

## **NEW HOLYROOD POWERS WELCOME BUT DON'T GO FAR ENOUGH, SAYS REFORM SCOTLAND**

**EDINBURGH, 25<sup>th</sup> November 2009**

Reform Scotland, the leading, non-partisan think tank, today [wed] welcomed the Government's proposals to transfer more powers to Holyrood - but said they did not go far enough.

The UK Government's White Paper, based on the Calman Commission's report on Scottish devolution, recommends greater tax-raising powers for the Scottish Parliament.

But they stop well short of allowing Holyrood to raise all the money it spends which, according to Reform Scotland, is a fundamental defect in the current devolution settlement.

'Although the White Paper is a step in the right direction, we believe this was a golden opportunity to correct Holyrood's lack of financial accountability to the Scottish electorate,' said Reform Scotland chairman Ben Thomson.

'Unfortunately, it is an opportunity wasted. It is disappointing that in certain respects it does not even accept the Calman recommendations since it doesn't devolve Air Passenger Duty to the Scottish Parliament and does not fully devolve control over Stamp Duty. However, as this is a White Paper we hope that it will lead to further debate on the issue and the UK Government will be prepared to extend the proposals following consultation.'

In a widely-acclaimed research paper, *Fiscal Powers*, published last year, Reform Scotland said Holyrood should be able to set taxes to raise the £30 billion a year it spends.

And it called for the outdated Barnett Formula, under which Scotland relies on a block grant from Westminster, to be scrapped.

Reform Scotland, which gave evidence to the Calman Commission and submitted proposals to the Scottish Government's National Conversation, says certain taxes need to be retained by Westminster to meet the £20 billion it currently spends north of the Border. These would include all National Insurance contributions, 40% of income tax revenues from Scotland, 40% of Scotland's geographical share of North Sea oil revenues, together with TV licence and passport fees and the National Lottery levy.

The Scottish Government should set all other taxes to fund the Holyrood budget with the exception of VAT. This would be set at UK level, with 40% of the revenue from Scotland going to Westminster and the remainder assigned to the Scottish Parliament.

Mr Thomson said that had the White Paper recommended a greater degree of fiscal autonomy for Holyrood this would have provided a real incentive to introduce policies which encourage economic growth and deliver value for taxpayers' money. It would also have given the Scottish Government and Parliament the fiscal tools they need to increase growth.

He said the current economic crisis only strengthened the case for the Scottish Parliament to be given more responsibility for its own financial affairs and it was, therefore, a pity that the Labour Government had not been bolder in its approach.

He added: 'Under the Calman recommendations and now this White Paper, the Scottish Parliament will still be dependent on a block grant from Westminster for more than two-thirds of its budget.'

'The biggest weakness of these proposals is that they do not deliver financial accountability. Real financial accountability requires that a government is responsible for raising all, or at least the vast majority, of the revenue that it requires to meet its spending commitments.'

'If additional fiscal powers are to have a real impact on the governance of Scotland and on the performance of the Scottish economy, they must be of a scale that is great enough to address the fundamental defect of the current devolution settlement - its lack of financial accountability.'