, in reality, simply expenditure plans.

Over the past 21 years of devolution a great deal has changed. In 1999 the Scottish Parliament was responsible for only 8% of all Scottish tax revenue. With the devolution of powers relating to nsnd income tax, LBTT and Scottish landfill tax, and with devolution of APD and Aggregates levy still to come; Holyrood is now responsible for 28% of Scottish tax income covering seven different taxes.

Currently 65% of all devolved tax revenue comes from a single source – nsnd income tax. Holyrood is still only responsible for raising less 40% of the money it spends, which is why Reform Scotland believes that the current financial settlement is far from settled and more financial powers need to be devolved.

However, we still recognise that there has been a significant, and welcome, increase in Holyrood's powers to date. Yet, despite that change in powers there has been no change in the legislative framework to deal with those powers, and that seems to be an oversight.

It is to be expected that there will be times when unintended consequences or tidying up of taxes need to be addressed, as was the case highlighted within the interim report with LBTT Additional Dwelling Supplement. Having a legislative framework that enables such issues to be dealt with within an annual legislative process, making best use of Holyrood's time makes sense. A Scottish Finance Bill would be a sensible step forward.

Regardless of views on independence or further devolution, it is important that the process that is taken up now is able to adapt to additional powers going forward. A Finance Bill system would be able to cope with changing responsibilities.

Reform Scotland agrees with the Working Group's proposal of a Finance Bill process for Holyrood and believes that this is a necessary and sensible step forward in the delivery of Scottish devolution.

For information, Isobel d'Inverno, a member of the Work Group, is a Trustee of Reform Scotland.