



Tax Policy and the Budget
Scottish Women's Budget Group submission
October 2021

The Scottish Women's Budget Group (SWBG) is an independent analysis and campaign group that aims to promote gender analysis in public policy and public finance decisions through budgetary processes. SWBG brings together a wide range of women from across Scotland who have an interest in women's equality and want to achieve better gender equality in our society and has focused on encouraging active gender analysis in the Scottish Budget process since 2000.

Below is our response to questions posed by the Scottish Government through the Tax Policy and the Budget consultation process.

How our revenue is generated has an important role to play in tackling inequality. Just like decisions on how best to spend public money, decisions about how best to raise public funds through tax can affect women and men differently. Additionally, regressive taxes place greater pressure on those on lower incomes, with wealthy men the most likely to benefit. Women make up a higher proportion of those on low incomes and therefore tax changes to realise a more progressive tax system will improve efforts towards gender equality. Understanding these effects and analysis is needed in decision making and prioritisation process. While Scotland does not hold the levers of power on all tax decisions there is more that could be done to realise a progressive tax regime in Scotland.

A gender budgeting approach to the tax system analyses how the tax system can be used to promote equality in society more widely. This means ensuring that the necessary data and analysis are brought into the decision-making process to consider the differing impacts of tax decisions on men and women, the differing experiences faced by women, and how those decisions can work to promote equality.

1. What are your views on the draft Framework for Tax?

The Framework for Tax is welcome in its desire to create an accessible, open document that supports people across Scotland to engage in discussions and contribute to consultations on tax. It provides a welcome framing for tax as forming 'part of the fabric of society' and a 'key component of the social contract'. This is important to the discussion on tax so tax is not viewed as a burden on individuals but rather as a contribution to our public finances. From this point of view it is easier to have a constructive discussion on a progressive tax regime. Women in particular benefit from viewing tax as part of the common good because the quality of the public realm can matter more to women due to the division of unpaid care work and that women are more likely to be employed in the public sector. Women gain from having a bigger role of collective consumption and resources, as detailed further below.

However, further steps would be needed to move from a desire in the Framework for Tax to be accessible and open to providing the platform and space for greater participation in discussions on tax. Opportunities to move to inclusive and participatory processes for long-term tax decisions should be considered. Members of SWBG have highlighted the difficulty

in finding out information on tax and the complex nature of documents proving to be a turn off. Clear transparent information about tax and the decisions that are made on tax policy are needed to improve the public understanding and approval for progressive tax measures.

The framework provides important clarity of objectives of the tax system linking to aims of the Wellbeing Economy, delivery of the National Performance Framework, stable revenues and responsive to societal shifts. However, the devil is in the detail of how these will be delivered in practice. Greater recognition of the role of tax in tackling inequalities and of the different impact of tax on women and men should be made within the framework. We provide some considerations on how the objectives for tax policy can deliver for equality.

Tax policy objectives as outlined in the Framework:

Generating stable revenues to fund public services and support social renewal, ensuring Scotland's public finances are fiscally sustainable.

This objective has a very important gender component. Women still tend to have more responsibility for unpaid work including childcare, care for older or disabled people, and domestic work. For many women, this means a greater reliance on public services and can limit the time they have for paid work and other activities. Therefore, well-funded public services can reduce women's unpaid work and provide a choice about whether to undertake paid work, providing the opportunity to pull women out of poverty.

The Government has an obligation under Article 2(1) of the International Convention on Economic, Social and Cultural Rights¹, in ensuring first, that it has generated the "maximum of its available resources" to fund the realisation of rights through its policy agenda. It is important that the government's obligation to deliver on Maximum Available Resources is highlighted and reinforced under this objective to deliver quality public services.

Supporting a wellbeing economy by helping to deliver a sustainable and inclusive economic recovery and support new, good jobs, businesses and industries for the future.

Gender equality needs to be a critical part of the Scottish Government's vision for a wellbeing economy. Within this objective is an understanding that we are all contributors to the tax systems as well as beneficiaries of what tax provides.

In addition, this objective highlights that tax can provide incentives to change behaviour both in terms of what is taxed and how tax operates. For example, low rates of tax for those at the lower income scale can provide work incentives, ensuring work pays. Equally considering areas such as business support/relief can work to reward those contributing to the aims of a wellbeing economy. As can measures such as the Air Departure Tax for individuals.

Delivering national outcomes by reducing inequality and funding the public services that promote and protect the wellbeing and rights of our citizens.

Promoting an equal society through the tax system is a very important principle and fundamental role of tax policy. Ambition to tackle inequality must be at the heart of Scottish Government budget decisions – both revenue raising and spending. It is not just through the effects of redistribution that the tax system can promote equality but also through the values it sets in the areas that are taxed or not. In this area there are important areas for the

¹ See <https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx>

Scottish Government to consider such as the role of an Air Departure Tax. In terms of the redistributive effects of the tax system the consideration of the role of wealth taxes have to be an available tax policy tool.

Delivering a tax system with the ability to respond to societal and economic shifts by ensuring that tax policies and processes are robust and flexible.

A gender and distributional analysis of any proposed changes to tax is needed to consider the differing impacts on women and men, those on low incomes, and variations across age. This analysis is key to delivering policies that work towards equality and need to be established within decision making processes to ensure that flexible models continue to make use of necessary data and analysis.

The framework sets out some decisions that have been made around income tax. It would be good to see a link to the documents and assessments that supported that decision making as a practical example of how impact assessments are used in tax policy decision making. It is important that clarity was provided to how decisions are made on tax. It would be good to see inclusion of the need to assess proposals by gender as well as other equalities.

The Framework sets out a proposal for a Citizen's Assembly on Council Tax. While it is welcome to see this as an indication of need to act to change our current local taxation system and we have seen from previous Citizen's Assemblies the importance they can provide to dialogue and participation in the process. As well as generate debate and build consensus for reform. The commitment to hold this Assembly must come alongside a commitment and timescale for action on local taxation. It must also come alongside recognition of the numerous inputs that have been provided to previous work on local taxation, particularly the Commission on Local Tax Reform. The time and efforts expended to contribute to this Commission must be recognised and tapped into but also people must have the confidence that contributing to another process of review on Council Tax will be meaningful, have impact on future decision making and a timescale and commitment to deliver change.

2. What should the Scottish Government's priorities for devolved and local tax be over the course of this Parliament (2021-2026)?

Scotland has an opportunity over the course of the next parliamentary session to expand its work on progressive taxation beyond changes in income tax. Evidence from the Office of the Chief Economist demonstrates that changes made in Scottish income tax in 2021-22 compared to a scenario of no tax changes since 2016-17 mean that in 2021-22 85% of women will pay less tax, compared to 72% of male taxpayers². A continuing priority for the Scottish Government is to maintain commitments to a progressive income tax regime are held strong and continuing to use powers on income tax to provide increasingly progressive rates.

However, other taxes within Scotland are more regressive in nature. Council Tax is a particularly regressive form of taxation that is within the control of the Scottish Government. According to data from the Office of National Statistics households in the bottom quintile pay 4.6% of their income on Council Tax, whereas those in the top quintile pay just 1.4% of their

² Office of the Chief Economist [Income Tax: Cumulative Impacts on Income Levels and Equality](#)

income on this tax³. Efforts to reform Council Tax into a progressive form of local taxation would benefit those on low income and are a necessary step for taxation to promote a more equal society.

Local taxation is an area long overdue reform, to ensure local authorities are funded to provide vital public services that women disproportionately rely on and to tackle the regressive form of taxation currently in place. This should be considered a priority within the next five years. As mentioned in response to the previous question commitment on local tax reform must go beyond holding a Citizens' Assembly and the considerable work undertaken by the Commission on Local Tax Reform should be reconsidered as part of this process.

The forthcoming rise in National Insurance Contributions (NICs) at a UK-wide level will raise revenue for Scotland, however, it is another example of regressive taxation. NICs start at a lower threshold than income tax and a higher rate threshold beyond which employees pay a lower rate. This change in NICs will disproportionately impact those on lower incomes, which as noted above women make up a higher proportion. Consideration should be given to how levers within the Scottish Government's control can be used to support those most adversely affected by the rise in NICs.

In Scotland, as across the UK, the unequal taxation of income from wealth and income from work represents a tax break for wealthy men. In order to reach a progressive fiscal settlement to support Scotland's recovery, governments at Holyrood and Westminster will need to look in detail at wealth taxes, including those that could be administered at the local government level across Scotland. Over the next five years Scotland should consider what options for Wealth Tax could be implemented in the devolved context. In this area Scotland could work to use its influence beyond its borders, working across the UK to establish mechanisms for wealth tax.

What's more, as we consider the urgent action needed to tackle our climate and nature crises, governments will need to closely consider how progressive carbon taxes can be designed to limit pollution and fund a feminist green recovery. In Scotland use of powers for an Air Departure Tax could be a first step in this process.

As Scotland emerges from the Covid crisis, it is also important that we consider what to ask in return from businesses supported through the crisis. As Scottish Government considers the shape of future business support, this should include an assessment of how conditionality and/or tax relief could be used to incentivise fair work practices.

As outlined in the next answer and highlighted above commitment a deliver to intersectional gender analysis of proposed tax changes is a vital step in identifying and sequencing priorities for this parliamentary term.

3. How should the Scottish Government use its devolved and local tax powers as part of Scottish Budget 2022-23?

As highlighted above the Government has an obligation under to ensure "maximum of its available resources" to fund the realisation of rights through its policy agenda. The 2022-23 Scottish Budget requires sound analysis of how the Scottish Government is delivering its human rights commitments. As part of this a gender and distributional analysis of proposed

³ Office of National Statistics (2020) [Taxes as a percentage of gross income, disposable income and expenditure for all individuals by quintile groups Scotland 2018 to 2019](#)

changes to tax is needed to consider the differing impacts on women and men, those on low incomes, and variations across age. Efforts should be made to ensure data on race can be brought into this analysis. This analysis is critical to determining the necessary priorities in

Taking an intersectional gender analysis approach to budgets helps improve understanding of how decisions affect women and men differently because of their different experiences in family and household structures; paid employment and unpaid work; and caring and provisioning for others. These different experiences stem from established gendered norms and assumptions about women and men, including as workers, and the kinds of jobs women and men do, including traditional assumptions about parenting and caring. This in turn has an effect on the economic status which we ascribe to women and men - as earners and taxpayers - and the types of social security and other publicly funded income received or services used. Therefore, tax and revenue, spend on social security, education, health, public services and infrastructure including transport and care facilities, are all gendered issues.

Inequalities based on gender intersect with other forms of inequality based on class, race, disability and other factors so that some groups of women, particularly poor women, women from minority ethnic communities and disabled women face multiple disadvantage.

In order to support this analysis sex-disaggregated, intersectional, data needs to be incorporated into policy making and the process of complete equality impact assessments.

Local taxation is an area that is least reformed and most in need of reform. While this process will take longer than one budget cycle to reform it is important that steps are taken to start this process in the next budget. Local Government funding has been hollowed out but the expectations are still very real and are directly relevant and directly impact on women's economic and social experiences.

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