



THE SCOTLAND BILL

A Summary of SCC Members' Issues

Introduction

Scottish Chambers of Commerce (SCC) welcomes the opportunity to contribute towards the Scotland Bill Committee's analysis of the most important development in the devolved settlement since the creation of the Scottish Parliament in 1999. In particular, we thank the Committee for taking the time to listen to our members' views directly and engaging with them on some of the implications of the Scotland Bill. It is often said that devolution is a process, not an event, and this axiom is both true and desirable. The powers of the Scottish Parliament should not be frozen in time – instead they must develop and evolve, delivering an appropriate mix of responsibility and accountability and allowing Scotland's politicians to create a competitive economic environment in which business can flourish.

Being a business, rather than a political, organisation, SCC has refrained from public comment on the processes which have led to the current legislation. Our focus is on the practical application of powers and the potential for the Scottish economy to gain a competitive advantage as a result.

Issues raised by members of the Chamber of Commerce network in Scotland are centred on a few key areas: the partial transfer of responsibility for raising Income Tax; the new powers over Stamp Duty Land Tax and the Landfill Tax; the power to impose new taxes; additional powers over road traffic law; and new borrowing powers. A summary of our members' issues surrounding these powers is as follows:

Income Tax

A number of member businesses have concerns over the costs to business of the administration of a separate Scottish Income Tax band, particularly for those businesses with a mixture of employees domiciled in different parts of the UK. As this would most

likely have a disproportionate impact on small businesses, this could have particular resonance in the Scottish Borders and Dumfries and Galloway areas.

Members were also worried about the potential for income tax rises for higher and top rate tax payers, emphasising the negative impact this could have on attracting and retaining large headquartered businesses within Scotland.

In terms of the operation of income tax as a fiscal tool, it remains a fairly blunt instrument in terms of Scottish Government budgets and a one penny in the pound increase or decrease in the tax could have a large impact. Our belief is that this tax should be used to incentivise business and investment in Scotland. The political debate surrounding the introduction of this new power for the Scottish Parliament would be greatly enhanced if politicians were to articulate how this power would be used to our economic advantage.

Stamp Duty Land Tax and the Landfill Tax

A number of our members have indicated that they can envision positive benefits for Scotland resulting through the ability to vary these key taxes to produce a competitive advantage to Scottish businesses. In particular, a targeted reduction in Stamp Duty Land Tax could assist in attracting new investment and regeneration across Scotland.

Powers to Impose New Taxes

Under the Scotland Bill, the Scottish Parliament would have the power to introduce new taxes in Scotland. This is a wide and non-specific power and businesses are wary regarding its potential use. Given the pressure on Government to spend more and more public money, we hope that the temptation to raise new taxes to pay for this are resisted.

Additional Powers over Road Traffic Law

Businesses have largely welcomed the devolution of road traffic powers to the Scottish Parliament, and indeed many believe that further devolution of responsibility in this area would be welcome. A number of our members have suggested that the Scottish Parliament should be given the power to increase the speed limit for HGVs on single carriageway roads from 40mph to 50mph in order to reduce congestion and increase fuel efficiency.

New Borrowing Powers

The availability of significant borrowing powers for the Scottish Parliament is long overdue. This will give the Parliament an additional capacity to invest in the capital infrastructure projects that Scotland needs in order to take our economy up a gear. This is an invaluable new source of investment and planning must begin in order to incorporate this in a long term plan for Scottish infrastructure investment.

Conclusion

SCC views the Budget Bill as an important part of the devolutionary journey. Its importance lies not in its own terms, but in how the new powers it offers are used. It affords the opportunity for Scotland's politicians to create a more favourable business environment, establish an inbuilt competitive advantage for Scottish firms and accelerate our economic growth. However it also raises the possibility that the Parliament could increase taxes and render Scotland uncompetitive, making life difficult for business.

With this in mind, it is important that the public and political debate on the Scotland Bill moves away from the mechanics of the bill itself towards an open discussion on how the powers it confers will be used to deliver economic growth.

Scottish Chambers of Commerce

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