

# Scottish Greens' Income Tax Proposals

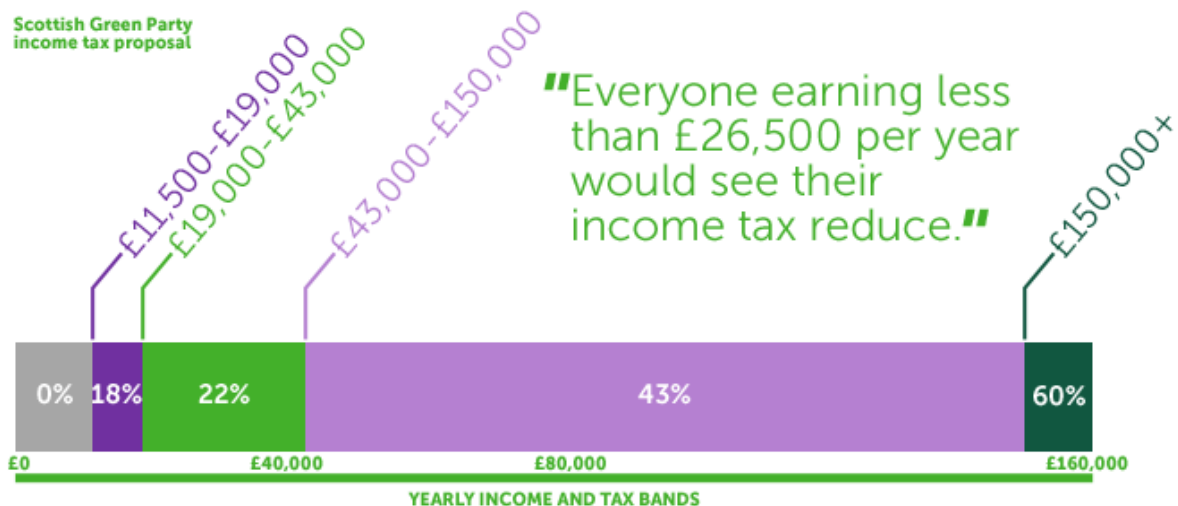
## 2018-19 Budget Briefing

Scottish Greens' income tax proposals focus on reducing tax for those who earn less than an average wage<sup>1</sup>, so that lower earners have more money in their pockets. This is part of Scottish Green policies to reduce income inequality, for example by lifting the public sector pay cap, by supporting income maximisation services, and making use of new Social Security powers to restore the value of devolved benefits.

Scottish Greens propose to give low earners more money in their take home pay by splitting the Basic Rate. At the moment, everyone who earns taxable income above the Personal Allowance threshold (currently £11,500<sup>2</sup>) pays income tax at the Basic Rate of 20%. In Scotland, any income that you earn above £43,000 is taxed at a rate of 40%<sup>3</sup> - so, someone earning £50,000 pays no tax on their first £11,500 of wages, pays 20% tax on their wages between £11,501 and £43,000, and pays 40% tax on the remaining £7,000.

The problem is, there is a big difference between a salary of £11,501 and a salary of £43,000 – but this difference is not recognised in the way the 20% Basic Rate band is currently organised. One person earning £11,501 and another person earning £43,000 are taxed at the same rate – Scottish Greens think this is not fair.

Scottish Green proposals to split the Basic Rate can help address this unfairness – we will put more money in the pockets of people earning below an average wage. Everyone earning less than £26,500 per year would see their income tax reduce.



We will continue to promote this principle in the income tax debate this year. Our 2016 manifesto included specific rates including a new band taxed at 18% for the first £7,500 of income above the Personal Allowance in 2017/18. Income earned above £19,000 would be taxed at 22%. Income above £43,000 would be taxed at 43%. Income above £150,000 would be taxed at 60%.

<sup>1</sup> Calculated as £26,500

<sup>2</sup> Powers to set this threshold are reserved

<sup>3</sup> Higher Rate

Splitting the Basic Rate asks highest earners to contribute more. Setting income tax rates that are proportionate to peoples' ability to pay is important to Scottish Greens - that's why, alongside reducing income tax rates for lower earners, we would increase the amount of tax paid on earnings above the Higher Rate and Additional Rate thresholds. The Higher Rate would move from 40% to 43%, and the Additional Rate (paid on income above £150,000) would move from 45% to 60%.

Taken together, these updated bands would raise at least an additional £331 million to invest in public services – and would do so alongside raising the take home pay of those on less than average salaries.

During this year's budget process, rates will need to be calculated according to current priorities, such as funding an above-inflation public sector pay settlement, restoring the real terms value of the local government grant, and increasing investment in low carbon infrastructure.