Annex: Assessment criteria and summary comments

The table below provides the criteria used by the Commission's tax working group to consider policy proposals, along with summary comments (table rows) against the seven assessment criteria (table columns). This is published to accompany the Commission's report on tax in the interests of transparency to summarise some of the main points it considered. It is not a definitive assessment on all aspects of each proposal.

	Criterion 1. Revenue-raising potential	Criterion 2. Inequality-reducing/ redistributive potential	Criterion 3. Impact on tax representation	Criterion 4. Strength/quality/ integrity of supporting evidence	Criterion 5. Technical/practical barriers or enablers	Criterion 6. Other aspects of feasibility	Criterion 7. Equality group impacts
Criterion descriptors/ Issues to consider	Estimates of revenue raised and any related range of uncertainty around that. Likelihood of behavioural effects and their magnitude in reducing revenue raised. How easy any aspects of the proposal are to avoid or evade. Interactions with fiscal framework and likely net return to Scotland. To whom would the revenue go? (SG, Local Authorities, UKG?) Interaction with other taxes / benefits (devolved and reserved) which affect perception / cumulative effect and therefore behaviours.	Comparisons to the progressivity or regressivity of status quo or alternative reforms in the same area, and in relation to the wider tax system in Scotland as a whole. Alignment with wider Poverty and Inequality Commission priorities	How visible/salient is the tax to citizens? To what degree does the proposal increase the salience or visibility of tax to citizens? To what degree does the proposal benefit groups with lower levels of democratic representation or participation?	Is the supporting evidence for the reform high quality in terms of methodology, source, potential biases? What is unknown/where are the evidence gaps on this reform? Has the evidence supporting reform been credibly challenged by others? Is the evidence recent? Is the evidence supporting this from Scotland, UK or internationally? How applicable is any international/rUK evidence to Scotland?	Likely timescales required to implement. Cost/resource requirement to implement (both people – e.g. manpower and training requirements, and processes – e.g. systems, technology). Can a range of costs or likely types of costs be outlined? Who will pay the costs compared to who will benefit? How do the likely costs of change compare to any costs associated with not doing anything? Who would be required to undertake any work necessary to implement? Does it require legislation in the Scottish Parliament?	How does it interact with reserved matters? Is it to be implemented locally or nationally? What actors would be needed to agree in order to make the reform happen? Interactions or agreement required with UKG? Perceived political or public appetite for reform? (national and/or local) – how susceptible is this to influence and how can pushback to reform be reduced? Track record of previous reform attempts.	How are reforms likely to impact on the Equality Act protected characteristics? How are reforms likely to impact on the 6 child poverty priority family types? Are there other demographic or geographic groups (e.g. rural or island communities) we would expect to be affected by the reform?

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Council tax revaluation, re-banding & further longer term reform	Has the potential to be strongly revenue raising for local authorities, or not if designed as revenue neutral (though it could still be redistributive). Other jurisdictions have presented reform as revenue-neutral at outset for political/public acceptability reasons. Relatively low risk of behavioural response, as not easy to avoid a property based tax. There are arguments over whether, depending on design, it could potentially depress prices at the top end of the market over the longer term. Revenue raised would go to local authorities, but a strengthened role for council tax in LA funding, potentially increases the need for a stronger redistributive mechanism in the SG General Revenue Grant to reflect LAs with different housing stock compositions. (Such a mechanism already exist to partially compensate LAs for differing proportions of properties in each band, but it may need to be stronger.) SG would need to consider whether this would create any perverse incentives or unintended consequences.	Even if a reformed council tax was designed as revenue-neutral overall, it could still be strongly redistributive, as existing council tax is regressive with higher value properties paying much less tax proportionately than lower value ones. Current value banding stops relatively low down the property value scale, which could be addressed in reform. Reforming to a proportionate property value tax (potentially with a land component if the data requirements are met) has the potential to be highly progressive. Cases where lower-income households will end up worse off following reform can be mitigated through a compensatory mechanism like a redesigned Council Tax Reduction. Given the status quo of council tax it seems improbable that the compensatory mechanism would have to do more work than CTR is having to do at present.	Council tax is very visible and salient to people at present, but it is also enforced punitively. This particularly impacts on low income households who suffer not only the financial impact of being pursued for debt to public authorities, but also mental health and other impacts. The cost of living crisis and issues around enforcement will mean that people on low incomes may be worried about reform to council tax, concerned about paying more than they feel they can afford, and frightened about enforcement. This could affect connections with local democracy. Reform of enforcement should be part of the package. For example, through targeted transparency on Local Authorities to highlight unjust enforcement.	There is a substantial evidence base particularly from Scotland (but also other parts of the UK) demonstrating that council tax is regressive and poorly designed. While there are gaps in data, this is partly down to flaws in the existing system and failure to revalue properties that results in, e.g., challenges in linking council tax and household income data. There does not appear to be many pieces of evidence (or those advocating/using such evidence) to support the status quo, rather the failure to reform council tax seems to be more associated with the level of leadership and commitment needed to make the positive argument, and willingness to deal with those who fear they will lose out from reform.	It seems likely that the initial phase of reform (revaluation and re-banding) could be done under existing powers, as the structures are already there. Capacity of Scottish Assessors to carry out the valuation would need to be determined by the Scottish Government, as it will be a substantial commitment along with the need to design an appeals process and provide suitable resource capacity for it. However, the longer the current council tax system remains in place, the worse the problem will become. Doing nothing cannot be the case for much longer. Could explore whether the internet and online market values could be used to supplement/update traditional assessment on a rolling basis going forwards, though questions about the accuracy and feasibility of this.	Challenges of reform appear to be mostly focussed around political will and the need to balance the interests of different groups, national and local govt, and to accept that there will be losers as well as winners. Particularly the case around responding to the concerns of income poor/asset rich individuals and groups. Can expect there will be opposition from some developers and people in large houses. Potential for some local authorities to also position themselves against reform as they could, in the absence of a well-designed compensatory mechanism, lose out themselves due to the property composition of their area, or other characteristics of people that live there (particularly rural and island communities).	Age is likely to be a significant equality impact to consider here, given the prevalence of older adults living in larger houses, who will have more of their wealth in their properties than working age adults. In terms of child poverty priority groups, larger families who have more rooms in their house could be adversely impacted, or households with a disabled adult or child who may have extra rooms as a result of health or care requirements. These concerns could be addressed by making use of reliefs and exemptions such a redesigned Council Tax Reduction to assist them. Though it is important to note that uptake of CTR is currently declining – the reasons for this need to be better understood and then addressed.

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Ensuring that all property and land is on the register/roll and has an up-to-date and sufficiently accurate valuation	Combined with other reforms such as council tax and/or expanding the tax base to include wealth in land, it is something that will enable other proposals to have significant revenue raising potential at the local level. It is a fundamental underpinning to deliver on the revenue potential of other measures.	It could be highly redistributive, if a way was found/there was will to redistribute wealth tied into land, concentrated amongst wealthy individuals. There are impacts and cross-over effects on policies to reduce carbon emissions/green policies. The next steps after the data is gathered would need to be aware of these and their potential for use as avoidance. Care is also needed in the design of the thresholds for any future land taxes in protecting community ownership/farming and avoiding unintended consequences for e.g. tenant farmers.	This proposal could have a significant effect, not only in terms of providing the data needed to inform the design of some future replacements to council tax/other taxes, but also in terms of public transparency and providing open information on who owns Scotland. Could have a positive effect on perceptions of fairness and creating space for more progressive tax proposals based on distributions and valuations that are open to the public to scrutinise and understand.	There has clearly been some positive developments in land data, as evidenced by the development of ScotLIS, though it still falls short of what would be needed to inform the design of a tax on land. Failure to revalue properties for the purposes of council tax and the negative consequences of this is widely evidenced. Regular valuation cycle for the purposes of Non-Domestic Rates enshrined in legislation, however the wide range of reliefs currently on offer are not as well-evidenced in terms of their positive economic benefit.	A range of practical barriers that have resulted in the ongoing lack evidence on the ownership of some major landholdings, and also some land that is in public ownership – it appears that the latter should be within the power of the Scottish Government and its partners to address. Capacity in the assessment and valuation system, as well as appeals, would be required.	Would expect there to be push-back on this from high wealth large landowners, if the direction of travel towards future taxation of land was clear. Any substantial reform and replacement of council tax with a proposal in whole or in part based on land would require legislation in the Scottish Parliament, but not Westminster (if designed as a local tax).	Impact depends on the final form of council tax replacement, however would expect that given patterns of current land wealth ownership, if the direction was towards land value tax, then it is not likely to have disproportionate negative impact on equality groups. The failure to properly revalue domestic council tax properties is already likely to be negatively impacting low income households, some of whom will be paying council tax at rates higher than they should due to failure to revalue. For any future tax based on land value, there need to be aware of the impacts on rural Scotland, and potential consequences for lower income households in rural Scotland who have their wealth in land assets.

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Wealth taxes – moving to expand the tax base in Scotland through a longer-term package of measures **Country-by-country reporting**	Has major longer-term revenue raising potential, and is one of the few ways that Scotland can start to broaden the tax base from an overreliance on taxing earned income to the degree needed. An area where there is very high potential, but also significant practical and political will / public communications challenges to overcome if it is to be brought into existence. Depending on the way a wealth tax in Scotland is deployed there would be behavioural avoidance and evasion to address in the design. It would be particularly vulnerable to avoidance if only certain types of wealth asset were able to be taxed. Would also need to be considered in terms of the overlap with other reserved and devolved taxation to ensure similar types of wealth are taxed at similar rates, and the same wealth is not taxed twice, so best done as part of broader redesign of the tax landscape in Scotland. There is a substantial degree of wealth taken out of taxation through	Clear that it has major potential to reduce inequality and provide the Scottish Government with significant resource with which to redistribute. Widely documented that wealth is significantly undertaxed in the UK compared to income, and this contributes to growing inequality, and a reason that wealth is more unequally distributed than income – a situation which will continue to get worse without a strategy to shift the revenue-raising balance more towards wealth.	Proposal could have a significant impact on perceived fairness of tax and spend in Scotland, and democratic legitimacy. People on low income and who are trapped in poverty often cite the unfairness over high wealth individuals and multinational companies being able to have relatively easy access to routes with which to become more wealthy – perception is that this contrasts strongly with what people in poverty have to deal with when, e.g. being means-tested by governments for access to social security.	The Wealth Tax Commission has produced a detailed range of evidence papers on this at a UK level, and have made the case for a one-off wealth tax. There have been estimates of how much a wealth tax could raise in Scotland (e.g. 2022 STUC paper), however they are indicative examples and significant practical barriers would have to be overcome first in order to raise that kind of revenue. Data on wealth in Scotland via a survey is currently through the Wealth and Assets survey, though this does not have complete geographic coverage for Scotland. In terms of transparency of reporting for multinational companies, where similar approaches to country-by-country reporting has been made public, evidence has shown a disciplining effect of this transparency and a reduction in tax haven use.	There are substantial technical and practical barriers to address in terms of introducing a wealth tax in Scotland. The work of the Wealth Tax Commission can provide some guidance on this for many areas, however substantial work needs to be done in order to contextualise it for the Scottish devolved context. In theory it would be possible, but likely not practically desirable, to implement only at a local level using existing powers. Designing as a national wealth tax to replace some existing devolved tax (and avoiding overlap with existing reserved tax) will required UKG agreement. There will be practical barriers in terms of valuation of assets/wealth and deciding what types of wealth to include in the remit of a Scottish wealth tax in a way that does not overlap with existing taxation, and taxes similar types of wealth in a similar way. Scotland could seek agreement with the UK Government in order to enact a requirement on country-by-country	From previous discourse, this would be expected to be an area of significant political, public and media interest, and there are likely to be strong views that will be difficult to counter if any new proposal is not fully worked out in terms of some of the practicalities. There will be particular special interest lobbying around excluding particular types of wealth/assets/investments in a wealth tax. However, this is in the context where there appears to be a growing international recognition of the importance of raising revenue through taxation of wealth.	Impact would depend on the final form of the proposal for taxing wealth in Scotland, however already clear from existing data that some people in Scotland are less wealthy than others. Older adults nearing retirement tend to be more wealthy as they near the end of their working lives, younger people the least wealthy. Minority ethnic adults are both younger and less wealthy on average, as are disabled people (despite being older on average in surveys that measure wealth). Hence possible that a well-designed wealth tax could address some of these inequalities.

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	profit shifting by multinational companies – Scotland taking an initial lead by progressing country-by-country reporting, could start to shift the balance on this with the end-goal of putting multinational companies on a similar footing to domestic businesses.				reporting for multinationals operating in Scotland.		
Devolution of powers to tax savings and dividends income for Scottish taxpayers	Could be revenue raising or neutral depending on design. Non-savings non-dividend (NSND) income constitutes the large majority of income tax revenues, so if the remainder were devolved and taxed at the same rates and bands that applies to NSND income in Scotland it could be moderately revenue raising. Also likely to have a role in reducing the incentive for Scottish taxpayers who are able to do so to receive their income in a way that does not attract the higher rates of income tax in Scotland.	Depending on design, it could have moderate potential to reduce inequality, if the chosen rates and bands were equal to, or higher than, the Scottish rates and bands for NSND income. Higher income taxpayers are more likely to have income from dividends.	Could have an impact in simplifying the system for some taxpayers who currently have to refer to Scottish rates and bands of NSND income, and the reserved rates and bands that relate to, separately, the income they receive as dividends and savings. The fact that some higher income taxpayers are more easily able to reduce their tax liability through receiving their income in dividends has also been commented on by members of the Commission's Experts by Experience panel, and others, as implying that higher income taxpayers have a different (and preferential) treatment in terms of their interactions with the tax system. Devolution of savings and dividend income tax powers has the potential to address this disparity.	There is limited Scotland-specific analysis of the distributional impacts of various permutations of the way this could be introduced. The Scottish Government would need to use the data it has access to in order to assess the impact of the different options to introduce this in Scotland in a way that realises the benefits and reduce the risks of negative consequences.	This would use the same criteria for identifying Scottish taxpayers as currently in use for NSND income. Devolving this or any other new power would require agreement with the UKG. Welsh experience on their vacant land tax has indicated that this will take some time. However it seems that a strong case can be made to introduce a new power that is complementary to existing devolved powers on NSND income in Scotland.	Not clear if there would be a barrier in terms of UKG engagement on this in a similar fashion to that experienced by the Welsh Government; it can be argued that this is natural evolution of existing powers and the current position is an anomaly. In the appraisal of options around what the right rates and bands should be for income from savings and dividends, there needs to be an assessment of the risks of a "race to the bottom" in terms of competition between Scotland and rUK.	Likely to be some equality impacts for groups that are more dependent on income from those sources, depending on the rates and bands chosen. E.g. older people who are more dependent on savings, and women who, on average, live longer than men. Dividend income is typically more concentrated in higher income taxpayers, so distributional effects are likely to impact them the most, and be of less impact to families in the child poverty priority groups (with any negative impact likely being able to be addressed through other redistributive mechanisms).

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Compliance and public engagement with tax	This can be a combination of both revenue raising activity and aspects that are less revenue-raising but more around ensuring compliance (i.e. anti avoidance), while at the same time strengthening the understanding of people around the idea of being a Scottish taxpayer and the positive framing on the importance of contributing to society through tax. Investment in tax compliance and audit work in Scotland has the potential to be revenue-raising. However, a mechanism by which the Scottish Government can invest in this and have resulting revenue return to Scotland needs to be clarified/agreed with UKG.	Being clear on the definition of a Scottish taxpayer and associated compliance activity could make it more difficult/less beneficial for those on higher income to manipulate their residence status for tax purposes, and hence reduce inequality. There are perceptions of inequality in the current tax system, and action on compliance, combined with work to build public understanding, engagement, and trust in the tax system could be a two-part approach to reducing inequality in treatment by the tax system and raise revenue for further redistribution.	Expected to have a range of impacts on tax representation, though there are risks that need to be mitigated around poor compliance practices and the possibility of actions that reduce trust in the devolved tax system. Improved compliance combined with high awareness of compliance is likely to improve public perception of taxes and the wider tax system – people being more willing to pay into the system if they know they are paying their taxes, they know that others are too, and they understand the benefits of doing so.	Little evidence to suggest that, at current levels of divergence between Scotland and rUK on tax that people are manipulating their residence, however if/as divergence increases and given the uncertainty in the degree of behavioural response we can expect in the future, this is something to take care over now. A range of good quality evidence from the wider UK on the effectiveness of tax audits in terms of increasing revenue raised and providing favourable return on investment, however more work could be done in Scotland specifically.	Some of this work needs to be done through current/expanded agreement between SG and UKG in terms of the partly devolved nature of income tax. If the Scottish Government wanted to amend the definition of a Scottish taxpayer, it would need to make the case to UKG. However work can be done by the SG independently on communication around devolved taxes – e.g. better explanation of the fiscal framework, public-facing communications around what the benefits are of paying tax in Scotland.	Compliance work is an issue that needs to be done hand-in-hand with an improved approach to engagement. Poor practices around compliance (e.g. the way that council tax and other forms of public debt can be pursued and managed) can be heavy-handed and ultimately self defeating in terms of building trust in devolved taxes.	People on lower incomes and in multiply disadvantaged groups may find it more difficult to access traditional forms of public communication relied upon by tax authorities. So channels of outreach that effectively meet these groups' needs must be designed into the process. People on lower incomes experience greater hardship from poor tax compliance practices, so this is something that must be considered in the proposal.