

Tax and benefits system 'more progressive in Scotland than rest of UK'

The tax and benefits system in Scotland is more progressive than elsewhere in Britain, a report has said.

The Institute for Fiscal Studies think tank said that, by April, the poorest 10% of Scottish households are set to have incomes £580 (4.6%) per year higher than they would under the system in England and Wales.

Tax and benefit measures introduced north of the border since 2017 have reduced average household incomes by £210 (0.5%).

Later on Thursday, MSPs will vote on the proposed Scottish tax bands for the next financial year, which would increase taxes for higher earners.

The IFS said policies introduced over the last few years, such as changes to the benefits system, have particularly increased the incomes of poorer families with children.

Amongst the poorest 30%, Scottish reforms are set to raise the incomes of households with children by around £2,000 per year on average, the IFS said.

The new Adult Disability Payment is forecast to increase disability benefit spending by around a fifth when it is rolled out.

More on Scotland



Silverburn Shopping Centre's dog-friendly scheme in Glasgow to end after 'low uptake' and complaints about mess



Peterhead: Suspects in court charged with murder after body of Aberdeen man found in street



Ranger team mobilised after suspected bird flu outbreak kills 20 swans at St Margaret's Loch in Edinburgh's Holyrood Park

Related Topics:

- [Scotland](#)

Research economist Tom Wernham said: "The Scottish government has used devolved income tax and benefit policy to make the system more progressive, as well as to raise more revenue to fund public services."

“These changes imply big increases in income for poorer households with children.

Advertisement

“But to fund their policies they are increasingly relying on taxing higher earners.”

Spreaker

Due to your consent preferences, you're not able to view this.

[Open Privacy Options](#)

[Click to subscribe to The Ian King Business Podcast](#)

“With this group in particular, there is a risk that higher taxes will incentivise tax avoidance efforts, such as converting income into dividends – to which Scottish tax rates don't apply – or even migrating across the border.

“Most of the additional revenue from raising the additional rate to 45p is set to be lost due to responses such as these – suggesting there is a limit to how much further this strategy can be pushed.

“If the Scottish government does want to raise more revenue from richer households, it may need to turn to other taxes under its control, such as council tax.”