



## Scotland Bill 2010

January 2011

### Introduction

The FSB is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

We welcome the opportunity to submit evidence to the Scottish Affairs Committee's inquiry.

With regard to the Scotland Bill, the FSB takes no position on constitutional matters, our concern being more with the quality and content of decisions, rather than where they are made. We do broadly welcome the principle of linking the amount Holyrood has to spend with Scotland's economic performance, as this approach has the potential to help hard-wire economic considerations into the decision-making process.

With this in mind, we comment only on the potential impact of the Bill's implementation on business with regard to income tax.

### Fiscal and financial implications

The FSB notes the proposal to implement changes to the block grant and income tax arrangements in Scotland via a transitional period. This is a welcome safeguard in view of such significant changes which carry a risk for businesses.

While the details of how the Scottish Income Tax will be implemented are still under consideration, the FSB has made the following recommendations:

- ***The UK Government should work closely with the Scottish Government to ensure a seamless transition to the new tax system.***
- ***All devolved agencies with direct contact with businesses, such as Business Gateway, must be able to dispense accurate advice and information in response to enquiries from employers. The Scottish Government should ensure it is liaising with HMRC on this at an early stage.***

The FSB is currently represented on the Calman High-Level Implementation Group and its technical sub-group on Income Tax. The aim of our involvement is to help ensure that any changes – especially those surrounding the introduction of a Scottish Income Tax – have no or minimal cash and time costs for Scotland’s small businesses.

However, recent feedback from our representative on the technical sub-group suggests that there are several significant issues, which will need to be resolved prior to implementation if impact on business is to be kept to a minimum. Not least, it is the intention of HMRC that a Scottish-domiciled person moving outwith Scotland during the tax year will continue to be classed as a Scottish tax payer for the remainder of that year and the same will apply to employees moving to Scotland from other parts of the UK. This will have implications on a far greater number of businesses than might originally have been envisaged, as more businesses will be required to navigate different tax codes and accompanying processes (costs of software updates etc). We are also concerned that the burden of identification may be shifted from HMRC to businesses.

We will continue to contribute through these working groups and are keen to maintain contact with the UK and Scottish Governments, as well as other agencies, to ensure the new system does not unduly burden employers.

For further information on any of the points raised in this submission, please contact Mary Goodman, Senior Policy Advisor, email: [mary.goodman@fsb.org.uk](mailto:mary.goodman@fsb.org.uk) t: 0141 221 0775.