

Scotland – Land of Opportunity?

In 2011, Scotland could take major steps toward securing the powers needed to maximise the nation's economic potential and increase opportunities for all of Scotland, according to External Affairs Minister Fiona Hyslop.

As scrutiny of the UK Government's Scotland Bill continues in the Scottish Parliament, the Scottish Government today published a [paper](#) identifying opportunities available under increased financial responsibility within the UK and in an independent Scotland.

The paper explains how full financial responsibility would give Scotland power over the range of taxes and duties (excluding only VAT) raised in Scotland and currently controlled by the UK Treasury.

It argues that transfer of a greater range of economic and financial powers than those set out in the Scotland Bill would maximise accountability and transparency within the UK, make policymakers more responsible for the financial impact of policy decisions, better promote Scotland's distinct interests, and provide the necessary financial levers for maximising economic growth.

Ms Hyslop said:

“This is a year of decision for Scotland. There is an opportunity to provide the Scottish Parliament with the powers to grow Scotland's economy and take full responsibility for its decisions.

“As it stands, the Scotland Bill is a missed opportunity that suggests a limited range of extra powers with no real levers to stimulate growth in the Scottish economy.

“A diluted power to vary the rate of income tax in Scotland, without any other significant tax powers, could leave Scotland with an unpalatable choice of either cutting income tax along with spending on essential public services, or raising income tax thus making Scotland less competitive.

“The Scottish Government has provided extensive, evidence-based analysis of the Scotland Bill proposals, and the shortcomings and dangers inherent in the Bill have been recognised by a broad range of business leaders, academics and commentators. Our analysis shows that had the Bill’s financial provisions been in place when the Scottish Parliament was re-established in 1999, the cumulative impact would have been a reduction in Scottish public spending of almost £8 billion.

“I hope that both Parliaments will take account of these views and call on the UK Government to raise its ambitions for Scotland. The UK Government has the chance to use this process to provide real tax powers for the Scottish Parliament, as recommended by the Scottish Government’s Council of Economic Advisers in its [2010 Annual Report](#).

“Our paper sets out the opportunities for Scotland if it had full control over fiscal matters either under independence or full financial responsibility within the UK. The ability to develop policies that support the Scottish economy would deliver real benefits for businesses in Scotland and for the people of Scotland.

“For example, the work of independent economists [Professors Andrew Hughes-Hallett and Drew Scott](#) illustrates the positive economic benefits of greater financial responsibility, which can stimulate economic growth and revenues to support vital public services in Scotland. Contrast this with the current outlook for Scotland’s budget – an estimated £39 billion cumulative loss over the next 15 years. It is crucial Scotland gets control of the economic levers to deal with the Westminster spending cuts through the increased growth that

only the powers of independence or financial responsibility can deliver.

“Independence or full financial responsibility would allow the tax system to be structured to support Scotland’s key and emerging economic sectors, such as renewable energy and video games development.

“The Northern Ireland Executive is seriously considering more competitive corporation tax rates to retain and attract investment. The UK Government believes that this is not relevant to Scotland. In this modern world of increasing corporate mobility, that flawed thinking is damaging to the Scottish economy and is why Scotland must acquire the responsibility.”

The Scottish Government publication is available on their [website](#).