



Tax and revenue - at a glance

The implementation of the Smith Agreement will see a significant increase in the tax-and-spend powers of the Scottish Parliament.

It will be responsible for around 40% of Scotland's taxes, and around 60% of its public spending, making it one of the most powerful devolved administrations in the world.

This will need both the UK and Scottish Governments to agree a new fiscal framework to ensure Scotland enjoys all of the benefits of economic decision-making taken closer to home within a strong and secure UK system and a shared currency.

Scottish Parliament will control around **60% of spending** in Scotland

Here are some of the main points:-

Income Tax

The Scottish Parliament will have the power to set Income Tax thresholds and rates on the money we earn, except for tax on savings and dividends - things like ISAs, for example.

Revenue raised in Scotland will remain in Scotland.

VAT

The Scottish Government will keep the first ten percentage points of VAT receipts collected in Scotland – that's currently 50% of those revenues .

Air Passenger Duty

The Scottish Parliament will take control of the amount of tax paid by air travellers leaving Scotland.

Aggregates Levy

The power to tax companies involved in extracting aggregates – minerals used in the construction industry – in Scotland, will be devolved to the Scottish Parliament.

Borrowing

From April this year, the Scottish Government will be able borrow an additional 10% of its capital budget every year – in 2015/16 that would be around £300 million. Additional borrowing powers will need to be agreed between the UK and Scottish Governments.

Funding for public services

The Barnett Formula – which is used to calculate the main part of the block grant which pays for the public services which have been devolved to Scotland, like health and education - will be retained.

In policy areas where newly-devolved powers – things like parts of the welfare and benefits system, for example, mean increased costs for the Scottish Government, the block grant will provide additional funding.

However it will be reduced to take account of the fact that revenue raised in Scotland due to greater tax-raising powers will stay in Scotland.



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Taken together, these measures will make the Scottish Government more accountable to the voters for its spending and taxation decisions. The ambition is that this will help encourage economic growth.

More powers



The new mix of powers will give Scottish Parliament a range of choice over policies

while retaining the strength and security of the UK