

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT SCOTTISH RATES OF INCOME TAX
(CONSEQUENTIAL AMENDMENTS) ORDER 2018

Monday 26 March 2018

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Friday 30 March 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: SIR DAVID CRAUSBY

- | | |
|---|--|
| † Blackman, Kirsty (<i>Aberdeen North</i>) (SNP) | † Kwarteng, Kwasi (<i>Spelthorne</i>) (Con) |
| † Blunt, Crispin (<i>Reigate</i>) (Con) | † Murray, Ian (<i>Edinburgh South</i>) (Lab) |
| † Caulfield, Maria (<i>Lewes</i>) (Con) | † Rutley, David (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Clark, Colin (<i>Gordon</i>) (Con) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Dodds, Anneliese (<i>Oxford East</i>) (Lab/Co-op) | † Stride, Mel (<i>Financial Secretary to the Treasury</i>) |
| † Drax, Richard (<i>South Dorset</i>) (Con) | † Walker, Thelma (<i>Colne Valley</i>) (Lab) |
| Gaffney, Hugh (<i>Coatbridge, Chryston and Bellshill</i>) (Lab) | Woodcock, John (<i>Barrow and Furness</i>) (Lab/Co-op) |
| † Jack, Mr Alister (<i>Dumfries and Galloway</i>) (Con) | Yohanna Sallberg, <i>Committee Clerk</i> |
| † Kerr, Stephen (<i>Stirling</i>) (Con) | |
| † Killen, Ged (<i>Rutherglen and Hamilton West</i>) (Lab/Co-op) | † attended the Committee |

Fourth Delegated Legislation Committee

Monday 26 March 2018

[SIR DAVID CRAUSBY *in the Chair*]

Draft Scottish Rates of Income Tax (Consequential Amendments) Order 2018

6 pm

The Financial Secretary to the Treasury (Mel Stride): I beg to move,

That the Committee has considered the draft Scottish Rates of Income Tax (Consequential Amendments) Order 2018.

May I say what a pleasure it is to serve under your chairmanship, Sir David? The order updates legislation to reflect structural income tax changes announced by the Scottish Government and includes a number of consequential amendments to tax reliefs, which remain reserved. The changes will ensure certainty and consistency for taxpayers across the United Kingdom, no matter where they are based.

The Government have transferred extensive income tax powers to the Scottish Government, ensuring that they are more accountable to Scottish taxpayers. Since April 2017, the Scottish Government have been able to vary the income tax rates and thresholds, except for the personal allowance for non-savings, non-dividends income.

Ian Murray (Edinburgh South) (Lab): I thank the Financial Secretary for giving way so early in his contribution. Does he agree this statutory instrument means that the vow made during the independence referendum to devolve as much as possible under agreement to the Scottish Parliament has been approved?

Mel Stride: I would say that it is entirely in line with the vows we made at that time, and indeed the Scottish Government have exercised their right under the Scotland Act 2016 to vary Scottish tax rates—both the thresholds and the marginal rates. The Scottish Government used those powers at their recent budget to make a number of changes, including the introduction of a new starter rate of 19%.

Stephen Kerr (Stirling) (Con): I am grateful to the Government for stepping in to sort out the mess that the Scottish National party Government have created in Scotland. Are not the facts that the SNP did not consult anyone in the Treasury at Westminster about the changes it was about to make and the impact they would have on marriage allowance and on pensions?

Mel Stride: I thank my hon. Friend for that intervention. In the spirit of moving forward positively, I shall leave it for his remarks to be placed on the record as he has seen fit.

As I was saying, the changes included the introduction of a new starter rate of 19%, an intermediate rate of 21%, and increases in the higher rate to 41% and in the top rate to 46%. The Scotland Act passed the powers to make consequential amendments to primary legislation via a statutory instrument, where required to respond to changes made by the Scottish Government.

The order makes changes to reflect the new income tax rates so that certain tax reliefs continue to work as intended when the changes take effect in April. It will ensure that those in the new Scottish starter and intermediate rate bands continue to receive marriage allowance at the current rate of 20%. It will also ensure that Scottish taxpayers continue to get the right amount of relief on charitable donations and claim the right amount of pensions tax relief under the relief at source mechanism, and that those who have deferred their state pension continue to pay tax at their marginal rate on a lump sum.

The order also makes minor changes to the Income Tax Act 2007, the Taxes Management Act 1970, the Income Tax (Trading and Other Income) Act 2005, the Finance (No. 2) Act 2005, the Finance Act 2016 and the Scottish Rate of Income Tax (Consequential Amendments) Order 2015, to reflect the new taxes.

The changes will ensure that the tax system remains fair and consistent and that there are no complex tax relief rules depending on where in the United Kingdom a taxpayer is resident. They will ensure that those reliefs and wider tax legislation continue to work as intended and demonstrate our continuing commitment to making the Scotland Act and devolution work. I commend the order to the Committee.

6.4 pm

Anneliese Dodds (Oxford East) (Lab/Co-op): These measures address problems relating to the married couples' allowance and other issues raised earlier in the year, following the publication of the Scottish Government's income tax plans for 2018-19. The Financial Secretary has gone through the other areas that needed change, such as gift aid and pensions tax treatment.

Of course, Labour supported the devolution process in Scotland, and that includes decision making over income tax. I therefore do not want to comment extensively on the proposals, beyond putting on the record Scottish Labour's concerns that the plans do not go far enough to make our tax system more progressive.

6.4 pm

Kirsty Blackman (Aberdeen North) (SNP): I appreciate that the UK Government are introducing enabling legislation to ensure that the Scottish rate of income tax can apply and that Scotland will therefore be the fairest tax part of the United Kingdom.

Mel Stride: I hope that the Committee will agree to the order.

Question put and agreed to.

6.5 pm

Committee rose.