

Title: Time for Redistribution of Income: The Case for a Scottish Service Tax

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ABSTRACT

This paper identifies the need for higher public investment in health, education, housing and public services in Scotland. The current system of local government finance is unable to deliver these improvements effectively, efficiently or equitably. However, the devolved powers for Scotland offer new opportunities for addressing these concerns innovatively. It is argued that the established literature and the findings of the Layfield Committee make a case for the implementation of a *Local Income Tax* across Scotland, that is: a new Scottish Service Tax. The Scottish Service Tax would replace the regressive Council Tax in favour of a tax based on the ability to pay, that is it would be deliberately redistributive in nature with the objective of reducing the ever widening inequalities in society. By exempting everyone on incomes below £10,000 per annum, the Scottish Service Tax effectively would exempt the low paid, those on basic pensions and benefits and students. Additionally, it is argued that the redistributive aspect of the tax will have an expansionary effect on the Scottish economy and benefit the whole of Britain.

This paper grew out of research funded by the Scottish Socialist Party and the idea of a progressive Local Income Tax, that is, a Scottish Service Tax, has been adopted as a key component of their social and economic strategy. Based in the wider debates about land reform and land value taxation, the discussion on the tax was the first independent debate in the Scottish Parliament.

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