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Low Incomes
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Our tax priorities for the new parliament



Our tax priorities

1. A Scottish tax bill.
2. Improved awareness of Holyrood's tax powers.
3. Evaluate the impact and effectiveness of existing tax powers.
4. Greater understanding of the impact of income tax divergence.
5. Achieve consensus on council tax reform.



1. A Scottish tax bill

The Scottish Parliament's tax powers have grown and evolved during the past decade, yet Holyrood still lacks the legislative levers that would allow it to more quickly update tax laws, fix anomalies and respond more flexibly to UK tax changes. In some cases, tax laws have taken years to fix because of a lack of parliamentary time.

Regular primary legislation, for example an annual Scottish Tax Bill, would help achieve this, by enabling broader, thorough scrutiny, and the ability to consult with outside experts.

The next Scottish Parliament should work with the Scottish Government, Revenue Scotland, and independent stakeholders to agree a way forward on introducing a legislative mechanism for maintaining and updating tax law. This could include reconvening and revisiting the work of the Devolved Taxes Legislation Working Group¹.

1. [Devolved Taxes Legislation Working Group](#) (Scottish Government)



The Scottish Parliament Pàrlama

2. Improved awareness of Holyrood's tax powers


According to Scottish Government data, more than half of Scots surveyed say they do not understand the devolved tax system², while the committee responsible for tax scrutiny has recommended that MSPs need a clearer understanding of how Scotland's finances work³.

Ensuring the public (and our politicians) understand the extent and limitations of Scotland's tax powers is key to effective budget scrutiny and for holding our political leaders to account for the decisions they make.

The next Scottish Parliament and Scottish Government should consider how they can work together to improve public understanding of their tax responsibilities. This may also include consideration of improved financial awareness in the school curriculum. The parliament should include comprehensive tax and fiscal training for MSPs and commit to holding regular refresher sessions over the course of the parliamentary session.

2. [Scottish Budget 2026-27 - Public Attitudes to Tax](#) (Scottish Government)

3. [Report on the Scottish Budget process in practice](#) (Scottish Parliament)



3. Evaluate the impact and effectiveness of existing taxes

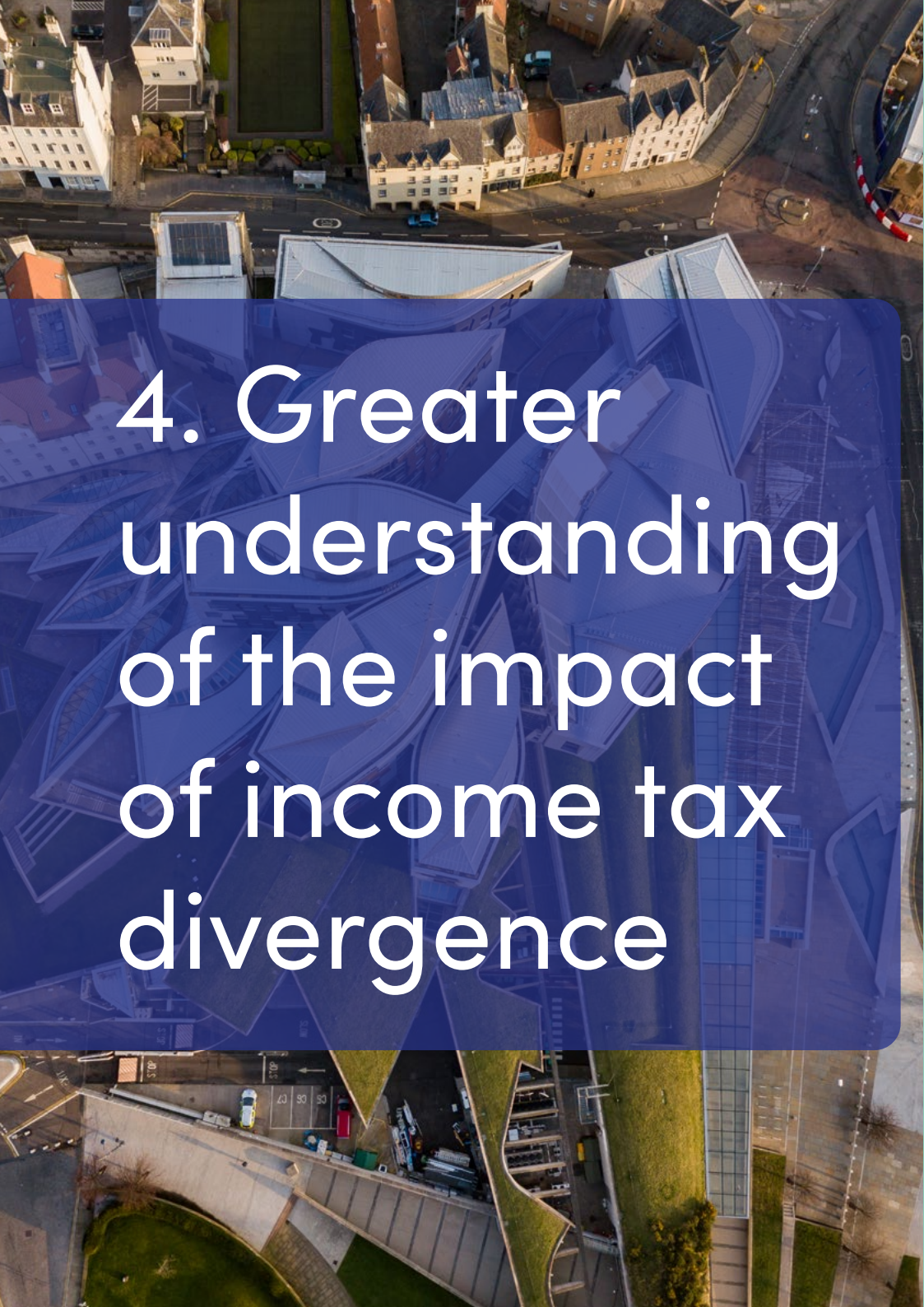
2026 marks the tenth anniversary of the 2016 Scotland Act that enhanced Holyrood's tax-raising powers.

This milestone offers an opportunity to take stock of tax devolution, looking at what has worked well, and what hasn't.

A good first step would be for the next parliamentary committee responsible for tax to revisit the Scottish Approach to Taxation⁴, considering factors such as how much each tax has raised, the costs of implementation, operational effectiveness, and whether their policy aims have been met.

An outcomes focused approach can help to inform future discussions on Scottish tax policy making.

4. An inquiry was initiated by the Finance and Constitution Committee of the 2016-21 parliament but its work was not completed.



4. Greater understanding of the impact of income tax divergence

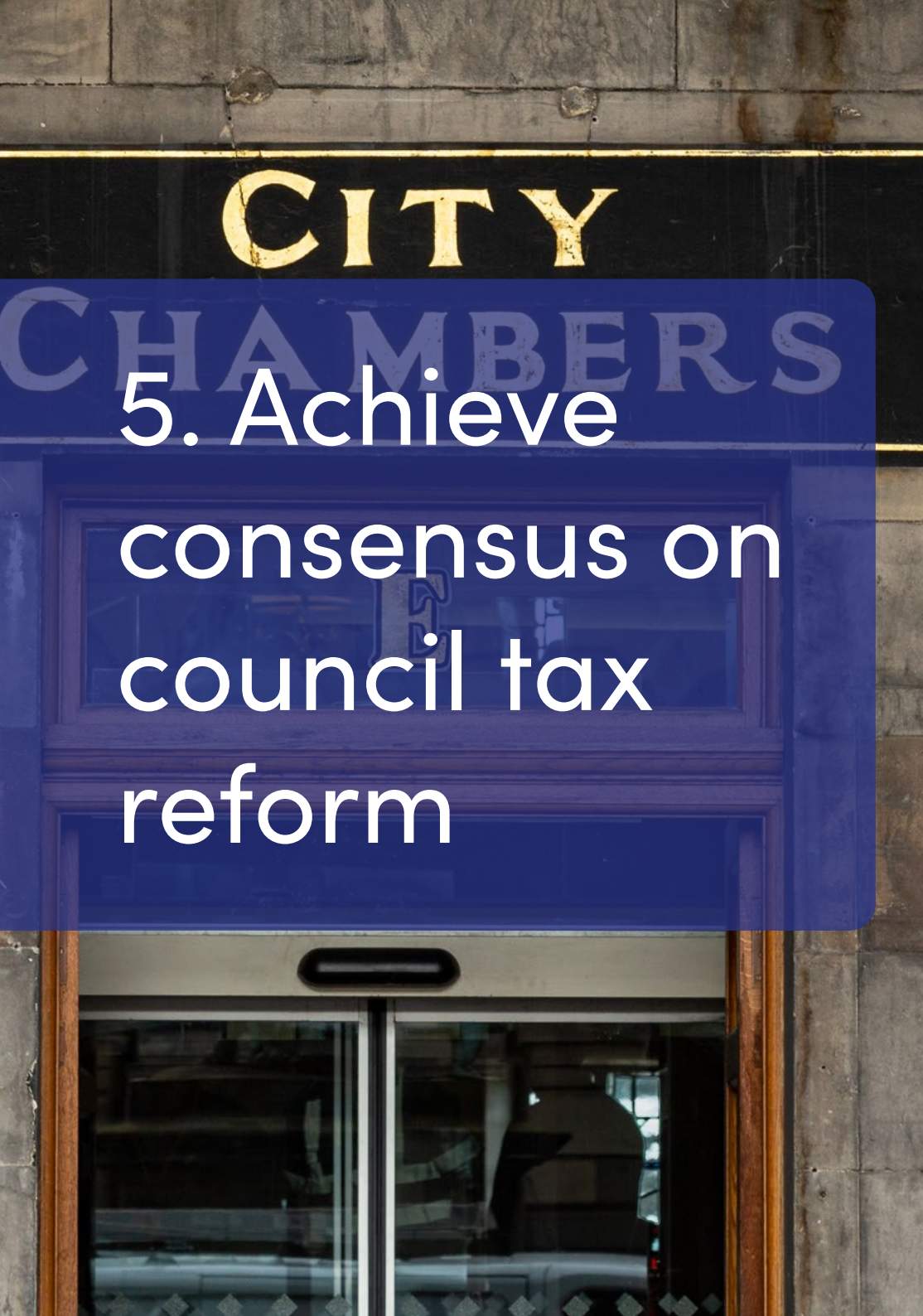
More frequent data of improved quality is key to understanding the effects of income tax divergence on Scotland's attractiveness as a place to live, work and do business.

While the evidence gathered to date has been largely anecdotal⁵, the Scottish Government has commissioned research to understand the impact of the income tax changes of 2023-24 and 2024-25 that have arguably increased the complexity of the regime⁶.

The next Scottish Government should commit to using the findings of this research to establish an evidence base that can be used to inform budget scrutiny and tax policy making. Frequent and timely reviews should be built into the decision-making process, particularly if future policy decisions result in further divergence from the rest of the UK.

5. Both the [Scottish Government](#) and [HMRC](#) have undertaken research into the tax changes introduced in 2018-19.

6. These tax changes included increases to the higher and top rates of tax, reducing the top rate threshold to £125,140 (mirroring a UK change) and the introduction of a new advanced rate of Scottish income tax.



5. Achieve consensus on council tax reform

The debate on council tax reform persists into a fourth decade. Despite numerous reviews, commissions, consultations and citizens' assemblies, there remains no clear path, or political consensus, on the way forward.

Tinkering around the edges of the system and bolting on new bands for the most expensive properties does not fully address the overall progressivity of the system.

Ongoing efforts to build consensus need to start delivering results and this task falls to the new parliament, which should take forward the work already underway to identify options for change⁷.

Meaningful reform should, at the very least, include a commitment to a full revaluation of all homes in Scotland. Otherwise, the council tax system will remain detached from reality.

7. CIOT and LITRG's response to the most recent Scottish Government consultation on council tax can be found [here](#). ATT's response is available by clicking [here](#).



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