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Scottish Parliament

Tuesday 20 February 2018

[The Presiding Officer opened the meeting at 14:00]

Time for Reflection

The Presiding Officer (Ken Macintosh): Good afternoon and welcome back. The first item of business is time for reflection. Our time for reflection leader is Mr David Campbell, church and community pastor at Maddiston Evangelical church in Falkirk.

Mr David Campbell (Maddiston Evangelical Church, Falkirk): Presiding Officer, members of the Scottish Parliament, thank you for the opportunity to address you today.

Recently, I was helping children at Maddiston primary school learn about their rights and responsibilities. We explored the question, "How can I be a good neighbour?" We did that by acting out Jesus's timeless parable of the good Samaritan. One end of the classroom was Jerusalem, the other was Jericho, and the desks in between became the rocks from which robbers jumped out on the unsuspecting traveller. The children really enjoyed acting that part. A priest, and later a temple worker, were also travelling along the road that day. Surprisingly, both avoided the wounded man.

However, the story has a shock. A Samaritan—someone culturally and ethnically different from the injured man—is filled with compassion for the traveller. He stops, binds up his wounds, places him on his donkey, takes him to a place of refuge and pays for his care. It is sacrificial service in action.

Who is a neighbour to the injured man? The good Samaritan. Jesus concludes the story with words that were powerful then and now: "Go and do likewise." It is a wonderful invitation to a life of serving others while getting our hands dirty, and it challenges our presuppositions that there are boundaries to whom we love as our neighbour.

This April marks the 50th anniversary of the untimely death of Martin Luther King Jnr. In his last ever sermon, he said:

"The first question the priest and the Levite asked was: 'If I stop to help this man, what will happen to me?' But ... the Good Samaritan reversed the question: 'If I don't stop to help this man, what will happen to him?'"

In the context of the civil rights movement, Martin Luther King was encouraging support for those broken by racial discrimination. His faith reflected

the servant-hearted approach of Jesus, who said that he

"came not to be served, but to serve, and to give his life as a ransom for many."

At the centre of the Christian faith is a God who, like the good Samaritan, sees us in our need, comes to where we are and gives up his life to forgive all our sins and heal all our wounds. As we all serve our communities across Scotland, may God help us to serve as we should, to give, and not to count the cost.

Topical Question Time

14:03

ScotRail (Financial Penalties)

1. Colin Smyth (South Scotland) (Lab): To ask the Scottish Government what its response is to reports that ScotRail has had to pay a record amount in financial penalties in the past nine months. (S5T-00944)

The Minister for Transport and the Islands (Humza Yousaf): The sole purpose of the service quality incentive regime—SQUIRE—which is one of the toughest, if not the toughest, in the United Kingdom, is to drive up standards for passengers and deliver new and improved facilities by reinvesting any penalties that are imposed in qualitative improvements throughout the network. That approach ensures that the onus to improve substandard assets and facilities at stations or on trains rests squarely on the shoulders of the franchisee, as penalties are deducted from the subsidy that it receives and reinvested in driving up quality through customer-facing improvements.

ScotRail's performance is above the Great Britain average but, as is already well documented and as I think I said to the member yesterday, it is not as high as ministers demand or as passengers expect. I fully expect the forthcoming independent Donovan review to be the building block on which ScotRail makes a marked turnaround in the overall customer experience.

Colin Smyth: Scotland's rail passengers deserve better than the transport minister simply repeating the words that he expects improvements. Frankly, he increasingly sounds like a railway station tannoy announcer repeating the same old message about delays, but in this case without the apology, it seems. The problem is that no one is listening to the transport minister, least of all Abellio. It is nearly four years since the Government awarded Abellio the ScotRail franchise and promised to improve Scotland's railways, but these record fines reveal a rail service that is getting worse, not better, on the transport minister's watch. When will Scotland's hard-pressed rail passengers have a railway system where rail fares are not rising above the rate of inflation and wage growth, where new trains are not being delivered late, where passengers are not standing on platforms wondering whether their train will actually stop and where 76 per cent—yes, 76 per cent—of key performance benchmarks are not being missed?

Humza Yousaf: I will ignore the personal remarks that the member made at the beginning of his question and go straight into some of the

substance. Despite his apocalyptic version of events, his comments simply do not hold true. Yes, there must be improvement—I have always acknowledged that and driven improvement, and I will come to some of the positive effects of that—but under my and indeed the Government's watch, there have been record levels of satisfaction, at 90 per cent. That makes Abellio technically the best performing large operator in the entire United Kingdom. There has been record investment in the railway, with new routes that had not been open in 50 years, such as the Borders railway. Throughout 2017, we saw improved performance, although admittedly that dipped in the autumn and winter period.

Clearly, there are areas of improvement. Through SQUIRE, which is a robust regime, we are seeing changes. There have been improvements in station shelters, train information screens and train graffiti although, clearly, there has to be improvement on other measures. To get to the substance of the point, because of the interventions of Transport Scotland, me and others, Abellio is now recruiting far more staff, which in turn should help to improve the overall customer experience. I am happy to share with the member more detail on that recruitment, but I can tell him now that Abellio is filling 20 station positions, 13 station dispatch positions, 18 gate-line posts and 38 catering posts, with 14 catering staff on the Dumfries route alone. All those things will, I hope, help to provide a better overall customer experience.

To encourage the member, I say that, instead of sniping from the sidelines, if he came with helpful suggestions, I would be more than happy to listen to them.

Colin Smyth: Let me give the transport minister one helpful suggestion and tell him exactly where I stand on Scotland's and Britain's railways. The minister does not seem to accept that we have a problem and that the railway system is, frankly, broken. When will he stop praising and trying to prop up a privatised railway system that has come to the end of the track? Does he support not just preparing public sector bids for franchises but bringing our railways back under public ownership, so that people and performance, not profits, are the priority? Will he give a straight answer to that straight question?

Humza Yousaf: Here is a straight answer: it was Labour that denied the Scottish Government the powers to introduce a public sector bid, so I will take no lectures from Colin Smyth on a publicly owned railway.

Of course, Colin Smyth forgets that 54 per cent of the delays on the rail network are the result of the nationalised part of the railway—they are due to Network Rail, which is a reclassified body under

the Department for Transport. Colin Smyth cannot tell us how much it would cost to bring the railway back into national hands. Abellio is putting in tens of millions of pounds of investment. What budget would that come from? Would it be the health budget or the education budget?

Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP): On customer experience, is the minister aware that, despite ScotRail's promise to provide five carriages to transport rugby supporters from the Borders and Midlothian to the international game on Sunday 11 February, which I then publicised to constituents, a train breakdown meant that there were only two carriages, so the train was packed from Tweedbank and Galashiels and stop skipped, leaving folk standing on the platforms in Newtongrange and Gorebridge. The promise from ScotRail for the Calcutta cup match this Saturday is yet again to provide five carriages. Given ScotRail's track record, will the minister take a particular interest in whether that promise is fulfilled?

Humza Yousaf: Christine Grahame's constituency and part of the country have seen some great improvements in the ScotRail service. Of course we want to go further, and the new trains will allow us to cascade others across the network. I fully accept her point that extra carriages will be helpful, if they are running. I will look into planning for future major events and pass that message on to ScotRail, which I am sure it has heard loud and clear. I know, too, that the member has a direct relationship with the managing director of ScotRail, so she can raise those issues herself.

Jamie Greene (West Scotland) (Con): We repeatedly hear from the transport minister that the status quo in performance is unacceptable and that there must be improvements. He will be aware that the moving annual average performance metric has not been met since August 2017. We now find that the SQUIRE report shows that 14 out of 34 benchmarks were missed for an entire year. What is the minister's view on those disappointing trends, what assurances has ScotRail given him that it will turn things around and, more important, when does he think that the current franchise holder will meet its contractual obligations in terms of punctuality and performance?

Humza Yousaf: Jamie Greene makes the fair point that performance is not at the level that we expect. However, I take him back to my previous answer. Once we had put in a performance improvement plan and faced the challenges at ScotRail towards the tail end of 2016, we saw a number of periods and months of improvement. In fact, we saw performance taken to record levels,

which was acknowledged at the time by Jamie Greene's predecessor on the transport portfolio. There has been improvement.

Clearly, ScotRail's autumn and winter resilience planning was not good enough and it has accepted that.

I stress on ScotRail that I expect to see improvement immediately. The Donovan review will help with that. Nick Donovan has decades of experience in railways. I had a preliminary conversation with him just last week and it was very positive to hear about the areas that he is looking into, examining and exploring. I do not doubt that the ScotRail board will mull over any recommendations arising from the Donovan review. If they are accepted, I expect them to make a difference. When the Donovan review is complete, I will be sure to say to ScotRail that there should be some transparency over the review's findings, so that other members can explore and question them as well.

In direct answer to Jamie Greene's question, I say that we expect to see performance improve, just as it did in the first half of 2017, and we expect that improvement to be immediate.

Mike Rumbles (North East Scotland) (LD): Does the minister agree that it is a good use of the SQUIRE fund to improve infrastructure at stations, such as disabled access, to provide a better service for all rail travellers and that, in that way, the performance of ScotRail for all its users can improve?

Humza Yousaf: Yes, I do. Mike Rumbles has been particularly involved with the accessibility issues at Inch station and in trying to find a solution there, and I thank him for the work that he has done thus far. The SQUIRE money is reinvested in the railway for a better experience, not just for passengers but for staff. For example, some of the SQUIRE money has gone towards 250 body cameras and the infrastructure to keep front-line staff safe in a job that can be difficult at some times of the week or day. I agree with Mike Rumbles that accessibility can be part of that. There is also the minor works fund and the UK Government's access for all fund, which can help to improve accessibility. With all those combined, our stations and transport become more accessible, which is better for everybody.

John Mason (Glasgow Shettleston) (SNP): ScotRail obviously faces challenges with capacity on the Glasgow to Edinburgh via Falkirk line, and it is suggesting that it will reduce the fares on the line via Airdrie and Bathgate, which is marginally slower. Does the minister agree that that is an imaginative and positive step and that, perhaps, it could be used in future so that a lower fare would be offered on a slower route?

Humza Yousaf: John Mason is right to point out that, as things stand this week, the fare on the Airdrie to Bathgate line from the lower level at Queen Street will be off-peak all day, so it will be £13. That is significantly cheaper than it would be during the peak time. Any lessons that can be learned from that about encouraging or incentivising passengers to use other available routes, albeit that they may be slower, would be a positive.

John Mason will be under no illusion that the priority is to get Hitachi, the manufacturer, to deliver the 385 trains on the schedule that it has promised. That schedule has not been met, and we continue to push Hitachi to make sure that those trains arrive so that we can cascade additional carriages across the network. In the meantime, if there are any lessons that can be learned from the reduced pricing that has been offered to incentivise people to use other routes, we should learn those lessons.

Burntisland Fabrications (Redundancies)

2. David Torrance (Kirkcaldy) (SNP): To ask the Scottish Government what assistance it is providing to Burntisland Fabrications in light of reports that redundancy notices have been issued to staff. (S5T-00927)

The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown): The Scottish Government continues to support BiFab, and that support is allowing work to continue on the contracts for the Beatrice offshore wind farm. The loan facility that has been extended by the Scottish ministers means that BiFab will receive payments on commercial terms to alleviate the immediate cash-flow issues that the company has experienced in connection with the Beatrice project. Paul Wheelhouse and I, the enterprise agencies and my officials are working regularly with BiFab and all other interested parties to find a positive solution.

I recognise that this remains a difficult period for the members of BiFab's workforce and their families. We do not underestimate the anxiety that the lack of certainty about future orders and, as a result, employment has created. It is also a challenging period for BiFab's contractors and creditors. However, we continue to do all that we can to help to secure the long-term commercial future of the company, including by looking at potential inward investment. I believe that there are opportunities for the Scottish supply chain to play a leading role across a range of energy sector investments, and I believe that BiFab can play a crucial role in that market going forward.

David Torrance: What action is the Scottish Government taking to help to find further investment for the yard to ensure that the highly

skilled workforce at BiFab remains at the forefront of wind farm construction and a key player in the United Kingdom renewables sector?

Keith Brown: In my first response, I mentioned the work that is being done by ministers, officials and the enterprise agencies. Collectively, we are doing all that we can within the scope of our powers to support the management and workforce at BiFab, which is, of course, a private company. We are doing so in an effort to secure the long-term commercial future of fabrication at all three yards where BiFab is present.

This is, unquestionably, a challenging time for the company, but we continue to provide support through the Scottish manufacturing advisory service—SMAS—by speaking to the offshore renewable and oil and gas sectors regularly about potential tender opportunities and, crucially, by liaising with potential inward investors.

David Torrance: In the event of redundancies at the BiFab sites in Burntisland, Methil and Arnish, what support can the Scottish Government offer to the employees affected?

Keith Brown: I hope that it is obvious from my previous answers that, along with the agencies and others, we want to avoid any redundancies, and we are working with BiFab senior management, Scottish Enterprise and trade union representatives to do everything that we can to avoid such a situation.

However, it is also true that we stand ready to provide support through our partnership action for continuing employment—PACE—team by providing skills development and employability support. In that way, PACE aims to minimise the time that individuals who might be affected by redundancy are out of work.

Alexander Stewart (Mid Scotland and Fife) (Con): In December, the First Minister told the chamber that the Scottish National Party Government had saved BiFab and kept the workers in a job. Why is it the case that, today, 260 jobs—which equates to 20 per cent of the workforce—are under threat? Was the cabinet secretary aware of that in December, when the First Minister made her claim?

Keith Brown: That is an unbelievable question. The member was obviously not listening to the First Minister when she made her statement. It was made clear at the time and it has been made clear ever since that, in November, we were able to safeguard the seeing through of the contract. If we had not done that, three times in the week in question BiFab would have gone to the wall and nobody would be working there. That is what the Scottish Government did then, and we have continued to show the same commitment ever since. That is what underpins the work that we are

doing at the moment. One would have thought that, even from a Tory, there might have been some grudging respect and admiration for the work that was undertaken by the First Minister.

Rhoda Grant (Highlands and Islands) (Lab): The cabinet secretary will be aware that all the members of the workforce at Arnish have already been paid off, with only two of them being retained for care and maintenance. He will also be aware that the specialist equipment at Arnish is publicly owned. Will he make sure that BiFab is meeting its obligation to protect that equipment and that there is adequate staffing cover in the yard to do that?

Keith Brown: That is a very fair point. I will, of course, ensure that that is the case. We have had discussions with the management at BiFab and with the trade unions, who are very active in Arnish on that issue.

The reduction in staff would have happened regardless of the package that was put in place in November as the contract was wound down. We are trying to make sure that Arnish can remain a place of employment and to see how we can bring more money in to improve the infrastructure even further.

Rhoda Grant makes a point about the public investment that has been made in Arnish already. We want to capitalise on that, and I will take forward her point about protecting the equipment that is there in the meantime.

Mark Ruskell (Mid Scotland and Fife) (Green): What upskilling programmes are available to keep workers on the payroll and to keep the gates open over the next difficult few months?

Also, what will the implications for BiFab be if the inward investment that the cabinet secretary mentioned cannot be secured?

Keith Brown: Again, that is a very good point. Our efforts are going first towards getting the inward investment that Mark Ruskell talks about, which is absolutely crucial. Secondly, we are seeing whether we can get some of the available contract opportunities won by BiFab, within, of course, the rules by which we are bound.

In the event that those efforts do not succeed—I am not trying to avoid looking at that possibility—Mark Ruskell is quite right to say that we should be examining, as we are, what opportunities there are for upskilling and further training of the workforce and what other work might be able to be done at the yard to improve the infrastructure there. The member can be reassured that we are examining that possibility and looking at what the options would be.

However, I underline that we are doing everything that we can to avoid that situation coming about.

Willie Rennie (North East Fife) (LD): This is a dark time for the workforce. What is the long-term strategy for ensuring that companies such as BiFab thrive on the back of the opportunities of the renewable energy sector, particularly the offshore renewables that are coming down the track? Those companies should be thriving and not just surviving, so what is the Government's long-term strategy?

Keith Brown: It is worth pointing out to Willie Rennie that BiFab is a private company that enters into contracts and that we have tried, not least because of its employees, to help it to ensure that it can continue to do that.

Renewable energy is a thriving sector in Scotland. In 2015, it supported 58,500 jobs in Scotland, which is around 14 per cent of the sector's total United Kingdom employment; and it generated £10.5 billion in turnover, which is—again—14 per cent of the sector's total UK turnover.

There is substantial work in the sector in both Scottish waters and throughout the UK and, indeed, in western Europe. It is the case—and this is the point that underlies Willie Rennie's question—that we want to see more of that work coming to Scotland, so we will continue to provide support to the sector as a whole. As for individual companies such as BiFab, we will provide them with support through the different measures that I have mentioned already of trying to get them new investment and new contracts.

The Presiding Officer (Ken Macintosh): Thank you. Apologies go to Dean Lockhart and Claire Baker, but there is not enough time to take any more questions today. That concludes topical questions.

Scottish Rate Resolution 2018-19

The Presiding Officer (Ken Macintosh): Our next item of business is a debate on motion S5M-10397, in the name of Derek Mackay, on the Scottish rate resolution. I invite members who wish to speak in the debate to press their request-to-speak buttons now. I call the cabinet secretary to speak to and move the motion.

14:22

The Cabinet Secretary for Finance and the Constitution (Derek Mackay): Today, the Scottish Parliament votes on setting all rates and bands for Scottish income tax. This is our opportunity to use the powers of the Scottish Parliament to build a fairer and more prosperous country, and to put our progressive values into action.

In November, we published the income tax discussion paper, which set out four tests that we believe an income tax policy change must pass. That civic engagement was well received and allowed for constructive engagement in the tax-setting process. Our four tests were that change must help to maintain and promote the level of public services that people in Scotland expect, must ensure that the lowest-earning taxpayers do not see their taxes increasing, must ensure that changes make the tax system more progressive and reduce inequality and, along with our decisions on spending, must support the wider economy. I am clear that the proposals that are before members today pass those four tests.

I ask the Scottish Parliament to agree to the motion, which will raise for the tax year 2018-19 an extra £219 million to invest in public services, to tackle poverty, to support Scotland's economy and to protect people who are on low incomes, thereby making the system fairer and more progressive.

The new starter rate, combined with an increase in the personal allowance, will result in 70 per cent of all income tax payers paying less tax than they do this year on their current incomes. That means that no one who earns less than £33,000 will pay more than they did last year and that more than half of taxpayers will pay less than they would pay if they lived elsewhere in the United Kingdom. The proposals mean that, for the majority, Scotland will be the lowest-taxed part of the UK.

Murdo Fraser (Mid Scotland and Fife) (Con): Will the cabinet secretary take this opportunity to apologise to the 898,000 basic-rate taxpayers in Scotland who perhaps believed the Scottish National Party's manifesto commitment not to increase the tax that they pay and were conned in to voting for the SNP as a result?

Derek Mackay: A majority of basic-rate taxpayers will pay less tax under the Government's proposition. I am sure that they will welcome that. I do not know why Murdo Fraser objects to Scotland being the lowest-taxed part of the UK. That is, of course, because it is not taxation that favours the richest people in society, who clearly seem to be the only interest of the Tory party. The richest people in society and their vested interests are who the Tories represent.

No one who earns less than £33,000 will pay more than they did last year. More than half of taxpayers will pay less than they would pay if they lived elsewhere in the UK. As I have said, that makes Scotland the lowest-taxed part of the UK. The Tories were surprised by that fact on 14 December and they are still surprised by it.

Elaine Smith (Central Scotland) (Lab): Would it not be fairer and bolder to ask the wealthiest people in Scotland to pay more tax so that the Government can begin to tackle child poverty?

Derek Mackay: That is exactly what the SNP Government is doing. However, in contrast with the Labour Party's proposals, we will, by doing this in a proper fashion, actually raise the revenue to invest in public services, rather than allow for tax behaviours that would mean less resource for the next year. That is the reality, as verified by the Scottish Parliament information centre, the Scottish Fiscal Commission and the Council of Economic Advisers. The Labour Party should do its homework when it comes to tax setting in this country with the powers that we have.

The tax decisions that I have taken have enabled me to reverse the real-terms cut that has been imposed by the UK Government on our resource budget, and to continue to invest in our public services, our people and our businesses, thereby enabling them to develop and thrive.

We are a Parliament of minorities, so we must work across the chamber to find compromise and consensus so that we can give support, sustainability and stimulus to our economy and our public services. Reaching consensus is a task for us all, so I thank members who have engaged properly and constructively.

Since the Scottish Parliament gained powers over income tax, the SNP Government has been clear in its ambition that income tax should be fair and progressive while also supporting delivery of vital public services and enabling investment in the economy. Overall, the Scottish Government's use of the devolved income tax powers will deliver an additional £428 million next year to support a budget that will protect our public services that are free at the point of use, including free prescriptions, free personal care and free tuition. We will invest an additional £400 million in

Scotland's national health service, and we will provide above-inflation investment in the police, in our universities and colleges and in local government services the length and breadth of Scotland. I am confident that those proposals will deliver the best outcomes for the people and economy of Scotland and the best deal anywhere in the UK.

Tax powers are not a political toy; they have an impact on individuals and the economy. The decisions that this Government has made have to be seen in the context of the UK Government's continued pursuit of budget cuts and the harmful effects that they have on Scottish Government funding. They mean that the Scottish taxpayers with the broadest shoulders are being asked to contribute more to support investment in Scotland's people and economy. We must also keep it in mind that no one, for any given income, will see their income tax increase by more than 1 per cent of their gross salary next year, although collectively the changes will raise an additional £219 million for investment in our economy and public services.

People who are desperate to present the changes as a major risk to Scotland's economy are simply wrong. The Scottish Fiscal Commission has stated that the tax impact on the economy will be negligible. The tax that an individual pays is only one part of the equation. Not only is there a direct benefit to the individual in being able to access a broad range of good-quality public services, there is a wider benefit—both now and for the future—from the investment that the budget is making.

The current devolved income tax powers are significant, but because decisions over the income tax base remain reserved to Westminster, their use is either constrained or could result in unavoidable consequences that would impact on Scottish taxpayers. My officials and I have been working with Her Majesty's Revenue & Customs to ensure that any administrative consequences are resolved. To that end, I have reached agreement with the UK Government that Scottish taxpayers who pay the starter or intermediate rates of tax will retain their eligibility for marriage allowance. The UK Government confirmed yesterday that Scottish taxpayers will continue to receive pensions relief and other allowances on the same basis as rest-of-UK taxpayers. Of course, it would be easier if Scotland had full powers over income tax. *[Interruption.]*

I note that no one is intervening, despite the noise coming from Tory members.

Future revenues for the Scottish Government will be driven by our policy choices and the relative growth per capita in our tax receipts. That is why this Government continues to invest in Scotland's

economy and its workforce, in order to improve the prospects for economic and employment growth. The investment is coming at a time when Scotland's economic performance has remained resilient despite heightened economic uncertainty as the UK moves closer to leaving the European Union. It is encouraging that the latest Bank of Scotland PMI reported that business optimism in Scotland is at a three-year high. In addition, Scotland is benefiting from continued near-record low unemployment, which demonstrates the ongoing strength of the Scottish labour market.

As well as our four tests, we followed the Adam Smith tax-making principles of certainty, convenience, ease of collection and proportionality to the ability to pay. Our providing certainty over income tax policy was raised as an important issue during a series of round-table events: we recognise the importance of certainty to Scottish taxpayers and to business. The income tax discussion paper marked our intention to debate and to reach a decision about income tax arrangements that will be fit for purpose now and into the future. The proposed income tax policy meets the four tests and the Adam Smith principles. I believe that we have a settled structure in income tax policy, which should provide certainty over the remainder of the current session of Parliament.

The independent Scottish Fiscal Commission is responsible for forecasting Scottish income tax receipts, and that forecast determines the funding that will be available from HM Treasury in 2018-19. The Scottish Fiscal Commission's forecasts show that there will be growth in Scottish income tax receipts for every year over the forecast period, and forecast per capita growth is expected to be greater than that in the rest of the UK.

James Kelly (Glasgow) (Lab): Will the cabinet secretary confirm that the Government is able to submit its own forecasts in relation to income tax receipts and therefore can change the amount that is deducted from the Scottish budget by the Scottish Fiscal Commission?

Derek Mackay: HM Treasury will release for the Scottish Government to draw down only what the SFC has forecast is the appropriate amount. That is the reality. That is the guidance. A Government cannot, with the best will in the world, just make up the amount of resource that it would like. The resource that we will have will be the resource that the SFC says is the appropriate amount. That mechanism drives what the Scottish Government has at its disposal. The Labour Party, with its alternative budget with all its mistakes and inadequacies, cannot escape the fact that the Treasury will give us resources only on that basis. This Parliament—of course, this was called for

partly, and agreed to, by the Labour Party—is bound by that formula.

What we will have at our disposal will in part be due to the decisions that we take on public sector pay, which the SFC forecasts will boost income tax revenues by £62 million in total. Should local government decide to follow our lead on pay—it certainly has the resources at its disposal to do so—that will boost revenues further.

A recent YouGov poll shows that there is public support for our proportionate approach, with more than half of Scots supporting our income tax proposals. As a result of UK Government austerity, between 2010-11 and 2019-20 the Scottish real-terms discretionary block grant will have been cut by £2.6 billion, with £500 million of cuts in the next two years alone. This is not the time when we should tax people at the lowest end of the income tax spectrum more—I see how the Tories sneer when people at the lowest end of the earnings table are mentioned.

I propose to protect the lowest-earning taxpayers and to introduce a more progressive tax system that contributes to greater tax fairness in Scotland and raises additional revenue to support vital public services and invest in the economy. I believe that those actions, alongside the spending plans for 2018-19, will make Scotland a more attractive place to live and work in, with access to many services that are not available elsewhere in the UK.

Living in Scotland ensures access to an NHS that is well funded, gives families access to increasing amounts of free childcare, and means that students pay no education tuition fees, that there is no prescription tax on ill health, and that our older generation can benefit from free personal care.

In the international context, Scotland's overall tax as a proportion of gross domestic product was below the Organisation for Economic Co-operation and Development average in 2016. Again, that reinforces the fact that Scotland is not a highly taxed economy. The steps that we are taking today will ensure that it is a fairly taxed country.

I move,

That the Parliament agrees that, for the purposes of section 11A of the Income Tax Act 2007 (which provides for income tax to be charged at Scottish rates on certain non-savings and non-dividend income of a Scottish taxpayer), the Scottish rates and limits for the tax year 2018-19 are as follows—

(a) a starter rate of 19%, charged on income up to a limit of £2,000,

(b) the Scottish basic rate is 20%, charged on income above £2,000 and up to a limit of £12,150,

(c) an intermediate rate of 21%, charged on income above £12,150 and up to a limit of £31,580,

(d) a higher rate of 41%, charged on income above £31,580 and up to a limit of £150,000, and

(e) a top rate of 46%, charged on income above £150,000.

14:36

Murdo Fraser (Mid Scotland and Fife) (Con):

It feels as though we have been debating the Scottish Government's budget for months, now. Indeed, we have a reprise of this debate coming up tomorrow, with the stage 3 debate on the Budget (Scotland) (No 2) Bill. The voices behind me say, "Hurray!" We are all looking forward to that.

It might, therefore, seem that there is little new to add at this stage in the process. Nevertheless, there is no harm in reminding members of exactly what the rate resolution will do if it is passed by the Parliament: it will break the promise that the SNP made in its manifesto in 2016 not to increase the basic rate of income tax. That promise was repeated over and over again by the First Minister and many other SNP figures.

John Mason (Glasgow Shettleston) (SNP):

Will the member give way?

Murdo Fraser: Yes, of course. I am sure that Mr Mason will associate himself with that manifesto commitment.

John Mason: I do associate myself with the manifesto commitment. Does Murdo Fraser accept that a manifesto can be fully implemented only if there is a majority Government and that we have a minority Government, which cannot bring in all of its manifesto commitments?

Murdo Fraser: The Conservatives stood ready to vote with a Government that was prepared to meet its manifesto commitment to keep taxes low, but Mr Mackay spurned my advances to join in a taxpayers alliance to protect the people of Scotland from high taxes.

Nicola Sturgeon was quite clear on numerous occasions. She said that it was

"not right to increase income tax for those who are on the basic rate."—[*Official Report*, 3 May 2017; c 9.]

That promise was made 53 times in 2016 and 2017 not just by Nicola Sturgeon but by a whole range of SNP figures. We have not heard an apology from Mr Mackay or Mr Mason, but perhaps one SNP speaker in the debate will have the courage to apologise for breaking the manifesto commitment. If Parliament passes the rate resolution, that promise will be broken and some 45 per cent of Scottish taxpayers—more than 1 million people—will pay more tax than they would if they lived south of the border. That will make Scotland the highest-taxed part of the United Kingdom.

Ivan McKee (Glasgow Provan) (SNP): Will the member take an intervention?

Murdo Fraser: Not at the moment.

The overall burden of income tax will be higher in Scotland than it is in other parts of the UK.

The SNP seems to want to portray its tax increases as affecting only the rich. That is the message that we have just had from Mr Mackay. The SNP claims that anyone who earns more than £33,000 will pay more tax as a result of the changes and anyone who earns less than £33,000 will pay less. It does not say that that figure is where it is because of the actions of a UK Conservative Government in increasing the personal allowance that every taxpayer in Scotland benefits from. The actions of a UK Conservative Government since 2010 in effectively doubling the personal allowance have lifted millions of the lowest paid out of tax altogether and have reduced the tax burden for countless others.

Patrick Harvie (Glasgow) (Green): Will Murdo Fraser finally drop the pretence that increasing the personal allowance is a progressive move? It has been demonstrated time and again that the bulk of the revenue that the Government forgoes as a result of the measure goes to households with a higher-than-average income and that the lowest earners gain nothing because their incomes are already below the personal allowance threshold.

Murdo Fraser: Mr Harvie is simply wrong on that. The millions who have benefited from their incomes having been taken out of tax altogether will disagree with him, because the lowest paid—not the absolute lowest paid, but people who earn between £6,000 and £12,000—have been lifted out of tax altogether thanks to a UK Conservative Government.

It is also worth remembering that, when SNP members claim that, as a result of their plans, the lowest earners will get a reduction in their tax bills, the maximum reduction that will be introduced in April will be some £20. That is not £20 a week or £20 a month but £20 a year. At the same time, thanks to the UK Conservative Government increasing the personal allowance, the selfsame beneficiaries of the £20 reduction will get a £70 reduction in their income tax bills.

The changes that will take place in April will mean that a UK Conservative Government is being three and a half times more generous to the lowest paid than the SNP Government is. We are also doing it at a UK level without penalising people who earn a bit more, as the SNP is doing. The measure that the SNP proposes means that everyone in Scotland who earns more than £26,000 a year will pay more tax than if they lived south of the border.

Ivan McKee: Will Murdo Fraser give way?

Murdo Fraser: Not just now.

A nurse who earns £30,000 a year will pay £40 more. A primary school teacher, social worker or paramedic who earns £35,000 will pay £90 more. A police officer or a secondary school teacher who earns £40,000 will pay £140 more. A general practitioner who earns £70,000 will pay more than £1,000 more. Some 45 per cent of taxpayers—that is, more than 1 million people—will pay more than their equivalents south of the border. Despite what the cabinet secretary says, those are not rich people; they are hard-working individuals who should be allowed to keep more of what they earn.

Derek Mackay: Does that mean that Murdo Fraser and the Tory party support the pay rise that the Government proposes for the workers that he has just mentioned?

Murdo Fraser: Local government workers would like to know whether they will get a pay rise, too, because there is nothing in the Scottish Government's budget for local government that will deliver that. No doubt we will hear more about it tomorrow.

In many cases, the individuals whom I am talking about might be the only income earners in their families. A household income of only £26,000 that covers one or two adults and a number of children is hardly a generous sum. We need to stop hearing about how only the rich will pay more under the SNP's plans. We are talking about hard-working families and those who can ill afford to pay such substantial sums.

There is also the question of unintended consequences from the tax changes. The cabinet secretary mentioned the married couples allowance. It was previously available only at the basic rate and is worth £200 a year, which is a significant sum to many people, particularly retired couples or couples on low incomes. I remind Mr Mackay that the measure was introduced by a UK Conservative Government. I am pleased that, thanks to the co-operation, reasonableness and generosity of UK Conservative Treasury ministers, a solution has been found to the problem and people in Scotland will be able to retain the allowance.

Once again, the Conservatives have to clean up the mess that the SNP has created in the tax system. I am pleased that that mess has now been resolved and we can reassure all the people who have been writing to us that they are able to keep their married couples allowance. However, there are other issues on which there will be unintended consequences. How will gift aid continue to apply to donations to charity in Scotland? How will it be affected? How will the tax on pension drawdowns be affected?

What homework has the cabinet secretary done? What engagement and relationship has he had with UK Treasury ministers? I am happy to give way if he wants to explain more.

Derek Mackay: As Murdo Fraser knows fine well, all those matters—which we have debated in committee—were raised by the Scottish Government in the early days of the proposed changes to income tax policy. Such issues are in the gift of the UK Government. It has written to me and I have been able to share the resolutions to those issues with the Finance and Constitution Committee. However, I have had to wait for the UK Government to respond instead of its having given me early solutions. It has now responded positively—an outcome that I am sure Murdo Fraser and the whole chamber will welcome.

Murdo Fraser: I am sure that that outcome will give great reassurance to the many people who are concerned about such issues—not least the many charities in Scotland that rely on gift aid income. However, would it not be better if, before he announced such changes, the cabinet secretary sought agreement with the UK Treasury? If he asked us to wait, when he announced them he could give that reassurance to people at that time.

Apart from questions of process, what worries us about the tax rises is the impact on Scotland's economy. Just last week, the Scottish Retail Consortium warned about their likely impact on economic growth. The Scottish retail sales monitor for January 2018 showed that Scottish sales fell by 0.7 per cent on a like-for-like basis compared with the figures for January 2017. At that time, the SRC expressed its concern about income tax and council tax rises and the consequences for consumer spending. Those concerns were backed by the Scottish Chambers of Commerce, which said that it had

“warned repeatedly about the threat of Scotland being perceived as a relatively high-tax economy, and how that impacts on business investment and on consumer behaviour. We will be watching shoppers' behaviour closely in the months ahead for signs of restricted consumer spending and tightening disposable income”.

Such messages are stark. The cabinet secretary tries to dismiss those who raise concerns about the impact of higher taxes, but here is what every business organisation in Scotland is telling us. Inflation is going up, and food and fuel prices are rising. Council taxes are expected to go up across Scotland by 3 per cent in April. Wages are not increasing fast and, on top of that, an additional income tax burden is being imposed by the Scottish Government on 45 per cent of Scottish taxpayers—a clear breach of the promise that it made in its election manifesto in 2016.

Our view is that the Scottish Government needs to start listening to all those voices that are expressing concern. Every economic forecast has the Scottish economy growing at a fraction of even the UK average in the coming years. That was the stark message from the Scottish Fiscal Commission's projections, which were published at the time of the budget, and it is being repeated by other economic forecasters. We know that, if the Scottish economy were to grow at even the UK average for the period from 2007 to 2022, over that 15-year period that growth would be worth an additional £16.5 billion in cash terms to the Scottish economy. That £16.5 billion will be lost—it is the price of our failure to match the performance of the UK economy as a whole.

Just think what a faster-growing economy could contribute towards expanding our tax base and providing more cash for our public services. It would avoid the need for the tax rises that we are talking about today. Yet, rather than focus on initiatives to grow the economy, the SNP is determined to increase the tax burden and send out a message that Scotland is the highest-taxed part of the UK.

Today's increase in income tax in this rate resolution penalises hard-working families. It breaks a promise that was made by the SNP in 2016 and that has been repeated more than 50 times since. In making Scotland the highest-taxed part of the UK, it will condemn us to years of sluggish economic growth and deprive us of much-needed tax revenue as a result. For all those reasons, Parliament should reject the rate resolution that is before us.

14:48

James Kelly (Glasgow) (Lab): The new tax powers were a chance to present a bold and radical budget. The SNP tax plans fall massively short of what is required, and it is the people of Scotland who will suffer—with a quarter of a million children living in poverty, performance in education on the slide as the economy continues to falter and an NHS crisis in which people struggle to get GP appointments. The SNP's tax proposals should be rejected, because they fail to make the changes that will make a difference to people's lives. Fundamentally, they fail on two points, in relation to both the money that they raise and the process that has been followed.

Mr Mackay frequently speaks about the scale of the challenges that we face through Tory austerity. However, the amount of money that is raised by the SNP's tax plans falls way short. The Fraser of Allander Institute shows that even taking into account the stage 1 amendments, only £83 million in additional funding is available once business rate deductions have been included. That is all

that is available. That is not progressive taxation; it is a massive shortfall.

The backdrop is the SNP voting, in seven budgets in a row, to penalise local government, resulting in cumulative cuts of £1.5 billion. This is not just about the figures; it is about the impact on local communities—jobs lost, libraries closed and community projects closed down, all as a result of SNP budget decisions. The rate resolution that we have before us does not address the scale of the problems faced in Scotland's communities.

There are also some flaws in the process that Mr Mackay has followed. He has made great play of the behavioural aspects of taxation. When he submitted his tax proposals to the Scottish Fiscal Commission, they were downgraded by £56 million, which he accepted. We have not heard anything from him or from the Government on what went on at the challenge meetings that are part of the process and what representations he made in order to try to save that £56 million in order to include it in the budget.

Derek Mackay: Can I be clear about that? Is James Kelly suggesting that I, as a minister, should interfere with the Scottish Fiscal Commission's forecast just because I have a different opinion? Is he suggesting that I should interfere with the evidence that it gave me?

James Kelly: I am saying very clearly to Mr Mackay that there is an onus on him in the legislation. If he disagrees with that forecast, he can produce his own forecast and provide a written explanation to Parliament. However, Mr Mackay put in his proposals, the SFC told him that there was £56 million less, he wrote down the figure and said, "Thank you very much," and then included that forecast in the budget. That means that we have £56 million less to spend on the NHS, to invest in public services and to properly support the funding of public sector pay.

Mr Mackay could have looked at alternative models and alternative forecasts. The issue has been looked at seriously by some of the Parliament's committees and we have seen international examples, such as variances in taxes in US states. The Finance and Constitution Committee looked closely at what happens in Switzerland, where there are different tax rates, and noted that the behavioural aspects are minimal.

Mr Mackay had an opportunity to challenge the SFC forecast and come up with his own forecast. We do not know anything about the process—he might have challenged the forecast. However, the reality is that there is £56 million less in the budget because he accepted that forecast. Alternative methodologies could certainly have been used and examined.

Labour thinks that the Government's proposals fall way short. We have proposed a £960 million plan to invest in the Scottish budget because that is what is required. If we look at the level of the cuts that local councils are facing, even taking into account the settlement that was announced at stage 1, we can see that there is still a £368 million shortfall.

Bruce Crawford (Stirling) (SNP): Will the member give way?

James Kelly: Sure.

Bruce Crawford: Let me do something unusual first—let me congratulate the Labour Party. At least the Labour Party made proposals for this Parliament to discuss, unlike the Tory party, which just wants to cut the budget by £500 million. However, the devil is always in the detail. Of that £960 million, how much would Labour raise in the next financial year from its tourism tax?

James Kelly: On the tourism tax, the Government had the option of bringing forward emergency legislation, which would have meant investment of £70 million in next year's budget. I will tell members what the difference is between Labour's approach and the Government's approach. We have heard a litany of excuses from Mr Mackay as to why he cannot raise tax and why he cannot produce a substantial investment plan that addresses the issues that are at the heart of Scotland's communities. The reality is that he did not have the political will to bring such a plan forward. His proposals tinker round the edges.

I do not think that it is right that MSPs should be paying only 29p more per week in tax. As a Parliament, surely we can do much more than that? After 10 years, the SNP's approach to the tax debate sums the party up. There is a complacent attitude at the heart of Government. We do not have to go too far from this Parliament to find people sleeping rough on the streets, and to find children who have holes in their shoes and families who cannot buy them proper clothing to go to school in. In the past 24 hours, we have seen that the level of drug deaths in Scotland is the highest in the EU. Those are all issues that are of real concern to the Parliament—they are real challenges. When they are raised, however, SNP members shrug their shoulders and say that they are doing their best and that we must not criticise them. That is simply not good enough.

We have had too many excuses. What we needed was a much more ambitious tax plan. We needed a budget that was rooted in fairness and designed to invest in public services and support economic growth. We needed a budget that was going to meet the big challenges and produce an alternative that would deliver for Scotland's communities. In that regard, the SNP's rate

resolution and the SNP's budget fall way short and should be rejected at 5 o'clock.

14:57

Patrick Harvie (Glasgow) (Green): I am delighted to have the opportunity to speak in a debate on a decision that will give effect to the radical opportunity that we have to build a fairer tax system for Scotland.

Derek Mackay opened the debate saying that he wanted to put progressive values into practice. That has to mean raising more revenue for the vital public services that we all depend on in every community in Scotland, while protecting low earners and reducing inequality. That is what it means to have progressive values in using income tax powers, and those were the principles on which the Scottish Green Party based our proposals in "Fair Funding for Public Services", which we published nearly two years ago in the run-up to the Holyrood election. At that point, we were the only political party putting forward a credible, costed, well-worked-out plan that could achieve that aim of raising revenue, reducing inequality and protecting low earners at the same time.

It is worth recalling briefly the SNP's reaction to those proposals and why its reaction was what it was. It completely rejected the idea of more rates and bands to make a fairer system, as we were proposing. During the election debates, Nicola Sturgeon repeatedly challenged the Labour Party on its proposal simply to increase the basic rate as a whole. Her reason for doing that was that that approach would hit people on lower-than-average incomes. That was true—that was a fair argument to use against a blanket increase in the basic rate of income tax. The SNP had no answer at that time to the Scottish Green Party proposal for more rates and bands to ensure that revenue can be raised while protecting low earners—doing both, as Nicola Sturgeon said that she wanted to do.

I hugely welcome the progress that the SNP has made to date, as well as the progress that the Labour Party has made in dropping its proposal for a blanket increase in the basic rate and proposing ideas that we have been talking about for years, such as a derelict land levy—it is not a land value tax, but a derelict land levy—and a visitor levy. We have been advocating that we should take the time to legislate for such things, and I hope that we will have the opportunity to continue to work together on them.

Murdo Fraser: Will Patrick Harvie reflect on the fact that, in the Scottish Parliament election in 2016, 65 per cent of the voters endorsed parties—the SNP and the Conservatives—that were opposed to any increase in the basic rate of

taxation? What level of support did his tax plans have at that time?

Patrick Harvie: I am pleased to say that our tax plans have shifted the debate across the political landscape in Scotland far more than Murdo Fraser's plan to simply copy the tax cuts for high earners only that his party remains committed to at the UK level.

I continue to make a further criticism of the SNP. The use of rhetoric about being the lowest-taxed part of the UK falls into the trap that has been set and fails to commit to the direction of travel. It is a little bit like the simplistic rhetoric around continually increasing the personal allowance. When £500 is added to the personal allowance, a tiny sliver of the workforce is taken out of the income tax system altogether and they save the small amount of income tax that they would have paid. However, high earners get the benefit from the increase in the personal allowance, too, so it is not a progressive approach.

This country should not be competing with our neighbours as a low-tax environment, because we know that the consequences of tax competition are austerity, inequality and ever-growing tax avoidance, along with human consequences such as the return of food poverty on a scale that most people in this country thought would never happen again. I put it to the Scottish Government that it should not use that rhetoric to compete with our neighbours, and it should certainly not compete with the current Conservative UK Government around the notion of tax competition.

Fair and progressive use of taxation is a prerequisite for a civilised society. Is the package that is being put forward today perfect? No. I have been very clear that we put forward further, fully worked out tax proposals to the Scottish Government in plenty of time to ensure that there was an opportunity to scrutinise them. I wish that others had done the same. If other Opposition parties had engaged in that way, there would have been even greater potential to push the Scottish Government beyond its comfort zone.

However, the reality of a period of minority government is clear. It is inevitable that political parties will disagree but, if we all dig in our heels and demand perfection or nothing, we will achieve nothing. Today's rate resolution achieves the huge step of a bold reform that takes us towards the progressive use of income tax powers to reduce inequality and fund our public services, and I am very pleased that the Greens played a pivotal role in bringing us to this point. I will be happy to support the rate resolution tonight.

15:03

Willie Rennie (North East Fife) (LD): The substantial new powers that were delivered and driven forward by the coalition Government changed the nature of the debate in the Parliament today. We must be conscious of the impact of the money in people's pockets, as well as the money in the public sector and the funding of our public services. It is a delicate balance and we need to work really hard to make sure that the balance is right; therefore, we need a frank and open debate about those powers and the debate needs to happen before elections, as well as after them.

The Liberal Democrats were frank at the previous election; we said to the voters that we would raise income tax by a penny to raise £500 million for education. Our assessment was that, because the Scottish education system had gone from being one of the best in the world to just average, we needed to make that investment and we needed to ask everyone to pay a little bit more in order to have a transformational effect on our education system. We were clear about our priorities and honest with people about what we expected them to pay.

That was our approach in the election and we regret that the SNP did not take that approach. Like me, Nicola Sturgeon stood on platforms during that election campaign, but she promised that there would be no increase in the basic rate of income tax. I viewed that with astonishment at the time, because she was speaking for a self-professed left-wing Government at the height of its authority that everyone expected would win the election. There were real strains on public services, but the Government sat and did nothing. It brought forward no radical proposals to amend the complaints that it had about the money that it was receiving from Westminster, so no longer could it claim that it was all Westminster's fault when a major financial lever remained untouched.

The SNP's rhetoric was exposed at that time for all to see, and now we have an SNP Government that will increase the very tax that it said at election time that it would not increase, so the question is now about its integrity more than anything else. Can the Government be frank with the voters about what it is proposing? I know that Derek Mackay has his answers about Scotland being the lowest-taxed part of the country for a certain number of taxpayers. However, the reality is that he said during the election that basic rate taxpayers would not see an increase and they are now seeing an increase, so there is a lack of frankness from the SNP.

John Mason: Will the member give way?

Willie Rennie: No, not just now.

It is important that SNP members reflect on their behaviour before the previous election and that they understand why people are now frustrated with their lack of honesty. The tax that they propose today is not something that I can support. It does not deliver the transformational investment in education that we believe we need to make, and without that transformational investment in education we cannot support the SNP's proposals.

We believe that it is important to get the balance right between asking people to pay a bit more and the investment that we get. It is important to be specific about how the money will be spent, so that people can see the results of that investment. People need to have confidence in the tax system and how it operates if they are to accept the decisions that are made by this Parliament. We are not a party of automatically high tax or low tax. We have to make a judgment that is right at the time for the investment that is required in public services, balancing up the money that private citizens need to make ends meet from day to day. I do not think that the budget matches the requirements and the aspirations.

The Conservatives need to be careful, too. They claim to be a party of the economy, but theirs is the party that is overseeing a drive towards a hard Brexit that will damage our economy, so they need to be careful when they criticise anyone else for economic irresponsibility. They also need to understand and reflect on the fact that their party is advancing tax rises in England. We have seen a tax rise proposed for care and for the police in England, and we have seen Conservative-run councils in Scotland proposing tax rises. The Conservatives are against tax rises for the better-off, but they are in favour of tax rises for everyone else. That is why they also need to be honest about their approach to taxation.

It is a great disappointment to us that today's debate does not allow us to make the investment in education that the country desperately needs. The Scottish education system used to be the pride of the world. People used to look to us for what we were able to do with our young people. Unless we start investing properly in nursery education, in schools and in colleges, we will see a continual decline in the performance of our education system, and that will have a dramatic, long-term effect on our economy.

Derek Mackay: When Willie Rennie uses the word "us", does he mean an us of five or an us of three?

Willie Rennie: The Liberal Democrats, as the minister knows, are very clear about what we view the budget as. Our MSPs for the northern isles have been specific about the fact that they were prepared to stand up for their constituencies under the threat of an SNP Government that was not

going to deliver on its promises for the northern isles ferries, and we were not prepared to go along with that. The Liberal Democrats will oppose the tax resolution that is proposed by the SNP today, because it does not meet the ambition that we have set out for this country.

15:09

Ivan McKee (Glasgow Provan) (SNP): Today's debate is about tax. but it is also about credibility. There is a stark contrast between a Scottish Government that takes responsibility for putting together a budget that serves the people of Scotland and a Tory Opposition that focuses on the top 15 per cent of earners and, worse than that, a Tory Opposition that cannot get its numbers to add up.

Let us start by reminding ourselves of the facts. The majority of taxpayers, and the vast majority of basic rate taxpayers, are better off under the Scottish Government's budget. Next year, 70 per cent of Scottish taxpayers will see their tax bill reduce. Under the Government's proposals, most Scots will pay less income tax than they would if they lived in the rest of the UK or if we went with the proposals of the Tory Opposition. That is only part of the story.

Individuals and families do not look at their income tax in isolation—they look at their total tax position. With council tax increases capped at 3 per cent in Scotland, while the rest of the UK sees increases of up to 6 per cent, the average council tax payer in Scotland is now almost £500 better off than they would be if they were down south. That is real money for real families, and it counts. The higher level of services from which the people of Scotland benefit also counts. We have no tuition fees, no prescription charges and the best-performing health service in the UK.

Let us be clear. Scotland is the lowest-taxed part of the UK and it is the fairest-taxed part of the UK.

The budget also delivers for business. Business organisations demanded a shift in increases in business rates from the retail prices index to the consumer prices index, and that was delivered by the Scottish Government. Continuing with the small business bonus means that more than 100,000 small Scottish businesses pay no rates at all. Total business rates mitigation of £660 million, which is a real help to real businesses, was delivered by the Scottish Government.

The economic development portfolio has received £270 million more to allow the Scottish Government to continue to support ambitious businesses to grow and to export, and, as we have seen in many cases, to allow the

Government to save threatened businesses so that they can survive and thrive.

We have committed £600 million for the roll-out of superfast broadband to 100 per cent of homes and businesses by 2021. That figure puts the tiny sums invested by the UK Government in that programme into embarrassing perspective. The Scottish Government is doing the heavy lifting to bring Scotland's internet infrastructure up to world-class levels, despite broadband roll-out being a reserved responsibility. Westminster is not at the table.

With an eye on the future of this country's manufacturing industry, which is key to our export growth agenda, we are investing in the establishment of the national manufacturing institute, which is welcomed by business organisations across Scotland.

On income tax itself, the Scottish Council for Development and Industry is clear:

"This is a progressive, mature and significant use of Scotland's income tax powers."

This budget is focused on economic growth, and it is economically literate, with numbers that actually add up. Meanwhile, from the Tories all we hear about is jam tomorrow. Tory members stand in this chamber and demand extra public spending every day of the week. They have now made more than 100 demands for more public money. Those demands are uncoded, and it is just as well, because the Tories have no idea how to pay for them. They do that even before we ask the Tories how their alternative reality budget would pay for public sector pay increases or the investment that business organisations are crying out for. They make those demands before they explain how they would fund tax cuts for the better-off or how they would fund the £200 million of cuts in Scotland's revenue spend budget for next year as a consequence of cuts from their colleagues at Westminster.

Murdo Fraser: Will the member take an intervention?

Ivan McKee: Indeed I will. Mr Fraser did not give way to me even though I asked twice, but I shall give way to him.

Murdo Fraser: I apologise to Mr McKee, but I took four interventions during my opening remarks and one can have only so much joy in the course of a short debate.

When SNP members in the past and more recently called for cuts to corporation tax, cuts to air departure tax and cuts to VAT on tourism and construction and building repairs, did they spell out how those cuts would be paid for?

Ivan McKee: As Mr Fraser is well aware, corporation tax was a proposal for after independence, when we would have had full control of all the levers, which would have been a different position. At the moment, we do not have corporation tax. If Mr Fraser would join us in asking for corporation tax to be devolved, we could have a discussion about what the level should be.

Where is all the extra money that the Tories are asking for supposed to come from? When pressed on that, we heard today about the vast sums that will be saved from not rolling out the baby box. Will less than £8 million fund spending on tax changes that will be worth more than 100 times that? The Tories need a new calculator.

When pressed further, the Tories brought up delayed discharges and NHS agency staff, despite delayed discharges being down 10 per cent in Scotland compared with a year ago, and despite both of those spend items being below what they are in the Tory-controlled English health service. If that was the source of the magic money tree, why has that not been done in areas where the Tories are already in control?

James Kelly: Mr McKee represents Glasgow Provan, in which some wards have very high levels of child poverty. That is a concern to all of us, including Mr McKee. What has the budget done to address those child poverty levels?

Ivan McKee: As Mr Kelly is well aware, we have taken steps to reduce the tax that is paid by the lowest earners in Scotland. We have also taken steps to remove the pay cap so that public sector workers get the pay increases that they deserve. We are not making up Monopoly money, as Mr Kelly and his party are, to fund things. That is the difference between us and them: we are credible and can deliver, and Labour just talks about Monopoly money and ignores the economic reality, as expressed by the SFC.

Even if none of that was true, the Tory party's plans would still not stack up. None of that extra money would be available to fund its tax or spending plans in the coming year. The reality is that this is, indeed, economic illiteracy from the Scottish Tories. It does their credibility no good and, if they want to be treated as a credible Opposition in this Parliament, they need to do better.

This Government's tax plans are credible, they are costed and they serve well the people and economy of Scotland. That is why this Parliament should support the Scottish Government's tax plans.

The Deputy Presiding Officer (Christine Grahame): Before I call Bill Bowman, I remind members that there is time for interventions.

15:16

Bill Bowman (North East Scotland) (Con): I reassure Mr McKee that I have had a quick look and I do not think that I will mention jam once in my speech.

Today, the SNP seeks this Parliament's approval of its plan to increase taxes on Scottish workers. In effect, the SNP seeks approval for something else: its decision to break its manifesto promise to the people of Scotland not to increase taxes. That was the assurance that the SNP gave Scots when it wanted their votes. Nicola Sturgeon boldly announced that she had

"been very clear that the Government will not increase income tax".—[*Official Report*, 2 February 2017; c 10.]

We support that approach and almost two thirds of Scots voted for parties that promised not to raise taxes.

During this debate last year, Derek Mackay stood in this chamber and proudly declared that he was

"determined to stay true to"

the SNP's

"income tax proposals".—[*Official Report*, 21 February 2017; c 32.]

One year on, the only thing that Mr Mackay has stayed true to is his willingness to use the ever-eager Greens to push through his budget. The Greens are so eager, in fact, that Mr Harvie seems to have forgotten to actually require any of his party's own income tax policies to be adopted. With a straight face, Mr Mackay presented the deal as the result of a tough negotiation that went down to the wire.

Patrick Harvie: Will the member give way?

Bill Bowman: I will later.

Given the ideological gulf between the two parties, we can imagine that negotiations dragged on only for minutes.

However, there is a serious point to be made. Mr Mackay has chosen to increase taxes for almost half of all taxpayers: more than a million Scottish workers earning more than £26,000, including nurses, teachers, social workers, police officers, paramedics and many more ordinary hard-working people. Is that the SNP's idea of the wealthiest in society?

The SNP says that it is helping the lowest paid. With no sign of embarrassment, Mr Mackay announced a tax cut of up to £20 a year for some. I invite Mr Mackay to visit Dundee's more deprived areas to explain to hard-pressed families how his tax cut, which would not cover the cost of his return train fare, will help them out of poverty.

Families across Scotland need real help, not gesture politics.

Since 2010, the Conservative UK Government has cut taxes for Scots on the basic rate by more than £1,000. At the weekend, we saw how the Chancellor of the Exchequer will step in to save married Scots from losing their tax allowance, which was put at real threat thanks to this SNP budget. That is the sort of action that genuinely helps people, and the SNP would be wise to follow the Conservative example.

The SNP's ill-conceived and unnecessary tax rises will affect the wider economy, which is already suffering after a decade of SNP mismanagement and incompetence. We have sluggish growth, at just a third of the overall OECD rate. We have the highest business rates in Europe, while confidence is among the lowest in Europe.

John Mason: Does the member accept that Westminster might have a little bit of influence on the Scottish economy?

Bill Bowman: Why are we growing at less than half the rate of the UK, then?

Thanks to the SNP, firms across my area of Dundee and the wider north-east know those problems only too well. Our productivity increases are also painfully slow. Despite that shambolic record, Mr Mackay, ably assisted by Mr Harvie, is about to pour petrol on the fire, with yet another round of tax hikes. It would be easy for me to reel off a list of respected bodies that have warned against the SNP's damaging tax plans, so I shall: the Federation of Small Businesses, Scottish Chambers of Commerce, Scottish Engineering, the Scottish Retail Consortium and the Confederation of British Industry Scotland have all warned about the negative impact of tax increases. Former CBI Scotland director Iain McMillan summed it up with the simple message that widening the tax gap between Scotland and the rest of the UK

"is likely to cause great damage to the Scottish economy".

The worst part of all this, though, is that it is being done willingly. Inflicting economic hardship on Scottish workers and risking the Scottish economy is a political choice taken by Derek Mackay and Patrick Harvie. We know that the Scottish budget is increasing thanks to the UK Government—Mr Mackay has said so himself—yet he persists with a budget that takes from hard-working Scots, cuts council budgets to the bone and ignores the advice of Scotland's leading economic bodies.

Although the SNP and the Greens might be content to view hard-working Scots as a cash cow, we on the Tory benches stand up for hard-pressed

families, businesses and people getting on and aspiring to do better in life.

Patrick Harvie: Perhaps the member, unlike any of his colleagues so far, will say where in the Scottish budget the extra £500 million would come from to fulfil the Conservative tax policies. We are debating an income tax rate resolution. If the member wants to cut taxes for the wealthy, as his colleagues in the UK are doing, where will that come from in the Scottish budget?

Bill Bowman: The member was perhaps not listening to Murdo Fraser's speech.

Patrick Harvie: I think that I could be forgiven for that.

Bill Bowman: I am sure that Mr Fraser will happily send the member a video clip to watch again, and perhaps Mr Harvie will take more care when he is listening.

The SNP has already lost the trust of Scottish business. Now, thanks to its broken promise on tax, it is about to lose the trust of the Scottish people as well. Last year, Mr Mackay was steadfast that suggestions to increase rates or change bands were an

"experiment with every tax lever in an almost careless and reckless fashion",

and he maintained that

"Those extreme positions do not serve the Scottish taxpayer well".—[*Official Report*, 21 February 2017; c 34.]

However, that is what he now proposes. In Mr Mackay's words, the budget is a "careless and reckless" experiment at the expense of the Scottish people. For once, I agree with Mr Mackay's economic assessment.

15:23

Stuart McMillan (Greenock and Inverclyde) (SNP): Murdo Fraser spoke of the generosity of his Tory UK Government colleagues, and Bill Bowman spoke about economic hardship. I suggest to both of them that they talk to the people who used some of the 76,764 packages of emergency food that were taken between April and September of last year. That figure is expected to go over 150,000 this year. That is the generosity of the public and not of a Tory Government that is slashing welfare payments and managing a cruel system that forces back into work people who actually cannot work. I am sorry, but Mr Fraser's and Mr Bowman's party down in London is certainly having an adverse effect on tens of thousands of people not just in Scotland but across the UK. Given that the Conservative Party is talking about £500 million of tax policies to aid the richest and the wealthiest rather than the poorest and those who require the money, it

needs to apologise to the population of Scotland and beg for their forgiveness.

Murdo Fraser: Will the member give way?

Stuart McMillan: If the member is going to beg for forgiveness, I will take his intervention.

The Deputy Presiding Officer: I suspect that he is not, Mr McMillan.

Stuart McMillan: We can try.

Murdo Fraser: Why does Stuart McMillan believe that people earning £26,000 a year are rich? Does he really think that?

Stuart McMillan: What I believe is that the majority of the population of Scotland wants to have a fairer and more progressive system to ensure that those who are less well-off can have a better quality and standard of living. If Mr Fraser comes to Inverclyde and talks to many of my constituents, they will tell him that they want to have exactly that type of system.

It has been said many times, but it is worth reiterating that setting this budget has taken place against the backdrop of tough economic and public expenditure conditions due to Mr Fraser's Conservative colleagues down in Westminster. It is also important to remember that the Scottish Government did not take lightly the decision to alter income tax rates in Scotland. However, following the publication and findings of the discussion paper examining the role of income tax in Scotland, it is clear that this is the right decision to ensure that we protect our public services and grow our economy.

Let us assess the Tory cuts to Scotland that people—the Tories, certainly—seem to be keen to forget. By 2019-20, Scotland's discretionary budget allocation will have decreased by 8 per cent—£2.6 billion in real terms—since 2010-11. For 2018-19 alone, the fiscal resource budget allocation is £221 million lower in real terms than it was in the previous financial year, and over the next two years our block grant from the UK Government for day-to-day spending is projected to fall by £500 million. Yet Mr Fraser's and Ruth Davidson's party seems to think that Scotland has more than enough funds to increase public spending but keep tax rates the same, or even to decrease them for some.

In addition, the Tories are dragging Scotland out of the EU, which will have a hugely negative impact on Scotland's productivity, trade and inward migration, which is thought to mean a loss of around £12.7 billion a year for the Scottish economy. That flies in the face of the recent report that names Scotland as the third-best large European region for foreign direct investment. That report highlighted in its findings that Brexit

remains a clear threat to Scotland's investment potential.

Today, David Davis is apparently trying to reassure people with his comments that the UK will not be plunged into

"a Mad Max-style world borrowed from dystopian fiction."

That emphasises just how clueless the Tories are on Brexit. As a result of that cluelessness, they are trying to discredit genuine concerns about how the UK will operate once we have left the EU.

The Scottish Government specified that the proposals on income tax needed to meet four key tests. They must maintain and promote public services in the face of UK spending cuts, they must protect the incomes of low earners, they must make income tax more progressive and contribute to tackling inequality, and they must support economic growth. In doing those things, the changes to the tax system will increase revenues for growing Scotland's economy and transforming our public services.

Ultimately, the tax proposals protect those on the lowest incomes, making the system fairer and more progressive. For the majority of taxpayers, Scotland will be the lowest-taxed part of the UK, with 55 per cent of Scottish income tax payers paying less than people earning the same amount and living elsewhere in the UK in 2018-19. More than two thirds of tax-paying Scots will be paying less income tax next year as a result of the changes, emphasising this SNP Scottish Government's commitment to safeguarding low earners' pay packets.

Data based on the annual survey of hours and earnings indicates that almost 80 per cent of Inverclyde residents will be paying less income tax in 2018-19 as compared with the current financial year.

Michelle Ballantyne (South Scotland) (Con): Will the member take an intervention?

Stuart McMillan: I can take one more.

Michelle Ballantyne: What would Mr McMillan say to one of his supporters—somebody who voted for independence and has been a supporter of the SNP all along—who has written to me and one of the SNP members to say that he is frustrated beyond belief? He has worked really hard; he grew up in a deprived area—both he and his wife grew up in poverty and have worked really hard and now have good jobs. They have been able to buy a nice house in a nice area and have one child, but they are now struggling and they have just heard that the SNP is going to put up their taxes. The SNP has put up their council tax through its higher rate for the upper bands—

The Deputy Presiding Officer: It is an intervention, please, not a long speech.

Michelle Ballantyne: —and they are struggling because they want to have a second child and now feel that they cannot afford it. What is Stuart McMillan's message to them?

The Deputy Presiding Officer: My message is: please make sure that interventions are interventions, not intermediate speeches.

Stuart McMillan: I say to Michelle Ballantyne that the deal that is on the table for Scotland is the best deal in the UK. Many constituents who have contacted me—some of whom are not SNP voters—are strongly supportive of what is on offer. It is the best deal for Scotland, and it is the best deal in the UK.

I am conscious of time.

The Deputy Presiding Officer: I will make up your time.

Stuart McMillan: Thank you very much, Presiding Officer. That is great. I can see that Jackie Baillie is delighted.

Some members will say that although it is all well and good that most people will pay less in taxation, the top rate of tax must be increased further. However, I believe that the Scottish Government's top-rate tax proposals will generate the most income at the least risk of losing revenues next year and damaging the economy. On that point, when my colleague Bruce Crawford asked James Kelly about the proposed tourism tax, he could not answer. If he does not know how much additional money a tourism tax would bring in, what will the situation be regarding his top-line tax?

The Presiding Officer is now signalling for me to—

The Deputy Presiding Officer: You must conclude there. I call Elaine Smith.

15:31

Elaine Smith (Central Scotland) (Lab): Here we are, one year on from Derek Mackay's "historic day" when the Scottish Parliament was able to use its new tax powers to set all rates and bands for income tax in Scotland. Those powers were demanded by the SNP to enable things to be done differently in Scotland, or to deliver—to borrow a phrase from our first First Minister, Donald Dewar—

"Scottish solutions for Scottish problems".

Unlike the SNP, with its timid approach, Scottish Labour believes that those new tax powers should be used to their full extent to create a fairer, more prosperous society and to redistribute power and

wealth from the haves to the have-nots. If society is to be just, we must all contribute according to our ability and we must each receive according to our need.

Even those SNP members who are sceptical of that socialist approach to taxation would surely agree with what Donald Dewar said about such a tax power during the white paper debate on Scotland's Parliament in the House of Commons. He said:

"It is important to recognise that the power may be used to deal with some special project or difficulty."—[*Official Report, House of Commons*, 31 July 1997; Vol 299, c 465.]

Scottish Labour has laid out clearly in its budget proposals how the Scottish Government's tax powers could be used to fund the £5 child benefit top-up policy.

John Mason: Does the member accept that there is a risk of some behavioural change and of people avoiding tax if the difference between England and Scotland is too great?

Elaine Smith: I thank the member for that intervention, because it addresses an issue that I will cover extensively soon. I think that we in this Parliament have a duty to lead the way on behavioural change, but I will come on to that.

Research that the Scottish Government is well aware of but refuses to act on shows that topping up child benefit by £5 per week would lift 30,000 children out of poverty. If the Scottish Government used its taxation powers progressively, it could comfortably cover the cost of topping up child benefit, which is estimated to be £256 million. Given that 260,000 Scottish children are living in poverty, surely the powers of the Scottish Parliament should be used to address that situation urgently.

Derek Mackay: Is Elaine Smith not concerned that, according to the research that I have seen, only £3 out of every £10 would reach those children who are in the greatest need?

Elaine Smith: I thank the cabinet secretary for raising that issue, which I also anticipated. I will address it shortly.

Topping up child benefit would mean that fewer children would go hungry or cold, suffer social exclusion or be stigmatised for being poor; it would also show that, in principle, Scotland is prepared to meet its moral obligations. It is the ability to tackle issues such as child poverty and all the unfair manifestations of it that a child is likely to bear throughout their life that I believe forms a fundamental justification for the Scottish Parliament.

We have heard it argued by the SNP—John Mason's question was on this very subject—that

tax avoidance is a perfectly rational response to tax increases. Of course, that is usually a Tory argument. However, the debate on tax and behavioural change is far from settled and there is growing evidence that, when it comes to tax, often people do not act out of self-interest alone and there are ways in which behavioural changes such as a move towards tax avoidance can be offset.

Sadly, the Scottish Government seems to assume that tax avoidance is inevitable, and that is an assumption that only serves to legitimise the behaviour. However, the British Psychological Society has highlighted research that suggests that tax attitudes improve when the link to public expenditure is made. I suggest that it is our job, in this Parliament, to make that connection and to persuade people that taxes are being used wisely to better our society so that all of us can benefit—the so-called “social contract” that the SNP used to believe in. The goal of lifting 30,000 out of poverty is surely one that can speak to the hearts of the people of Scotland and therefore motivate every single one to pay their fair share.

I have anticipated the Government’s response to my next point, as it was hinted at in the reply to a question that I asked in the chamber recently; it might be the response that the cabinet secretary was coming to in his intervention. The Government might suggest that, as child benefit is a universal benefit, it is not one that will capture the hearts of the richest Scottish people.

Before I address the reason why child benefit top-up is in fact a policy that people can get behind, I will address the hypocrisy in that position. The SNP attacks the topping-up of a universal benefit, yet it seems to have been long committed to universal policies. We hear SNP speakers trotting out Scottish universal benefits for acclaim, such as the baby box, free higher education, free personal care and free school meals for younger children. As a socialist, I support universality, but its wider acceptability is dependent on an understanding of progressive taxation. If the better-off benefit, they can, of course, pay back through fair, progressive taxation.

However, my main point is on the justification of the universal child benefit policy. I come to the point that Derek Mackay mentioned: that only £3 in every £10 spent on child benefit top-up would go to households in poverty. Although I believe that that would be money well spent on poorer children, it is also vital to keep in mind that our job in this Parliament is not just to lift children out of poverty but to prevent children from being pulled into poverty. An additional £5 per week per child for households that are on a financial cliff-edge and at risk of being pulled into poverty would help to stop rising child poverty levels. Given that the

Institute for Fiscal Studies forecasts that a further 100,000 children in Scotland will be living in poverty by 2020, we must act now to prevent that shocking forecast from becoming a reality. Presiding Officer, I believe that most decent-minded people would feel that that is a cause that their taxes could support.

In conclusion, I did not seek election to this Parliament to tinker at the edges and neither did any of my Scottish Labour comrades. We are here to fight against the scandal of Scottish poverty and the inequality that underpins it. We are here to carry on the legacy of James Keir Hardie, who talked about

“The democratic Labour party of the future, composed of men in earnest, men who will go to parliament not to ape the manners of the classes, but to bring relief to the suffering masses.”

For “men”, we should read “women” too. We are here for the many, not the few, and we will not support these timid tax rates today.

15:37

John Mason (Glasgow Shettleton) (SNP): As has been said, we seem to discuss the topic of Scottish income tax quite a lot, but clearly what Scotland is doing with income tax is extremely important. I state today that I think that the Government’s approach is the correct one. We need to challenge some of the myths that we have heard this afternoon and previously from both the Conservatives and Labour.

The number 1 myth comes from the Conservatives, who say something like, “We can cut taxes but still have more money to spend on services.” No, we cannot. As a general rule, if we want to protect services—let alone improve them—the money has to come from somewhere. That means that either we cut expenditure somewhere else, we borrow or we raise taxation.

The Conservatives seemed to suggest that lots of money is being wasted that could be used to pay for services. First, they should tell us where that wastage is—presumably they would cut that department’s budget. The reality is that we all waste money from time to time. We buy food that we do not use or music that we do not listen to. We pay for a holiday, then someone gets sick and we cannot use it. That is life—waste cannot be wholly prevented. If the Conservatives are trying to tell us that no money would be wasted under a Conservative Government, I think that they will find that most people would laugh at them.

There are cases of big information technology projects where money has been wasted. However, the reality is that most big organisations, in both the public and private sectors, have had bad experiences with IT. The public sector is more

transparent, so we hear more about it, but we know that the private sector has problems with IT, too. It is something that we just have to live with.

The second Conservative myth is about the economy, and it comes in three parts.

Edward Mountain (Highlands and Islands) (Con): I declare an interest: I am a partner in a farm. On the issue of IT projects, we spend £178 million on a computer that does not work and more per year on running that computer than it would cost to buy a new computer system. Does John Mason think that that is good value for money?

John Mason: My point is that every Government, including Conservative Governments, and virtually every big business—I have seen this when I have had interactions with big companies—has problems with IT. That will not be avoided, whoever is in power.

The second Conservative myth is about the economy: that growing the economy is the be-all and end-all; that it does not matter how the benefits of growth are shared out; and that higher taxation inevitably damages economic growth.

The problem is that, in recent years, we have seen relatively low taxation—a lot lower than when I was younger—but growth has not been great. Let us remember that the economy is mainly influenced by Westminster, not by the Scottish Parliament or the Scottish Government. What growth there has been has not benefited everyone. If we do nothing to intervene, growing the economy is likely to benefit only those people at the top—perhaps the top 10 per cent or the top 1 per cent. Therefore, the two issues are largely distinct: how to grow the economy more, and how to use taxation to share the income and wealth of our society more fairly.

It is probably a good time to point out a related Tory myth: that higher taxation will drive away individuals and businesses. I do not accept that that is the case—individuals and businesses look for a number of things, including an educated workforce, good schools for their kids, health services and roads and other infrastructure; and those things only come about through taxation. To take an extreme example, if there was no taxation and no schools, I do not think that we would see many individuals or businesses coming to Scotland.

The fourth myth from the Conservatives is that it would be a disaster if Scotland was different from England in any way. The whole point of devolution was to allow different parts of the UK to do things differently and in the ways that suited them best. The Conservatives might prefer a more centralist or totalitarian approach—a regime under which London decides what is best for it, and Scotland, Northern Ireland, Wales and everywhere else

have to fall in line—but it is clear that our economy, our needs, our geography and many other factors are very different from those in the south-east of England. Therefore, I suggest to the Conservatives that they should be less fixated with centralisation and everything everywhere being exactly the same; a bit of diversity can be a very good thing.

I turn to the main Labour myth, which seems to be that we can raise taxes as much as we like, take no account of the comparable rates in England and be certain that there will be no behavioural change and, therefore, no lost revenues. In answer, I say that we can be fairly sure that if we jump to a 5p or greater difference in the tax rates at a given income in Scotland and England, there is a high risk that people will incorporate, move some of their income elsewhere or otherwise avoid tax, but the reality is that we do not know how people will react. We can study the Swiss cantons all we like, with their different tax rates in a small geographical area, but there is no certainty that people in Scotland will react in exactly the same way as people in Switzerland. Of course, public sector workers will be required to stay in this country because of their jobs and some high-paid people will feel a moral duty to pay the extra tax, as Elaine Smith has suggested. However, we can be fairly sure that some people will look only to their personal advantage and will do all that they can to avoid paying the tax that they are meant to pay.

I accept that the Jeremy Corbyn and Richard Leonard style of politics is to put the emphasis on presentation rather than content, and that has proved popular to some extent. However, when we are actually responsible for a country's finances, there is a need to be more realistic and to match income and expenditure. Overall, I consider that Derek Mackay's income tax proposals should be supported. They increase tax fairly gently and we will see how that works.

Elaine Smith: Will John Mason take an intervention?

The Deputy Presiding Officer: I am asking Mr Mason to wind up right now, please.

John Mason: Okay.

The Deputy Presiding Officer: That was terribly effective. My goodness—at last I have been obeyed. [*Laughter.*]

15:45

Alison Harris (Central Scotland) (Con): With the proposals that are before us today, the SNP, aided by the Greens, is raising taxes on more than 1 million Scots, with the highest income tax rise for 40 years. Shamefully, promise after promise made

by the First Minister and the SNP to the people of Scotland is being broken in the process.

What did the 2016 SNP manifesto say on the subject of rates of income tax? It said:

“We will freeze the Basic Rate of Income Tax throughout the next Parliament to protect those on low and middle incomes.”

How hollow those words must now sound to the nurse, the teacher, the social worker and the police officer who will pay more as a direct consequence of the latest broken SNP promise.

Emma Harper: The Tories keep talking about nurses, but nurses do not make the money that the Tories are saying they will be paying more tax on. I ask Alison Harris to clarify which nurses she is talking about, who are going to be in the higher band of taxation.

Alison Harris: I am referring to nurses who are earning £30,000 in our NHS—and nurses do earn that.

Not content with making promises on tax rates in the manifesto, the First Minister said in the chamber on 2 February 2017:

“I have been very clear that the Government will not increase income tax.”—[*Official Report*, 2 February 2017; c 10.]

In *The Guardian* on 28 April 2016, John Swinney was quoted as saying:

“The Scottish National party has set out its approach to taxation, which would be not to increase the basic rate of income tax or to increase the additional rate of income tax”.

More recently, we have heard from the finance secretary, Derek Mackay. On 21 February last year, he declared that it would not be right to increase the basic or higher rates of tax for the year 2017-18 or over the current session of Parliament. Fifty-three times during 2016 and 2017, SNP ministers gave the assurance that the basic rate of tax would not be raised. That is 53 promises broken.

The SNP proposals to break those promises fly in the face of its own analysis, which showed that raising tax can decrease revenue—a fact that prompted the First Minister to declare at First Minister’s question time on 23 March 2016, on the idea of raising the top rate of tax:

“to do it in the face of analysis that says that, right now, it could actually reduce the amount of money that we have to invest in our national health service and our public services would not be radical. It would be reckless. It would not be daring. It would be daft.”—[*Official Report*, 23 March 2016; c 47.]

Is it not daft to raise taxes for those middle-income, hard-working families that will be hit by the proposals? Taking money out of consumers’ pockets risks further increasing the damage that the SNP has already done to economic growth.

Elaine Smith: Will the member take an intervention?

Patrick Harvie: Will the member take an intervention?

Alison Harris: No—I am going to continue.

The various voices of Scottish business have made their views on the effect of increasing taxes very clear. The Federation of Small Businesses found that the overwhelming majority of its members are against tax increases. Scottish Chambers of Commerce said that

“a competitive Scotland cannot afford to be associated with higher taxes than elsewhere in the UK.”

The Scottish Retail Consortium said that the idea of income tax rises

“should be firmly knocked on the head as it could cast a pall over consumer spending—a mainstay of Scotland’s economy.”

That consensus of opinion is telling the Scottish Government that providing economic stimulus and growth is the way to provide funds for the vital public services that we all wish to see, not depressing it by increasing the tax burden for hard-working families. Less money in people’s pockets will clearly come at a price of jobs and growth. Does the Government really believe that it is right when all those business organisations and Business for Scotland have expressed such concern?

Thanks to the SNP, our economy is growing at barely a third of the rate of that of the rest of the UK, with missed targets for growth, and we are failing to boost productivity to UK levels. SNP policies have also meant that Scotland has had fewer new business start-ups and lower investment than the rest of the UK. Nevertheless, I pay credit to, and highlight the importance to Scotland’s economy of, the small business sector.

Almost 70 per cent of the country’s 350,000 private sector businesses have no employees. They are often unincorporated and thus pay personal taxes. Many of those people work long and hard to develop their businesses, some to the extent that others can become employed, and many of those businesses are in sectors—from agriculture to tourism—that are vital to rural Scotland. However, many are already struggling. The last thing that small business needs is the added burden of an increase in personal taxation. That would be a disincentive to work long hours to provide an often vital local service and create the wealth that generates further employment.

It was no surprise that, in a small business survey that was carried out on behalf of the Scottish Government last year, the top three obstacles to the success of a business that small and medium-sized enterprises cited were

competition in the market, red tape and regulation, and taxation.

Growing the economy is the key to economic success, and keeping taxes low is a major component of achieving that growth. Whether for hard-working families or small businesses, I am proud that my party will always speak out against the undue and damaging tax rises that every other party in the chamber has called for this afternoon.

Gillian Martin (Aberdeenshire East) (SNP): Will the member take an intervention?

Alison Harris: I have just finished.

15:51

Emma Harper (South Scotland) (SNP): There has rightly been significant debate about how the Parliament uses our income tax powers, but I believe that the best interests of low-income and middle-income earners lie at the heart of the Scottish Government's proposals.

In the tax discussion paper entitled "The Role of Income Tax in Scotland's Budget", the cabinet secretary proposed four key tests. He stated that tax changes must

"Mitigate UK Government spending cuts ... Make the tax system more progressive ... Protect lower earners ... Support economic growth".

As a member of the Finance and Constitution Committee, I am assured that, in setting out those tests, avoiding any risk of adversely impacting Scotland's economy was at the forefront of the cabinet secretary's mind.

I am, of course, aware of the predictions of doom and gloom that surround attempts to implement a fairer tax system, which have been voiced mainly by Conservative Party members, so I was pleased to hear recently from the International Monetary Fund that progressive taxation does not necessarily affect economic growth.

To meet the four tests, we have before us a sensible tax policy that is balanced to meet the needs of business, that will raise more for public expenditure and that will protect lower earners. The plans have taken us from a real-terms decline in that resource expenditure into real-terms growth.

We have a commitment that Scottish health service spending will increase by £2 billion by the end of this parliamentary session to support rising demand as our population ages, and an increasing share of the front-line NHS budget will be dedicated to mental health as well as to primary, community and social care.

The Scottish Government has also rightly chosen to continue to mitigate the UK

Government's cuts to social security spending in order to limit the number of people who are being pushed into poverty.

If backed by MSPs, the Scottish Government's proposed income tax changes will inject £428 million over the next year to protect free prescriptions, free personal care and free tuition; increase the health budget by £400 million; and provide above-inflation investment in the police, universities and colleges and local government services.

The reality is that our economy and public services are at risk because of the UK Government's determination to continue with austerity and the very real risk of a cliff-edge exit from the EU. By 2020, the Scottish budget will have faced a decade of cuts—a £2.9 billion cut in real terms since 2010—coupled with cuts in the capital budget. Therefore, there is no time for discussion about who will not benefit.

I want to dispel the myth that nurses' salaries are an issue. If a community ward has 40 nurses on a rota, 92 per cent of them will pay less or the same tax. The budget supports our working nurses.

While the Westminster Government determinedly marches down one road, seemingly blind to the chaos that surrounds it, we must decisively choose another road. Quite simply, asking those who earn more to contribute a wee bit more is fair and necessary. The introduction of the starter rate of 19 per cent will protect lower-income earners. That is not a massive reduction, but it is a structural change and is, therefore, a step in the right direction.

At present, many employees in the first three tax bands are women: 89 per cent of nurses are women, most healthcare support workers are women and most people who provide care in the community are women. Therefore, the move to a five-band income tax system is welcome from an equalities perspective, because it means that no one in Scotland who earns less than £33,000 will pay more tax than they do now.

My sister, who is a nurse consultant and will make more money, is absolutely pleased to pay a wee bit extra. She told me that she is happy to do so as long as it benefits the people of Scotland, their health, their education and their future.

As the committee scrutinised the draft budget, one anomaly that it identified was in proposals from December that would have meant that people who earned between £43,525 and £58,500 would have paid less tax rather than more. I am pleased that the cabinet secretary confirmed that that situation will be addressed by changing the higher-rate threshold.

The Scottish Government has set out a clear vision for a progressive taxation system in Scotland. As Patrick Harvie says, if we promote such a system, we can promote a civilised society. I am happy to support such a society. I hope that members from around the chamber will join me in acting responsibly to secure the best outcome for Scotland's people and economy by supporting the motion.

15:56

Neil Bibby (West Scotland) (Lab): As James Kelly said, Scottish Labour is clear that the proposed tax changes fall significantly short of what is required and will not raise the revenue that Scotland needs to properly invest in our public services. We cannot and will not support the rate resolution but will vote against it today.

Members on all sides of the chamber will appreciate the importance of the link between the decision that the Parliament will take on the Scottish rate resolution and the budget itself. The Parliament's standing orders will not allow us to agree stage 3 of the budget bill until a rate resolution motion has been agreed to. However, the connection between the two major items of business on the parliamentary agenda this week is more than just procedural—it is political.

We cannot decide on a budget until we decide on tax rates. Of course, with new powers to decide on tax rates comes new discretion over spending. Therefore, the choices that we make this week will say a great deal about our priorities and about how prepared we are to ask the people who can afford it to contribute to those priorities. For Labour, the choices that the Scottish Government and the Greens are making are simply not good enough. They are tinkering at the edges when the country needs real leadership, real change and an end to austerity.

Last year, the Convention of Scottish Local Authorities told us that, because of inflation costs and demand for services, which is increasing every year, local government in Scotland needed £545 million more out of the budget just to stand still. As we have heard, public sector workers have also faced years of pay restraint, and the budget does not deliver a fully funded pay settlement. As COSLA's resources spokesperson said:

"quite simply with no money in the settlement from Scottish government for pay, any pay rises for council workers can only come from cuts to services or council tax rises."

The cabinet secretary will also know that, only last week, Audit Scotland warned that there are "significant risks" around the underresourcing of the early years and childcare expansion.

There was a time when the SNP promised not just to protect public services but to end Tory austerity. Whatever tests Derek Mackay sets himself, the budget and the tax policies that he is advancing address neither the chronic underfunding of local services nor continuing austerity. Let us not forget that the revised settlement for local government in the coming year owes more to the use of Government underspends and reserves than it owes to progressive taxation. The cabinet secretary and MSPs around the chamber know that cash from reserves can be spent only once. That money will not be there again for the following year's budget.

After accounting for changes to business rates, the cabinet secretary's proposals will raise a net figure of only £83 million for public services. Yes, that is just £83 million out of a budget of more than £30 billion. That is significantly short of the £960 million that Scottish Labour believes is required, and it is the reason that the Scottish Government needs to come forward with a sustainable position on tax, which it has failed to do.

Patrick Harvie: Will the member take an intervention?

Neil Bibby: I do not have time just now—perhaps later.

Throughout the budget process, Scottish Labour has affirmed and reaffirmed its belief in progressive income taxation. Unlike the SNP, we made a case for such taxation before the 2016 election. As has been said, we believe that the richest in society should pay their fair share, so we would ask them to pay more than they do at present. It is a matter not just of raising revenue for our public services—although we are confident that the taxation would do that—but of principle, too.

As we have heard in the chamber before, the top 1 per cent of earners in Scotland own more wealth than the entire bottom 50 per cent put together. The SNP's proposals, however, put only 1p on the top rate. Our proposals would not only introduce a 50p top rate of tax but would lower the threshold for the top rate to £100,000. That would expand the number of top-rate taxpayers, incorporating more of the highly paid across the private and public sectors, including directors, chief executives and—yes—Scottish Government cabinet secretaries. I doubt that they would move their tax affairs to England.

On the basis of data from the annual survey of hours and earnings, someone earning £150,000 would pay £142 per week more under our proposals but just £17.59 more per week under the SNP's proposals. The Scottish Parliament information centre has confirmed that the Gini coefficient—an internationally respected measure

of inequality—would fall by more under Labour’s proposals than it would under the proposals that have been put forward by the Scottish Government. Therefore, our tax proposals would not only raise more money for our public services but would do more to reduce inequality—a point that Elaine Smith made.

We are clear about the need to raise the top rate of tax, and we are clear about why we need to do it. Let us compare and contrast that with the SNP Government, which said, barely two years ago, that any tax rise for the highest earners would be “reckless and daft” but is now adding 1p to the top rate. The same SNP Government once supported a 50p top rate but has now voted against it eight times. Its position is simply incoherent.

With more financial power than ever before, this Parliament has the chance to set fair and progressive rates of taxation. Our proposals could generate up to £1 billion extra to invest in protecting good-quality, vital public services and tackling inequality and disadvantage in our society. Instead, with the support of the Greens, the SNP Government has made different choices. It boasts about Scots paying less income tax than elsewhere in the UK and is almost apologetic in asking the very highest earners to accept a modest rise in their tax bills. Today, we have heard Patrick Harvie talking about “radical” changes in tax while John Mason has called them “gentle”. Before today, we have also seen Ms Sturgeon and Derek Mackay consistently using Labour arguments against the Tories and Tory arguments against the Labour Party.

Patrick Harvie: Will the member give way?

The Deputy Presiding Officer (Linda Fabiani): Mr Bibby is in his last minute.

Neil Bibby: That results in a budget that ends up looking both ways and achieves very little. It also results in those who depend on public services having to shoulder the burden of Tory austerity. For too long, the Government has been timid when the country needs fairer taxes. What it proposes today is not good enough. It does not meet the scale of the challenge before us and it will not reverse austerity. Things need to change. We need to support underresourced public services and undo the damage that austerity has done. We need to be bolder when it comes to tax.

16:03

Gillian Martin (Aberdeenshire East) (SNP): If my email inbox over the past few months is anything to go by, it is clear that there is very little public support for an austerity agenda, and that many earners want to see more money being put

into vital services. Research by Deloitte has shown that

“support for cutting public spending to restore public finances has halved since ... 2010 and only a fifth of the public now see a need to make cuts.”

More than 60 per cent of people would like to see more taxes being raised if that would mean more money going into public services.

Most of the correspondence that I have received included variations on the phrase, “I’m happy to pay more if it means more money goes into our schools, our NHS and our communities”. This very morning, every single caller to BBC Scotland’s “Call Kaye” programme said the same. Those people are not particularly happy that the Scottish Government has to mitigate Tory austerity, but they are happy to pay more if their tax goes into public services. While speaking to Struan Stevenson, who was representing the Tories, the presenter called him “a lone voice”, because not one caller agreed with his comments on the budget.

The fact is that most earners will not pay more. Those who can afford to pay more will be asked to pay some more. I have more faith in those people than Murdo Fraser has. They do not want apologies and they do not begrudge tax cuts for the poorest: they want better services and a progressive budget that delivers that. They look on with horror at the decimation of the NHS in other parts of the UK and they firmly reject the Tory policies that have caused it. They look at student debt in England and think, “Thank goodness there are no tuition fees in Scotland.” They look at the sickest people in the rest of the UK, who are paying £8 for every item on a prescription, and they say—to quote a phrase—“No thanks.” They recognise the value to society of lifting people out of in-work poverty.

According to the Resolution Foundation, UK Government cuts will leave the poorest third of households £715 a year worse off on average by 2022-23. In a low-earning family, that is the difference between putting the heating on in winter and not putting it on. It is the difference between being able to feed their kids and not being able to feed them. I am happy to pay more if that happens less and less to families.

I take a little bit of exception to the use earlier of the phrase “hard-working families”. “Hard-working families” are not only families who are the highest earners: the working poor work harder than some people here will ever know.

For 10 years, the SNP Government has been ambitious in the face of austerity. Despite Tory cuts, there has been record spending on the NHS and on education. The Scottish Government and the SNP have also advocated against a cuts

agenda in Westminster. Nonetheless, the grant from the UK Government continues to decrease: our block grant from the UK Government for day-to-day spending is projected to fall by £500 million over the next two years. The Conservative Party thinks that it is acceptable to take away £500 million from the Scottish people. I do not. Week after week in this Parliament, Scottish Tory MSPs demand increased public spending while supporting a tax giveaway for high earners and big business. They are out of step—the majority of Scottish people do not subscribe to that view.

In 2018-19, the budget will raise £219 million to support public services, tackle poverty and stimulate Scotland's economy. Meanwhile, against the wishes of the Scottish people, our economy is being put at severe risk by the ill thought out and badly managed economic vandalism of a hard Brexit. The EU is the largest single market for Scotland's international exports, with exports to the EU being worth £12.3 billion in 2015.

Just last week, the Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop, held meetings in the Netherlands. More than £2 billion of Scottish exports pass through Dutch ports annually. While the Scottish Government continues to work hard to emphasise that Scotland is open for business, the disarray and confusion in the Labour and Conservative parties on Brexit mean that our economy is even more vulnerable. That is particularly important for my constituency, Aberdeenshire East, and for all the north-east. A PWC report last year predicted that Aberdeen would be the hardest-hit area, with a reduction in output over the next ten years of 3.7 per cent under a hard Brexit.

Rather than talk about agriculture, Boris Johnson would do better to read the Scotland's Rural College report that was published this week, which makes for seriously worrying reading for Scotland's farmers. Instead of making embarrassing and ill-advised jokes about stag nights and carrots, he should be doing a little bit more listening to experts. Or, have the Tory Brexiteers still had enough of experts? It certainly looks that way.

Today, we vote to use the powers that are available to this Parliament to mitigate threats to the Scottish economy. Today, we reject Tory austerity. Today, we ensure that the vast majority of Scots have more money in their households. Today, we ensure that our public services are the best funded in the UK. I will be voting today to support a budget that makes us the most progressive nation in the UK—the type of nation that the people of Scotland so clearly want.

16:08

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): I draw members' attention to my entry in the register of members' interests: I am the owner of a small business.

Alex Salmond spent a number of years trying to build the trust of businesses in Scotland. Nicola Sturgeon has now lost that trust. The Federation of Small Businesses says that confidence has fallen to near-record lows and today, against the wishes of high street shops across Scotland, the SNP is going even further: the nat taxes will reduce the take-home pay of more than 1 million Scots.

By taking more tax from Scottish people than she promised in her 2016 manifesto, Nicola Sturgeon will reduce the amount of money that people have to spend on small businesses in our communities. The Scottish Retail Consortium has warned that nat taxes will hurt high street shops. A survey by the Federation of Small Businesses found that eight out of 10 businesses do not want a tax rise. Even Business for Scotland has said that tax rises would not be "a positive move".

Scottish businesses are bearing the brunt of an SNP economy that is in the doldrums. Only yesterday, OECD statistics showed that the SNP is growing the economy at a third of the rate of the OECD, a third of the rate of the EU and less than half the rate of the UK. In the last quarter, the only country in Europe that was experiencing slower growth was Norway. The SNP-run economy is projected to have the lowest growth of any major economy in each of the next three years.

Derek Mackay: Does Rachel Hamilton believe that the UK Government has any responsibility whatsoever for macroeconomic policy in Scotland?

Rachael Hamilton: I would have thought that it was Derek Mackay's responsibility to make sure that Scotland is a competitive and attractive place to do business. That is the job of the Scottish Government.

Nicola Sturgeon is failing to meet two GDP targets that the SNP itself set way back in 2007 when it published its first economic strategy. The SNP must enable Scottish businesses to compete with the rest of the UK if our economy is to succeed.

Many interventions today have touched on how we can help to grow the economy. The Scottish Conservatives have repeatedly called for the large business supplement to be brought into line with that in the rest of the UK. I want to touch on that briefly. "Large business supplement" is a deliberately misleading name that was dreamed up by the SNP. In reality, it is the "small, family-

owned local business tax” and it affects businesses that generate wealth and employment in our communities. The SNP’s own Barclay review of business rates recommended scrapping its headline policy of doubling the large business supplement. The Barclay review recommended that the SNP should match the English rate. Currently, the SNP’s rate is double the rate in England—2.6p in the pound, compared with 1.3p in the pound.

Derek Mackay’s predecessor John Swinney understood well the importance of Scotland’s business rates being no higher than those of the rest of the UK. The massive disparity between the large business supplements north and south of the border puts Scottish businesses at a clear disadvantage.

In 2016, CBI Scotland, Scottish Chambers of Commerce, the Scottish Retail Consortium and the Scottish Food and Drink Federation all called for the cabinet secretary to reverse the decision to double the rate of the large business supplement. Prior to the 2018-19 budget, another letter dropped into Derek Mackay’s in-tray from the British Hospitality Association, the Scottish Licensed Trade Association and the Scottish Tourism Alliance, asking the cabinet secretary to consider ending the large business supplement which they described as a “hotel tax” that is causing

“considerable concern to hospitality, licensed and tourism”

venues across Scotland.

Bear with me, because I will get back to how that is having an impact. Recently, more than 35 independent hotels wrote to me to call for the large business supplement to be cut. They include small businesses in my constituency—the Dryburgh hotel and the Cross Keys hotel in Kelso—and further afield. The supplement’s misleading name hides the fact that the large business supplement represents a tax on many family-owned local companies.

Why does Mr Mackay not allow businesses to flourish by cutting punitive taxes and giving people across Scotland more money to spend at local shops on their high streets? The Scottish Conservatives ask Mr Mackay to listen to the industry, lower the large business supplement and focus on growing the economy. Now is the time to support Scotland’s flourishing tourism sector and to put an end to the nat taxes and punitive hotel taxes.

The Scottish Government’s record on the economy is woeful and will only get worse if the Government fails to support Scottish businesses. The business community is being unnecessarily picked on by the cabinet secretary. Its voice is yet another addition to the growing consensus that the

SNP must focus on growing the economy, not on taxing people and businesses. By breaking their manifesto promise and hiking tax, Nicola Sturgeon and the SNP are creating the impression that Scotland is closed for business.

The nat taxes will drive skilled workers and young graduates from Scotland and reduce the amount of money that we can spend on schools and hospitals in the future. The nat taxes will reduce the take-home pay of low earners and struggling families. In turn, the nat taxes will mean that people have less money to spend at local businesses, thereby further damaging struggling high street shops and small companies across Scotland.

Mr Mackay can sit and snigger as much as he likes, but not growing the economy is a serious problem and it is not being taken seriously by the SNP.

Derek Mackay: Would Rachael Hamilton say, in that case, that the Scottish Fiscal Commission is totally wrong in saying that revenues will, through our income tax policies, increase rather than decrease?

Rachael Hamilton: Does Derek Mackay disagree with every business organisation in Scotland that is warning against increasing income taxes, which will put the economy in the doldrums and leave people with not enough money in their pockets to spend on the high street?

Derek Mackay: Will the member take an intervention?

Rachael Hamilton: No, thank you.

As I said, we should be doing everything that we can to support businesses. Instead, the SNP is insisting on making businesspeople’s lives harder by forcing nat taxes on more than 1 million Scots.

16:15

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Tory members have talked at length about the SNP manifesto. I do not recall reading in the Tory manifesto a commitment to give the Democratic Unionist Party £1 billion of taxpayers’ money.

Members who speak later in a debate often find that most of what we had hoped to say has already been said. However, a time-honoured tradition in Parliament is that good information, facts and figures are always worth repeating, so I hope to be able to live up to that tradition in my speech.

So far, the debate has sounded like a classic disagreement in which members from other parties say either that the Government is going too far or that it is not going far enough. It was always

going to be difficult to strike the correct balance: it was always going to need some nifty footwork from the cabinet secretary. I think that he has managed that.

The Scottish people seem to agree with the cabinet secretary's approach. When YouGov asked people whether they support the proposal that people who earn more than £26,000 should pay a little more than their counterparts in the other nations in the UK, and those who earn less should pay less, there was a majority of 2 to 1 in support of the proposal.

The cabinet secretary's approach, with a new starter rate of 19 per cent, combined with an increase in the personal allowance, means that seven out of 10 taxpayers will pay less than they do this year on their current incomes, and 55 per cent—more than half—of Scottish income tax payers will pay less income tax than people who earn the same amount elsewhere in the UK. That will make Scotland the lowest-taxed nation in the UK.

The cabinet secretary was correct to resolve the higher-rate threshold anomaly that would have seen some higher-rate earners next year paying slightly less tax on the same earnings. The correction will raise an extra £55 million. There is also a tax benefit of £7 million as a consequence of the public sector pay policy change. All in, the tax policy will raise an extra £219 million and means, along with other adjustments to the higher-rate threshold and the enhanced public sector pay policy change, that our overall use of the devolved income tax powers will ensure that an additional £428 million will be available, beyond the block grant adjustment. That has all been confirmed by the Scottish Fiscal Commission.

That all means that we can continue to support our NHS by increasing the budget yet again. We can continue to deliver free personal care, prescriptions and childcare, and we can make sure that our students in Scotland do not pay the huge university tuition fees that are paid in Wales, England and Northern Ireland.

The investment in almost 30 hours of childcare per week is worth £4,500 every year for every child in Scotland. That is a huge commitment to Scotland's children from the SNP Government, and the value of that investment will far exceed its cost in the years to come.

Last but not least, my local authority, which is East Ayrshire Council, will benefit from an extra allocation of £3.6 million, which was agreed during the budget negotiations.

All those measures are making and will make a real difference for the people of Scotland, which will be evident when we compare Scotland with other countries.

Deloitte's recent survey of public attitudes shows that people are pretty well fed up with the continuing austerity cuts, which were introduced by the Tories in 2010 and supported by Labour at the time. According to the survey, only one person in five thinks that there is a need to continue the cuts. The proportion has halved since 2010, as Gillian Martin said.

As for attitudes to extending public services by increasing taxes, approval for that approach was on a downward spiral from 1997 until the crash. Only 43 per cent of people supported tax rises then, but the proportion has risen steadily over the past 10 years and the survey shows that about 63 per cent of people want Government services to be extended, even if that means some kind of tax rise.

That is one of the most significant changes in the Deloitte survey. Further bad news for supporters of the UK Government is that, when respondents were asked whether taxes should be cut even if it would mean a reduction in Government services, the survey showed that support for tax cuts has plummeted from a relatively low 18 per cent 10 years ago to only 10 per cent now. There are some stark messages for Governments in that survey, but we can see, however, that at least the Scottish Government, in its proposals, is in tune with current public attitudes.

To sum up, I believe that the tax rates and thresholds that are proposed in the resolution are fair, balanced and proportionate. They ask people who earn a little more to pay a little more, and they will help those on lower and middle-income earnings, who will pay a little less. In return, Scotland will continue to benefit from the public policies that have been put in place by this Government and which have won the support of the people of Scotland. I am happy to support the rate resolution proposals that are in front of us today, and I look forward to the rest of the debate.

16:20

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): I start by reminding the chamber that I am the parliamentary liaison officer to the Cabinet Secretary for Finance and the Constitution.

Tomorrow's debate will allow us to talk about the budget's £400 million additional spending on health, £120 million going directly to headteachers, and lifting the public sector pay cap for public sector workers, but today's debate is about how we do that. If I have learned anything from speaking to constituents and answering emails, it is that people want to see fair investment in our public services—which everybody benefits from, no matter how much they earn—and most

people can do the maths. They know that in order to spend more you have to raise more, but that it must be raised in such a way as to protect low earners, so as to reduce inequality and make taxation proportionate to the ability to pay, so as to maintain and promote the level of public services, and so as to support the public economy. Those were the four tests that the Scottish Government applied to proposed changes to income tax.

The theory that people can do the maths is based not just on anecdotes and my conversations with constituents, but is backed up by polling and analysis. Every year, Deloitte and the Reform think tank produce a report that analyses the public sector, entitled “The State of the State”. It looks at the UK-wide performance of the public sector and public opinion, and this year’s report showed that 63 per cent of respondents across the UK—not just in Scotland—agreed that taxes should be increased if it meant that Government services would be extended. The figure is higher in Scotland. That is up from 46 per cent in 2009 to 63 per cent this year. In contrast, a mere 10 per cent advocated cutting taxes. Support for tax increases in order to invest in public services has grown even since last year’s report. Since the Scottish Government announced its tax proposals, *The Sunday Times* YouGov poll confirmed that 54 per cent support our tax plans, with fewer than 20 per cent opposing them.

In sharp contrast, support for the Tories’ continual cuts to public spending has halved since austerity began in 2010. People are fed up with the relentless pursuit of austerity, apparently in the name of balancing the books, but in reality the Tories have missed nearly all relevant fiscal targets since 2010.

I agree to some extent with anybody in this chamber who argues that we need to increase the tax base. One of the greatest challenges to economic growth, according to the Scottish Fiscal Commission, is decline in the 16 to 64 population. Rachael Hamilton talked about the Federation of Small Businesses, and the FSB has said that the ability to hire people with the right skills and maintain trade links in the EU

“is fundamental to small firms’ survival and growth”.

We know that in Scotland it is small and medium-sized businesses that drive the economy, and it is critical that they have access to a talent pool and to people who want to live and work in Scotland. Businesses, whether in the agricultural, hospital or construction sectors—to name just three—are deeply nervous about recruitment and retention of workers, particularly from the EU, after Brexit.

I would say that that nervousness applies beyond the EU. It is a general concern about recruitment from beyond the UK. The difficulty of securing visas for skilled workers from outside the EU right now is actively hampering the growth of some businesses. If those same rigid and incomprehensible rules are applied to EU citizens after Brexit, businesses will not be able to grow, the economy will be stifled, and minor changes to tax rates will be the least of the Tories’ worries.

Suggesting that our relative increase for some taxpayers would be enough to single-handedly reduce the tax base does not wash. As the head of tax for Scotland at PWC said:

“It is an increase ... but not a considerably painful one and the money will be used to bring an extra £164m”.

Like many others, Lindsay Hayward has argued that it is unlikely that people will up sticks and move their operations

“for the sake of a penny in the pound.”

I agree with the Tories that behavioural change is key, and targeting and efficiently spending the increased revenues from our tax plans on increased spending in our NHS, on free university education and on expanded free childcare will have a behavioural impact because it will attract people to move to Scotland at a time when population growth is key to growing the economy, and the UK Government is implementing a ridiculously damaging clamp down on immigration.

Taxes are paid by hard-working men and women in this country and, whatever our views on the tax plans, we have a responsibility to use the revenue raised from taxes well. Today’s debate shows that we are raising taxes in a fairer, more progressive way, and tomorrow’s debate will show that we are investing in Scotland’s infrastructure and services to create a climate in which we can all prosper.

16:27

Jackie Baillie (Dumbarton) (Lab): This debate is, of course, largely academic because the Greens have already decided to support the SNP Government’s budget for the next financial year. Indeed, the rates resolution will pass tonight and the Budget (Scotland) (No 2) Bill will pass at stage 3 tomorrow.

Members will therefore forgive me if I do not spend a lot of time on rates, bands and thresholds; others have explored those issues in detail in their speeches. Instead, I will look at the context in which the budget is being set.

It is true that the Scottish Government’s revenue budget has experienced a real-terms cut of 0.8 per cent. That might have been less of a cut than the Government expected, but it is a cut nevertheless.

The capital budget has, however, grown in real terms, so it is a mixed bag.

Approximately £1 billion in the amount received is in the form of financial transaction money—loans that ultimately need to be repaid. It is interesting to note that when the UK Government announced the financial transaction money, the SNP was immediately critical and, I think, called it “funny money”. Now the SNP thinks that that money is the bee’s knees. I am an optimist and I always hope for consistency but, sadly, that seems to be a triumph of hope over experience when it comes to the SNP.

I will turn to the Tories, whose approach is simply to deny that the cuts have been passed on by the UK Government and to pretend that the status quo is somehow fine. Of course we need to grow the economy, but that does not simply happen overnight. We need to invest to encourage that growth, and we face extraordinary pressure on public budgets that will hamper our economy’s growth. It is not about taxation against economic growth; it is about doing both in a balanced and sensible way.

When it comes to taxation, the cabinet secretary was right to point out, as other speakers have done, that the majority of the Scottish public support paying a higher level of tax to invest in public services. However, he should also be clear that taxpayers expect that extra money to stop the cuts and to improve public services, and the SNP proposals fall way short of that expectation. The cabinet secretary and the SNP will pay a political price for that in the future, and the cabinet secretary should be aware of that.

The proposals that are before us are not bold and ambitious. They fail to stop the cuts. As James Kelly rightly pointed out, after business rate reductions, the SNP’s budget raises only an extra £83 million. That is less than 1 per cent—in fact, it is 0.002 per cent—of the overall budget. The SNP is quite simply tinkering at the edges.

Neil Bibby was absolutely right to raise underspends as an issue. The SNP draft budget already built in £158 million of underspends from 2017-18. Then, based on its deal with the Greens, the SNP added another £125 million—some from reserves and some from underspends. *[Interruption.]* The cabinet secretary knows that I am right.

Two points arise from that. First, it is clear that there are significant underspends in budgets. Will the cabinet secretary tell us how much? Which budgets do the underspends come from? Is it housing, homelessness, fuel poverty or health? Given the increase in rough sleeping, the choice between heating and eating that pensioners face and the stress on our hard-working, under-

resourced NHS staff, the cabinet secretary should come clean before the budget debate tomorrow. Perhaps he does not know because he does not report on it until June this year but, if he does not know where he is getting the money from, is he really telling us that he is simply guessing?

Secondly, James Kelly described this underspend as the Government’s slush fund, and of course he is right. However, like most slush funds, it is not sustainable. It is one-off money; it does not recur, so before we even begin consideration of the budget next year, the Government needs to find all the money that has been committed from underspends, which is at least £275 million.

The cabinet secretary might think that he is terribly clever with his sleight-of-hand budget, but the reality is that he is storing up problems for the country in the medium term. It is nothing but back of an envelope accounting practice.

When we think about what that might mean in practical terms, it is shameful. The majority of this Parliament supported removing the cap on public sector pay. The SNP consistently supported that cap in its letters to the UK Government, but I am glad that it has changed its mind, and I very much welcome the 3 per cent increase. While that does not restore the loss of wages, it will undoubtedly help many public sector workers.

However, salary rises are not a one-off for one year only. A rise this year needs to be paid for next year, the year after and the year after that. The local government pay settlement is not fully funded to start with but, if it is partly funded by one-year-only money, the cabinet secretary is fiscally irresponsible. Just yesterday, COSLA pointed out that money for pay should not be a one-off payment but must be built into core budgets, or essential services will be cut. Will the cabinet secretary give a commitment today? Will the money for the pay rise be built in for future years, not just for local government but for health, police and fire services? I am happy to take an intervention on that point.

Derek Mackay: I rarely miss an opportunity for an intervention.

Does Jackie Baillie believe that there would be any behavioural effect caused by the tax plans in Labour’s shoddy alternative budget?

Jackie Baillie: It is indeed engaging when the cabinet secretary tries to dissemble. I asked him a straight question and I did not get anything remotely like an answer.

Let me deal with his point and turn to the question of taxation for the wealthiest in our society, and whether their automatic instinct is to avoid paying tax. Like many in the chamber, I

believe in the need for progressive taxation. It used to be the case that the SNP and Labour were fellow travellers on the issue, at least in terms of our rhetoric. Unfortunately, the reality with the SNP is very different.

In November 2014, Nicola Sturgeon told the chamber, on the day that the Smith agreement was published, that she would raise the top rate of income tax to 50p. In April 2015, when she launched the SNP manifesto, she said that the SNP would restore the 50p tax rate for the highest earners. I well remember her lecturing all the UK parties on a platform down in London about how to end austerity, and—guess what—part of that was a 50p top rate of tax. However, when she has the power to set that, she runs a million miles in the opposite direction. That is simply not good enough. Local councils have a £386 million shortfall in their budgets, as a result of which communities across Scotland are facing cuts. There are cuts to children's services, when we have 260,000 children living in poverty, and cuts to mental health services, when people struggle to access those services now.

Derek Mackay: What about the behavioural effect? Did the member miss that?

Jackie Baillie: It is not a good look to heckle at this point.

There are also cuts to care services for pensioners, cuts to libraries and so on. Faced with all that, Scotland needs a bold and ambitious Government that will invest to grow the economy; instead, it has a Government that is timid, focused on the short term and completely lacking in ambition.

16:36

Gordon Lindhurst (Lothian) (Con): We have heard that our country stands at a budget crossroads, where many options are open to us. Any of those options can significantly impact not only our future but the futures of generations to come, for better or for ill. As my Conservative colleagues have pointed out, the SNP road is one of underperformance, marred with potholes of failure.

We have an annual growth rate of only 0.6 per cent compared to a figure of 1.7 per cent across the UK, and the Scottish Fiscal Commission says that we will not catch up in the next five years. GDP growth is a third of the OECD rate, as we found out yesterday, and is 3 per cent worse than that of many small EU countries. Those are just some of the indicators pointing to an economy under the SNP that is struggling to keep pace with the rest of the developed world. Can we put a price tag on the toll for us on this highway of incompetence? To respond to John Mason, it is of

course not just about economic growth and money, but the cake has to be baked before it is divided up fairly.

We have heard that the price tag is an estimated £16.5 billion—that is the cost of the failure to match the growth of the UK economy as a whole between 2007 and 2022. The Fraser of Allander institute has rightly pointed out that one SNP favourite excuse among many, Brexit, is not valid given that, in 30 of the 42 quarters since the SNP came to power, Scottish growth has failed to match that of the UK. That is a decade of SNP failure for this country.

Today, we have an opportunity to set income tax rates at levels that will encourage a reversal of those trends and foster an environment in which the growth that we desperately need can take place. We have an opportunity to begin to provide a greater tax base that can fund our vital public services, which are under strain because of the pressure that has been forced on them by a Government that is determined to cut budgets despite the fact that the block grant from the UK Government is increasing in real terms.

This is a regressive, not progressive, rate resolution from the SNP Government. Instead of seizing the opportunity, the SNP's proposals play to the gallery, but which gallery? On closer inspection, the proposals make next to no difference to lower-income households and punish those who struggle to make ends meet. That is before we even consider council tax rises, which, at only 2 per cent, would wipe out savings from the starter rate. My colleague Bill Bowman's description of a return rail trip from Edinburgh to Dundee highlights the issue—that rail trip would more than use up the meagre £20 saving that is being handed to someone on the starter rate.

Stuart McMillan: Mr Lindhurst tries to paint a negative scenario, but how much worse would it be if there were a further £500 million of cuts such as his party proposes?

Gordon Lindhurst: My party is not proposing cuts such as Mr McMillan suggests in his question; we are proposing that the economy should be grown and the tax take increased. As we have heard from many businesses and business organisations, that is what needs to take place.

Jackie Baillie: Will the member take an intervention on that point?

Gordon Lindhurst: Not at the minute.

In the meantime, hundreds of thousands of income tax payers, the majority of whom are lower and middle-income earners, will look on bewildered as the First Minister pats the finance minister on the back for raising their taxes. Primary school teachers, social workers and

paramedics are all now set to pay higher levels of income tax than those with equivalent jobs in other parts of the United Kingdom.

Patrick Harvie: Will the member give way?

Gordon Lindhurst: Not at this point.

If the SNP thought that it was setting its sights on people with plenty of spare cash available to pay just a little bit more, it has completely misread the situation. It already negatively impacted the income of those squeezed lower and middle-income earners when it used its new powers to offset income tax thresholds, making Scotland the highest-taxed part of the UK. It now reinforces its true colours by asking everyone earning more than £26,000 to pay more than if they lived in the rest of the UK. As my colleague Murdo Fraser pointed out in his opening speech, if that is the only income in a household of one or two adults and several children, it is not the rich that the SNP is targeting but hard-working families that often struggle to make ends meet. They do their best, and is this the thanks that this Government gives them?

How can the proposals work in practice? We have a recruitment crisis in general practice north of the border. How does it help to make GPs on an average salary pay almost £1,000 more? At one time, this Government used to tell the members on the left that raising the top rate was daft, but now Derek Mackay is doing that—just as the Greens asked. The reality is that household savings in Scotland have dropped to their lowest level since 2006. At the same time, disposable income will remain stubbornly flat until 2020-21. Raising taxes will not turn that around.

The Government does not need to take the word of the Scottish Conservatives on that. Other members have quoted the warnings coming from the business community, including from the 79 per cent of businesses who told the Federation of Small Businesses that they did not want to see a tax rise and from Scottish Chambers of Commerce, which warned of the years that it will take to repair the damage that will be inflicted by higher taxes.

I say to Jackie Baillie that Labour seems to think that the choice is between higher taxation and higher growth.

Jackie Baillie: Well, there we go. It sounds as though Gordon Lindhurst is going to accept an intervention. Perhaps he will explain how much that grand scheme to grow the economy—which I support, as I think we should be growing the economy—will raise, by how much the economy will grow in years 1, 2, 3 and so on and how much additional revenue it will raise when we are faced with Tory cuts now.

Gordon Lindhurst: I have said that the difference is £16.5 billion lost. What I would like to know is how much tax revenue will be lost when Parliament passes this budget—the consequence of policy that Jackie Baillie not only supports but says should go even further in the wrong direction.

This is the pay more, get less budget, for which almost two thirds of the voters at the most recent Scottish Parliament election did not vote. The SNP would be wise to listen to all those businesses that understand the importance of creating a competitive tax environment. That is a road to economic prosperity rather than economic ruin.

The Deputy Presiding Officer: I call Derek Mackay to close the debate. You have around 15 minutes, until decision time, cabinet secretary.

16:44

Derek Mackay: How generous, Presiding Officer, how generous!

I would like to take a moment to reflect on Scotland's economy, because I fear that some people have been talking it down, maybe even deliberately. A range of indicators show a very resilient Scottish economy, in comparison with the economy in many other parts of the UK. The Tories—the antithesis of Scottish Enterprise and Scottish Development International—should maybe promote our economy a wee bit more, rather than talking it down so much.

When we compare Scotland's gross value added with that of other parts of the UK, we find that we are performing well. It is difficult to compare our performance with that of London and the south-east of England, because we know that the UK economic model is centred around that area, but if we make a fair comparison, we find that we perform fairly well on GVA and on productivity. In fact, Scotland's productivity has improved over the period of devolution. Output has improved, too, and median weekly earnings in Scotland—which stand at £547—are the third-highest in the UK; in that regard, we are behind only London and the south-east. In addition, in 2016 Scotland attracted more foreign direct investment projects than any other part of the UK outwith London.

Jackie Baillie: Does the cabinet secretary accept that productivity in Scotland has improved only because it is measured relative to the performance of the rest of the UK, where productivity has dropped? He said that Scotland had attracted more FDI projects. That might be so, but are there more jobs? In fact, the number of jobs has declined as a consequence.

Derek Mackay: The FDI projects that I referred to resulted in the securing of more than 2,800

jobs. The progress that we have made on productivity has been made over the period of devolution.

I was surprised when Gordon Lindhurst said that we should compare ourselves with other small independent EU countries. Maybe we should—if we had the powers of a small independent country within the EU.

I conducted a range of stakeholder events before, during and after the development of my tax proposition, at which I spoke to businesses. They raised a number of issues with me, and they welcomed the investment in the economy, business and innovation that the budget provides for. They told me that the effect on consumer confidence of the uncertainty of Brexit was a greater challenge than any perceptions to do with tax. That is an issue not of the Scottish Government's making but of the UK Government's making. I am sorry, but members of the Tory party cannot simply abdicate their responsibility for macroeconomic policy when it is clear that the UK Government has responsibility for macroeconomic policy, including in Scotland.

When it comes to the economy, the investments that we will make, partly as a result of our tax plans, include a 64 per cent increase in spending on the economy, jobs and fair work portfolio; £2.4 billion of investment in enterprise, skills and higher and further education; a 70 per cent uplift in funding for business research and development; and an initial injection of funds into the new south of Scotland enterprise agency. We are doubling the financial support for city region deals to £122 million. In addition, we are providing funding for the new national manufacturing institute, a low-carbon innovation fund and the reaching 100 per cent digital programme, which will take superfast broadband to every part of the country. On top of that, we are funding modern apprenticeships and the growth of free childcare.

Those are all interventions that will help to stimulate and support our economy. If we look at the tax plans and the process that got us to where we are today, we can see that, contrary to what a number of Tory members have said, that process has been methodical and well received; it is clear that it has been considered to be a fair process.

Mike Rumbles (North East Scotland) (LD): I lodged a written question on this subject on 1 February, to which I have not yet had an answer; maybe the cabinet secretary can give me one now. How much more will the more complicated tax structure that we have now cost to administer? What is the difference between what we were paying HM Revenue and Customs and what we will now pay?

Derek Mackay: I have set out the costs as we understand them. HMRC gives us the final costs once the tax proposition is agreed to by Parliament. It expects the additional cost to be less than £5 million. The latest estimate is that it will be £3.5 million. I do not set that—the UK Government and HMRC set it. I will give the member the most up-to-date answer that I can when I come to answer his written question.

I think that it is good and healthy for a Government to consult on its budget proposition in the way that we did. We have public support—we know that from the polling that has been conducted. That polling did not ask just general questions; it asked very specific questions about the Scottish Government's tax proposal.

With regard to the way in which we conducted the discussion paper process, the Fraser of Allander institute—which we all like to quote—said:

“The government should be commended for publishing the options and their implications in such a transparent and rigorous manner.”

The Resolution Foundation said:

“the Scottish government has released an impressive report, outlining in plain language the principles it thinks should drive this decision”.

At the stakeholder events, it was clear to me that people appreciated the engagement.

I turn to members' contributions to the debate. Murdo Fraser just cannot accept the fact that 70 per cent of taxpayers will pay less under our plans. Scotland will be the lowest-taxed part of the UK—but not in the right-wing way that he would like it to be at all.

The Tories' priorities are very interesting in that regard. Murdo Fraser told me that he stood ready to vote for my budget, but only if I proposed to cut £556 million from our public services. This Government is not willing to do that.

A majority of basic rate taxpayers will actually pay less. When the Tories listed public sector workers by tax position, they did not point out that, in Scotland, those workers will enjoy a pay rise as we are the only part of the United Kingdom where the restraint of a 1 per cent pay cap has been lifted.

Any anomalies have been addressed over the course of the constructive engagement that I have had with the Greens.

Administrative matters are still reserved to Westminster—it is up to Westminster to resolve them or not, and my officials and I engaged early to ensure that they were resolved. It is for Mel Stride, the Financial Secretary to the Treasury, to answer why, the day before the rate resolution

was to be considered, he wrote to confirm how some of those matters will be resolved. On this matter, as on so many others where responsibility is reserved to their UK Government, the Tories walk away from that responsibility.

If only because of those issues, it would be wrong not to use the powers to respect devolution and to turn real-terms reduction into real-terms growth for public services in Scotland. There is a degree of co-operation with the UK Government, but it has to respect devolution and the decisions that we make as a consequence.

In relation to perceptions of tax, Kate Forbes was absolutely right to point out that expert opinion has said that the proposed tax changes are not in themselves a reason to up sticks and move. If the Tories keep propagating a negative image of Scotland's tax regime, it will be no wonder that perceptions of Scotland are negative. The reality is that our tax regime will lead to more investment in our public services, our national health service, our economy and our education system. It is taxation that is fair, balanced and responsible.

Murdo Fraser had a cheek to raise council tax. In England, council tax is rocketing compared with what is happening in Scotland, but there are no new services and there is no public sector pay rise.

To be fair to the Labour Party, at least it produced an alternative budget. I do not think that it was particularly competent, but all the Tories have done is suggest that we cut taxation by £556 million—and cut public services as a consequence. We cannot instantaneously magic up the revenues to invest in public services while cutting tax in the fashion that the Tories have proposed.

Murdo Fraser: Let me ask the cabinet secretary the question that I asked Ivan McKee, which Mr McKee could not answer. Let us see whether the cabinet secretary can do any better.

Over the years, we have heard SNP MSPs call for cuts in corporation tax, in VAT on housing repairs, in VAT on tourism, in fuel duty and in air passenger duty. Did they once say, when they made those calls, how those cuts would be paid for?

Derek Mackay: This is a serious budget and a serious rate resolution that will contribute nearly £13 billion to our public services, and that question is what Murdo Fraser is reduced to. What a ridiculous position from Murdo Fraser.

On the subject of ridicule, I turn to James Kelly, who suggested that more than £1 billion of extra investment was required. I have said to him before that the Labour budget does not add up: on taking

no account of behavioural effects in relation to income tax, such effects would reduce the income tax take by about half; a tourist tax requires primary legislation; there is no basis to the proposed figure that a land value tax would raise; and a social responsibility levy requires legislation. Finally, on the use of the non-domestic rates pool, a Labour member who is not present has written to me to demand how I will get non-domestic rates back into balance. Well, we will not get it back into balance by spending it all, although that is the proposal from the Labour Party. Its budget amendment and proposals have been blown apart, and all the commitments that James Kelly has made would not be delivered through that shoddy, incompetent Labour alternative.

James Kelly: Derek Mackay stands as the Cabinet Secretary for Finance and the Constitution ahead of the budget at a time when Scotland has 260,000 children living in poverty. He may reel off a list of excuses, but what is he going to do to address the fact that more than a quarter of a million children live in poverty?

Derek Mackay: As well as the fund to protect people from homelessness, we will have new funds to support actions against child poverty; we will protect students from tuition fees, which they will not have to pay; we will invest more in childcare; and we will continue to deliver free school meals to children in primaries 1 to 3. We will also protect people from prescription charges; we will continue to deliver free NHS eye examinations; we will protect the concessionary travel scheme; we will invest more—above the rate of inflation—in the NHS; and we will protect free personal care. We will also build 50,000 new affordable homes; we will invest in digital to grow our economy; we will support a range of people through specific targeted interventions; and we will invest more in police and fire services. Those are the investments that this budget will make, while raising revenues in a fair and balanced way.

On the subject of raising revenue, as a formality I have written to the Presiding Officer about the connection between today's motion and stage 3 of the Budget (Scotland) (No 2) Bill, which cannot begin until the SRR motion is agreed to. For clarity, what members are being asked to vote for today is the ability to raise all the income tax in Scotland, which will raise more than £12 billion. Our policy decisions amount to £290 million—not the figures that Labour has suggested—and an additional £428 million against the block grant adjustment. We have to approve the SRR before stage 3 of the budget bill tomorrow.

The Labour Party is proposing to align itself with the Tory party and not raise a single penny in income tax in Scotland. That is what Labour members will do by voting against the rate

resolution before stage 3 tomorrow—they will be allied with the Tories. I know that it is Murdo Fraser's dream to raise no tax whatsoever, and, by shaking the magic money tree, to spend more on our public services, but I am surprised that the Labour Party has aligned itself with that proposition.

We should respect devolution and use our powers in a fair, responsible and balanced way to raise extra resources for our public services, turning a real-terms reduction into real-terms growth that will support all our public services, lift the public sector pay cap and give people the best deal anywhere in the UK, delivering fairness and a progressive approach, on which we engaged and consulted, through a tax system that charts a new course for our country around fairness and tackling inequality.

We have done this in a considered and balanced way that commands the support of the Scottish people by two to one, and I believe that it deserves the support of this Parliament. I urge all members to back the Scottish rate resolution, which allows us to make the investments that are required in education, the economy and the environment to give stability, stimulus and sustainability to our public services.

I am very proud to support the motion in my name.

The Presiding Officer (Ken Macintosh): That concludes the debate on the Scottish rate resolution. We will move shortly to the question on the motion.

Before I put the question, I advise members that, under rule 9.16.7, stage 3 proceedings on the Budget (Scotland) (No 2) Bill cannot begin unless the Scottish rate resolution is agreed to.

The question is, that motion S5M-10397, in the name of Derek Mackay, on the Scottish rate resolution, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Adam, George (Paisley) (SNP)
 Adamson, Clare (Motherwell and Wishaw) (SNP)
 Allan, Alasdair (Na h-Eileanan an Iar) (SNP)
 Arthur, Tom (Renfrewshire South) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Campbell, Aileen (Clydesdale) (SNP)
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
 Constance, Angela (Almond Valley) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perthshire South and Kinrossshire) (SNP)
 Denham, Ash (Edinburgh Eastern) (SNP)
 Dey, Graeme (Angus South) (SNP)
 Doris, Bob (Glasgow Maryhill and Springburn) (SNP)
 Dornan, James (Glasgow Cathcart) (SNP)

Ewing, Annabelle (Cowdenbeath) (SNP)
 Ewing, Fergus (Inverness and Nairn) (SNP)
 Fabiani, Linda (East Kilbride) (SNP)
 Finnie, John (Highlands and Islands) (Green)
 FitzPatrick, Joe (Dundee City West) (SNP)
 Forbes, Kate (Skye, Lochaber and Badenoch) (SNP)
 Freeman, Jeane (Carrick, Cumnock and Doon Valley) (SNP)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gilruth, Jenny (Mid Fife and Glenrothes) (SNP)
 Gougeon, Mairi (Angus North and Mearns) (SNP)
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
 Greer, Ross (West Scotland) (Green)
 Harper, Emma (South Scotland) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Haughey, Clare (Rutherglen) (SNP)
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Johnstone, Alison (Lothian) (Green)
 Kidd, Bill (Glasgow Anniesland) (SNP)
 Lochhead, Richard (Moray) (SNP)
 Lyle, Richard (Uddingston and Bellshill) (SNP)
 MacDonald, Gordon (Edinburgh Pentlands) (SNP)
 MacGregor, Fulton (Coatbridge and Chryston) (SNP)
 Mackay, Derek (Renfrewshire North and West) (SNP)
 Mackay, Rona (Strathkelvin and Bearsden) (SNP)
 Macpherson, Ben (Edinburgh Northern and Leith) (SNP)
 Maguire, Ruth (Cunninghame South) (SNP)
 Martin, Gillian (Aberdeenshire East) (SNP)
 Mason, John (Glasgow Shettleston) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 McAlpine, Joan (South Scotland) (SNP)
 McArthur, Liam (Orkney Islands) (LD)
 McKee, Ivan (Glasgow Provan) (SNP)
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
 McMillan, Stuart (Greenock and Inverclyde) (SNP)
 Neil, Alex (Airdrie and Shotts) (SNP)
 Robison, Shona (Dundee City East) (SNP)
 Ruskell, Mark (Mid Scotland and Fife) (Green)
 Russell, Michael (Argyll and Bute) (SNP)
 Scott, Tavish (Shetland Islands) (LD)
 Somerville, Shirley-Anne (Dunfermline) (SNP)
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
 Stewart, Kevin (Aberdeen Central) (SNP)
 Sturgeon, Nicola (Glasgow Southside) (SNP)
 Swinney, John (Perthshire North) (SNP)
 Todd, Maree (Highlands and Islands) (SNP)
 Torrance, David (Kirkcaldy) (SNP)
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
 Wheelhouse, Paul (South Scotland) (SNP)
 White, Sandra (Glasgow Kelvin) (SNP)
 Wightman, Andy (Lothian) (Green)
 Yousaf, Humza (Glasgow Pollok) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Balfour, Jeremy (Lothian) (Con)
 Ballantyne, Michelle (South Scotland) (Con)
 Bibby, Neil (West Scotland) (Lab)
 Bowman, Bill (North East Scotland) (Con)
 Briggs, Miles (Lothian) (Con)
 Burnett, Alexander (Aberdeenshire West) (Con)
 Cameron, Donald (Highlands and Islands) (Con)
 Carlaw, Jackson (Eastwood) (Con)
 Carson, Finlay (Galloway and West Dumfries) (Con)
 Chapman, Peter (North East Scotland) (Con)
 Cole-Hamilton, Alex (Edinburgh Western) (LD)
 Corry, Maurice (West Scotland) (Con)

Davidson, Ruth (Edinburgh Central) (Con)
 Dugdale, Kezia (Lothian) (Lab)
 Fee, Mary (West Scotland) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Golden, Maurice (West Scotland) (Con)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Greene, Jamie (West Scotland) (Con)
 Griffin, Mark (Central Scotland) (Lab)
 Hamilton, Rachael (Ettrick, Roxburgh and Berwickshire)
 (Con)
 Harris, Alison (Central Scotland) (Con)
 Johnson, Daniel (Edinburgh Southern) (Lab)
 Kelly, James (Glasgow) (Lab)
 Kerr, Liam (North East Scotland) (Con)
 Lamont, Johann (Glasgow) (Lab)
 Lennon, Monica (Central Scotland) (Lab)
 Leonard, Richard (Central Scotland) (Lab)
 Lindhurst, Gordon (Lothian) (Con)
 Lockhart, Dean (Mid Scotland and Fife) (Con)
 Macdonald, Lewis (North East Scotland) (Lab)
 McNeill, Pauline (Glasgow) (Lab)
 Mitchell, Margaret (Central Scotland) (Con)
 Mountain, Edward (Highlands and Islands) (Con)
 Mundell, Oliver (Dumfriesshire) (Con)
 Rennie, Willie (North East Fife) (LD)
 Rumbles, Mike (North East Scotland) (LD)
 Sarwar, Anas (Glasgow) (Lab)
 Scott, John (Ayr) (Con)
 Simpson, Graham (Central Scotland) (Con)
 Smith, Elaine (Central Scotland) (Lab)
 Smith, Liz (Mid Scotland and Fife) (Con)
 Smyth, Colin (South Scotland) (Lab)
 Stewart, Alexander (Mid Scotland and Fife) (Con)
 Tomkins, Adam (Glasgow) (Con)
 Wells, Annie (Glasgow) (Con)
 Whittle, Brian (South Scotland) (Con)

Decision Time

17:01

The Presiding Officer: There are no further decisions as a result of today's business.

The Presiding Officer: The result of the division is: For 67, Against 50, Abstentions 0.

Motion agreed to,

That the Parliament agrees that, for the purposes of section 11A of the Income Tax Act 2007 (which provides for income tax to be charged at Scottish rates on certain non-savings and non-dividend income of a Scottish taxpayer), the Scottish rates and limits for the tax year 2018-19 are as follows—

- (a) a starter rate of 19%, charged on income up to a limit of £2,000,
- (b) the Scottish basic rate is 20%, charged on income above £2,000 and up to a limit of £12,150,
- (c) an intermediate rate of 21%, charged on income above £12,150 and up to a limit of £31,580,
- (d) a higher rate of 41%, charged on income above £31,580 and up to a limit of £150,000, and
- (e) a top rate of 46%, charged on income above £150,000.

The Presiding Officer: As the Scottish rate resolution has been agreed to, the Budget (Scotland) (No 2) Bill can now proceed to stage 3. Stage 3 proceedings will take place tomorrow.

Tackling Fuel Poverty (Quick Credit Voucher Scheme)

The Deputy Presiding Officer (Christine Grahame): The next item of business is a debate on motion S5M-09838, in the name of Christina McKelvie, on the quick credit voucher scheme and tackling fuel poverty in Scotland. The debate will be concluded without any question being put.

Motion debated,

That the Parliament recognises the Quick Credit Voucher scheme from Scottish Power; believes that the scheme offers a £49 credit payment designed to support customers who are referred to foodbanks and may be in need of fuel assistance; notes that the scheme is being piloted at the Hamilton District Foodbank in the Hamilton, Larkhall and Stonehouse parliamentary constituency; praises Scottish Power for showing, what it believes to be, an ethical and morally responsible approach in assisting customers to tackle fuel poverty; reiterates praise for the volunteers of the foodbank, noting their tireless work in providing food and assistance for over 4,015 people throughout 2016-17; believes that the Quick Credit Voucher model can be used as a template by others when offering customers support with their energy needs, and notes that other energy companies, including E.ON, npower, British Gas, EDF and SSE are being encouraged to respond to this campaign, helping those across Scotland who face the uncertainty of fuel poverty.

17:02

Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP): I express grateful thanks to those colleagues across the Parliament who signed the motion and allowed it to be debated, because it is on an incredibly important subject.

It is not easy to define fuel poverty, because the relative costs of keeping a small flat warm compared with a big, old, draughty house are so diverse. The health and wellbeing of the people who live in the property and the household income all have a bearing on costs, alongside the unpredictable weather and the wholesale price of energy. We cannot look to the United Kingdom Government for a definition. Its definition is so complicated, with median energy, equivalised energy and after-housing-costs calculations, that our heads are left spinning and we are hopelessly confused.

However, in Scotland—fortunately—we have made it a bit simpler. The Scottish Government uses a 10 per cent measure of fuel poverty, so a household that spends more than 10 per cent of its income on adequate energy at home is in fuel poverty. That is how we define it.

In 2016, the fuel poverty rate under this Government decreased by 4.2 percentage points, which was equivalent to around 99,000 fewer households living in fuel poverty. In that year, 26.5 per cent of households, which was 649,000

households, were fuel poor, compared with 30.7 per cent, or 748,000, in the previous year. There was also a fall in the number of households living in extreme fuel poverty, from 203,000 in 2015 to 183,000 in 2016, which corresponds to a fall in the rate from 8.3 per cent to 7.5 per cent.

Age Scotland told us in the briefing that it prepared for us that pensioner and older adult households are disproportionately affected by fuel poverty. Households with children and those with disabilities are similarly disproportionately affected by it.

As I have said, we have made some progress, but we need to do much more. I am keen to hear from the minister when he sums up about what action the Government is taking. I know that some things have happened over the past wee while.

My colleague Councillor Julia Marrs, who is a Scottish National Party councillor, and I are determined to seek action from the energy retailers that offers innovative ways to help to combat fuel poverty. That came about because both of us independently did a wee shift in the local food bank a year ago to help out at Christmas time. We prepared two separate bags, one of which was for people who could cook the food and the other of which was for people who had no energy, so they needed cold food. That really struck a chord with both of us. We independently had a conversation about it and started to pursue some of the energy companies.

We feel that it is totally unacceptable to find people who are often poor and ill and people with young children shivering under blankets or eating cold food because they cannot afford power in a power-rich nation. However, we continue to make really heartening progress. Scottish Power representatives have been enthusiastic and supportive. They have shown us a real sense of corporate social responsibility in their response to our overtures and have met us on many occasions. We were able to launch the quick credit voucher scheme with them in the Hamilton and Clydesdale food banks with the help of those food banks' fantastic volunteers to match their vulnerable clients to the scheme. I am delighted that some of those fantastic volunteers—including the amazing Isobel Graham and her supporters—are in the gallery. Councillor Marrs is, of course, here, too.

The voucher is worth £49 in winter and £30 in summer. That is not a lot to members, but it is a huge amount of money for a person who does not have any energy in their household. It does not have to be repaid, and up to three payments per household can be made in a 12-month period. That makes a huge difference to people who find themselves in extremity.

Eight agencies now run quick credit voucher schemes with Scottish Power—not just the Hamilton and Clydesdale food banks but a mix of food banks and citizens advice bureaux are involved. Some 80 families in Hamilton have been supported in the short months since October in which the scheme has been running.

Councillor Julia Marrs and I have written to the big six to explore how they could respond to the quick credit voucher scheme by taking up a similar approach for their vulnerable customers. I urge them to do so. I know that they have many schemes in place, because I have met many of those companies, but the people whom I know need the instant response that they rely on when they attend the food bank. Traditionally, those people will not open their bills or answer calls from or interact with their energy companies. In many cases, they will have been disconnected.

Most of the energy companies have responded very positively, and the meetings that we have had have been incredibly constructive. As I said, the main energy companies have schemes in place to provide help with arrears or with finding ways to use fuel more efficiently, although the sizes and scales of the schemes vary. The Scottish Gas Energy Trust is one example. It offers people grants to clear outstanding fuel debt and gives families that are in a difficult situation the chance to get back on track, debt free. In 2016, the trust provided 13,500 grants across the UK to families in fuel debt. A person does not need to be a Scottish Gas customer to benefit from that scheme.

The npower fuel bank scheme is another example. It was launched in 2015 and has helped to provide more than 85,000 people across the United Kingdom with financial support. It is similar to the quick credit voucher scheme. Like Scottish Gas, npower does not really care who supplies the fuel; it will pay the voucher. In fact, only 3 per cent of the scheme's recipients are npower's own customers. The npower scheme provides food bank clients who have a prepayment meter with a voucher worth £49 in winter and £30 in summer to top up their gas or electricity. That is a life-saver for some. In Glasgow alone, around 3,100 people have been helped by the scheme since it was launched, of whom around 2,200 have been adults and nearly 900 have been children. I am going to visit the Glasgow npower fuel bank next week with my trusty sidekick Councillor Julia Marrs and volunteers from the Hamilton and Clydesdale food banks.

Nobody should be freezing in the dark or unable to cook their food at this or any time of the year. I am extremely hopeful that the rest of the big six recognise the benefits of backing the quick credit

voucher scheme or parallel schemes in conjunction with local food banks.

My grateful thanks go to all the energy companies. We do not often thank or praise them, but they have engaged positively, and I look forward to working with them all to make a real difference to people who need it the most. A special thanks goes to Scottish Power, which had the foresight to introduce the quick credit voucher scheme first. It is happy to share what it has with others to support the scheme's roll-out.

However, let us get back to the real numbers: 80 families have been supported in Hamilton. I ask members to imagine how many families could have that help if the scheme were rolled out across Scotland and the United Kingdom. We cannot do much about the weather in Scotland, but no one should have to choose between a warm home and a hot meal.

The motion in my name is incredibly important. I look forward to hearing all the contributions in the debate. I also look forward to working with the energy companies. I say to them that I am coming to see them and coming next week. [*Applause.*]

The Deputy Presiding Officer: I politely and gently ask the public in the gallery not to applaud. It is not permitted in the Parliament. I understand why they want to do so but they have to desist.

17:10

Tom Arthur (Renfrewshire South) (SNP): I am grateful for the opportunity to participate in the debate. I not only congratulate my friend and colleague Christina McKelvie on securing it but thank her and praise her work and that of Councillor Marrs.

The quick credit voucher scheme is a fantastic initiative. I confess that I was not familiar with it until the motion came before me. Members' business debates, like adjournment debates at Westminster, can often seem like an addition and not the primary focus of Parliament. However, the amount that one learns in them is incredible. The voucher scheme needs to be more widely known.

I put on record my recognition of the invaluable contribution that food banks make. In my constituency, there is East Renfrewshire food bank, which is based in Barrhead. Renfrewshire Foodbank, which serves many of my constituents, is based just outside the constituency. I have had the pleasure of visiting both. They do incredible work, although one must admit that we would wish that we did not have to do that work because we had a more equitable and fair society in which people did not face such circumstances.

It is important to remember the circumstances that can lead people into fuel poverty and reliance

on food banks. Those circumstances are incredibly complicated and resist easy analysis, but far too many people end up in them as a result of the punitive and draconian welfare reforms that the UK Government is implementing. People have been penalised through sanctions and other measures for the smallest transgression or error. We have to bear that in mind. It is fantastic that there are initiatives such as the quick credit voucher scheme, but we must also redouble our efforts to tackle the issue at root cause, ensure that we deliver in Scotland a welfare system that puts fairness and dignity at its heart and continue to push the UK Government to deliver a more equitable scheme.

The scheme that Christina McKelvie highlights deserves the widest possible recognition. I was interested to see the range of partnership organisations that are involved. I mentioned two food banks in my constituency. There is also East Renfrewshire CAB, which is in Barrhead, and Renfrewshire CAB, which is just outside the constituency. We also have a fantastic community energy project, Local Energy Action Plan, which is based in Lochwinnoch but serves constituents throughout Renfrewshire and has tremendous potential to expand.

I look forward to learning more about the quick credit voucher scheme and about Christina McKelvie's engagement with all our energy companies. After the debate, I will pester her to find out more and to find out how the scheme can be introduced in my constituency so that my constituents can benefit from it, too.

17:13

Alexander Burnett (Aberdeenshire West)
(Con): I thank Christina McKelvie for bringing the debate on the quick credit voucher scheme to the chamber. I, too, support the efforts by Scottish Power and encourage other energy companies to follow its good example.

When we look at the broader picture, we see that the best way to help people who are in need of fuel assistance is to help them with better insulation and energy efficiency measures to reduce their energy bills. There is certainly more that the Scottish Government can do and I will set out those suggestions as I progress.

I draw attention to my entry in the register of members' interests, which covers businesses that are focused on reducing fuel poverty through the use of renewables and carrying out improvements to the energy efficiency of housing.

My Scottish Conservative colleagues and I have consistently argued for better energy efficiency in Scottish homes. Our manifesto commitment is to spend 10 per cent of the capital budget on making

homes energy efficient, which would involve spending £1 billion cumulatively over this parliamentary session.

In areas of my rural constituency, many older people reside in older houses and cottages that are difficult to heat efficiently. There is a strong relationship between cold temperatures and cardiovascular and respiratory diseases, lower dexterity in the home, mental health issues and, increasingly, isolation.

We must acknowledge the fact that the UK Government has remained committed to capping energy prices and giving the consumer a fair deal. Recently, Ofgem announced that it has extended the safeguard tariff to almost a million vulnerable customers. I very much welcome that, on the back of the safeguard tariff that was introduced for over 4 million households on prepayment meters in April 2017, following a recommendation from the Competition and Markets Authority. I believe that such steps have gone some way towards tackling fuel poverty and alleviating the burden of hefty bills on the consumer. However, more could be done.

Changes to fuel legislation have been proposed. A further positive step that the SNP Government could take to alleviate fuel poverty has been highlighted by the Federation of Petroleum Suppliers. Many rural homes far from the gas network are reliant on using kerosene-powered central heating. However, changes to environmental legislation in Scotland have meant that small to medium-sized fuel suppliers have been hit with additional costs in licensing storage tanks. The federation has pointed out that, at a time when the Government is encouraging distributors to support customers who face fuel poverty, any additional costs will put further pressure on distributors, who will have no option but to pass on the costs to end users.

As I alluded to earlier, rural properties are often older and poorly insulated. The changes in legislation have the potential to impact severely those who already experience fuel poverty in rural areas. I seriously urge the SNP Government to look into revising those changes so that they do not become an unnecessary barrier to tackling fuel poverty and the expansion of small petroleum-supplying businesses.

In conclusion, if we properly invest in energy efficiency measures, we will see the numbers of people in fuel poverty drastically decrease. Therefore I am encouraged by the steps that have been taken by Scottish Power and I call on other companies to look into similar schemes. I also call on the Scottish Government to ensure that it is not causing unnecessary price rises in rural fuel deliveries through poorly considered legislation.

The Deputy Presiding Officer: Mr Burnett, at times, your contribution was on the edges of not speaking to the motion. You dipped in and out. I warn members to speak to what is down in the motion. There was nothing about insulation and so on in the motion; it was very specific. At times, Mr Burnett, you came back on to it. I say to all members that they should be wary and should keep speaking to the motion.

17:18

Pauline McNeill (Glasgow) (Lab): There are few more important issues for the people we represent than access to affordable energy, and there are few more controversial issues than the rising cost of fuel for households. Our aspiration is for every single Scot to live in a warm and secure home. Unfortunately, we are far from that goal. As Christina McKelvie said, the reality is that a quarter of households in Scotland are in fuel poverty.

Christina McKelvie, Councillor Julia Marrs and Frank Field MP have done their constituents a great service by trialling the quick credit voucher scheme that was introduced by Scottish Power in late 2017. I commend them all for what they have done, because I believe that they have blazed a trail for the rest of us. Like Tom Arthur, I too am interested to know more about how my constituents might benefit.

As members have heard, the scheme is designed to help customers who have been referred to food banks and who may also be in need of one-off assistance with their energy bills. Glasgow Central Citizens Advice Bureau is one of the agencies that are involved in running the quick credit voucher scheme, which is a lifeline for many people. I sincerely hope that all energy companies will adopt the scheme, as Christina McKelvie has urged them to do, and that all the agencies that refer people to food banks can also refer them to, and be partners in, the scheme.

Many customers struggle to pay their bills; I am sad to say that their number will increase as acute austerity continues, with no sign that the cost of living is coming down and there being real-terms pay cuts in many sectors.

The quick credit voucher scheme is only one part of the solution to a wider problem. Fuel poverty is a health issue, too. We all know that not having enough money to heat their home in winter can seriously damage a person's health. The National Institute for Health and Care Excellence says that all houses should have a minimum C rating energy performance certificate by 2025. I believe that there has to be an ambitious plan from Parliament to improve insulation and energy efficiency in thousands of homes across the

country. We should take more radical steps to do that.

In my view, the big six energy companies need to be challenged further on how they deal with and support vulnerable customers. At the very minimum, vulnerable customers should be taken off the standard variable tariff and placed on a more favourable deal. I would go further and make it a mandatory requirement that energy companies write to all customers on standard variable tariffs and make it clear to them that cheaper deals are available. The Competition and Markets Authority says that those customers are paying on average £300 more than they should pay, which is a substantial amount of money. The issue needs to be tackled.

I welcome Scottish Power's policy on disconnections as another way of supporting vulnerable customers: as long as the customer has 0.01p credit on their meter by 6 pm, they can stay on supply until 9 o'clock the following day. Scottish Power also has a scheme to ensure that repayment of debt associated with a prepayment meter now has much friendlier options than previously existed.

My central point is that more needs to be done to help vulnerable customers and people on prepayment meters because people who have to be on prepayment meters should not be penalised. It is a very sad day for our society when people are having to use food banks to survive; I know that we all long for the day when that is not the case. Now that we have fuel banks to stop people slipping into complete deprivation, at least we have a response that can make a difference.

I welcome Christina McKelvie's motion and look forward to learning more about the quick credit voucher scheme.

17:22

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): This is such a fantastic debate to be having on the first day back after recess. I spent a few days over recess in Nepal, staring deprivation in the face. One can come back from such places with a real sense of hopelessness—hopelessness at worldwide chronic inequality. Although I cannot compare Scotland to Nepal, it is absolutely absurd that in a country of such prosperity, with relative stability and a strong democratic system, there are in Scotland people who face the choice of heating or eating, that the number of people using food banks and depending on them for their daily meals is going up, and that there are people who sit at home in the freezing cold, unable to pay their bills.

I heartily support the motion and back the call in it to have the initiative rolled out by other energy companies, whether E.ON, npower, British Gas,

EDF Energy or SSE. It can feel in this job that we deal daily with hopeless situations, so when an MSP comes up with a tangible and workable solution that has a direct impact on real people's lives, they deserve huge respect—which I have for Christina McKelvie.

The problem of fuel poverty is perhaps nowhere more stark than it is in the Highlands, where more than a fifth of households in the remote and rural areas are classified as being extremely fuel poor, which means that 20 per cent or more of the family's income goes on fuel. Another 40 per cent of households are classified as fuel poor, which means that 10 per cent of their income goes on heating the home.

Although every case of fuel poverty is about a family or an individual who faces the choice of how to spend their money—whether they will spend another cold night or cold day at home—the particular situation in the Highlands and Islands is, I believe, disproportionately unacceptable. That is particularly the case when households are often within sight of energy generation—the wires that transport energy from our renewable sources in the Highlands and Islands pass their front doors, but the energy returns to them with a surcharge to be paid.

Although the debate is about praising energy companies for the scheme, I would be keen to see the Prime Minister introduce a much fairer pricing system as part of her general review of caps on energy costs.

Christina McKelvie asked us to imagine the initiative being rolled out across Scotland. That is a fantastic idea. One of the scheme's most significant aspects is not just that it is customer led, but that it comes down to partner agencies spotting the need for assistance.

A big problem that I have seen is that very humble members of the population, particularly the elderly, are sitting at home not knowing what to do about the fact that they cannot afford the heating, but do not ask for help. The issue comes down to partner agencies seeking out and being aware of who needs help.

Christina McKelvie is very welcome to come to the Highlands and Islands, where she is, I know, already a very popular visitor. I would love to work with her and anybody else to roll out the scheme across the Highlands and Islands, which are in dire need of a tangible and workable solution, such as would be offered by the scheme.

17:26

Maurice Golden (West Scotland) (Con): I thank Christina McKelvie for securing the debate,

because fuel poverty is one of the great societal challenges that we face.

The motion mentions the action that Scottish Power is taking to help its customers. I applaud initiatives to help the most vulnerable customers, and I encourage other energy companies to do likewise.

I acknowledge that Scottish Power has in place a range of initiatives to help vulnerable customers, including a hardship fund, allowing customers to transfer their debt to cheaper suppliers and causing fewer impactful disconnects. It also supports the warm home discount scheme.

Commendable as they are, such schemes tackle neither the root causes of fuel poverty nor the frightening scale of the problem. In the past week, I have seen the impact of fuel poverty affecting some of the world's poorest people, in Nepal. Closer to home, in the west of Scotland, the *Clydebank Post* ran a feature on how more must be done to help local families. I agree: politicians will have to work together if we are to achieve success.

According to Shelter Scotland, almost 1 million Scots live in fuel poverty. It is within our power to solve that problem, but the Chartered Institute of Housing Scotland notes that, with the current strategy, 10 per cent of households could still be in fuel poverty by 2040.

If we are serious about tackling the underlying causes of fuel poverty, we must step up to the challenge. A good start would be to recognise the need for action on energy efficiency—a view that is taken by dozens of organisations including Age Scotland, Barnardo's Scotland and the existing homes alliance Scotland.

Every Opposition party is agreed that a target should be set that homes have a minimum EPC band C rating. The Scottish Conservatives want that to be accomplished for every property, where possible, by the end of the 2020s. That measure would tackle fuel poverty head on because, according to the Scottish fuel poverty strategic working group, rates of fuel poverty are lower among people who live in properties that have better energy efficiency ratings. Indeed, less than a fifth of households in bands B and C households live in fuel poverty, compared with almost three quarters of households in bands F and G properties. With that rating, heating a home would be easier and cheaper and would, according to WWF Scotland, help up to 1.5 million households. Almost 1 million Scots are in fuel poverty. That is not good enough, so we must take action to resolve the situation.

The Deputy Presiding Officer: Thank you. Again, Maurice Golden was sailing a little close to

the wind in terms of moving off the motion. We will let it pass for the moment, but you have been told.

17:29

Ruth Maguire (Cunninghame South) (SNP): I thank Christina McKelvie for bringing this important topic to the chamber and for her tireless campaigning and action on the issue.

The blight of fuel poverty cannot be eradicated by Government alone. Energy providers have an important role to play, and it is welcome and encouraging to see that Scottish Power has responded to its duty in an ethical and socially responsible manner. There can be no doubt that the quick credit voucher scheme is making a difference to people's lives and saving individuals and families from some of the anxiety that comes from having to choose between food and fuel.

Citrus Energy, a social enterprise that is based in Ardrossan and operates in my constituency, Cunninghame South, exists to help domestic and commercial energy consumers make genuine savings on gas and electricity costs, by offering impartial advice and support. In advance of today's debate, deputy operations manager Margaret Corrigan told me:

"Since December when we were authorised to use the scheme we have had 40 vouchers for £49 issued to clients. We have found this invaluable for our vulnerable customers".

Mrs Rennie is one of the people who Citrus Energy was able to help through the Scottish Power voucher scheme. She suffers from pernicious anaemia and asthma. She had been working part-time, on a zero-hours contract, but she is on universal credit and her working hours had interfered with her universal credit payment. She had no money whatever for gas and electricity and she was desperate. The voucher was—in her own words—"a godsend".

Mrs Rennie's case highlights how benefit sanctions and universal credit are major factors in people needing to use food banks and facing fuel poverty in the first place. The damage that universal credit continues to cause is indisputable, and its roll-out should be halted immediately.

I want to talk about the importance of ensuring that energy companies engage with the widest possible range of partner agencies to deliver support to vulnerable customers. Scottish Power's current partner agencies include food banks and citizens advice bureaux as well as community energy projects such as Citrus Energy.

Citrus Energy is authorised to administer Scottish Power's voucher scheme. However, suppliers such as British Gas, npower and E.ON, which run various support schemes, do not

currently authorise Citrus Energy to act as agents and obtain vouchers or phone and register on their customers' behalf. Citrus Energy highlighted to me a growing issue of suppliers recognising only citizens advice bureaux in the context of fuel poverty and pointed out that not all clients in all areas can readily access CABx.

Citrus Energy has no other means of sourcing credit for non-Scottish Power customers, so it has had to negotiate with other suppliers for advance credit to allow clients to have heating and light. However, the loan is repayable by the client. In addition, energy suppliers might not advance enough credit to see the household through until the next benefit payment. What is more, suppliers often have a policy of issuing only one loan in a 12-month period—although Citrus Energy has managed to secure more credit for very vulnerable customers.

The loan approach flies in the face of what Citrus Energy is trying to achieve—to support people to get out of debt and to budget for their energy—and instead results in clients owing money just to be able to have heating and light. Therefore, the importance of ensuring that the widest possible range of organisations are authorised to administer support schemes is something to keep in mind as the campaign continues. In my constituency, I intend to look into how we can expand the provision of energy support schemes so that they are accessible to as many people as possible.

Against the backdrop of the damaging roll-out of universal credit and destructive and punitive sanctions, it is a regrettable reality that fuel poverty and reliance on food banks are everyday threats for many of my constituents. I commend Scottish Power and npower for the social responsibility that they demonstrate in their schemes and I add my voice to the calls for other companies to do the same.

17:34

The Minister for Local Government and Housing (Kevin Stewart): I am grateful to Christina McKelvie for raising this important issue and I thank all members for their speeches. I also welcome Isobel Graham and the volunteers to the public gallery; they are most welcome.

I welcome, too, the tireless work of Christina McKelvie, who, alongside Councillor Julia Marrs, gained Scottish Power's support to pilot the quick credit voucher scheme and ensure that it was set up for her constituents in South Lanarkshire.

I also pay tribute to Frank Field, as Pauline McNeill has done, for the similar work that he has done south of the border. I know from talking to Ms McKelvie that she also has respect for the

manner in which he has conducted himself on the issue.

As we have heard, the project offers those using food banks a credit voucher to help with energy costs. I am sure that members join me in thanking Ms McKelvie for her continued campaigning and will press other energy companies to follow suit.

Initiatives such as these help those on the lowest of incomes, who often have to make choices between heating and eating, as Kate Forbes and others have said. It is a positive step, but we must not forget that such schemes are necessary only because the UK Government's punitive welfare reforms take money out of the pockets and food out of the mouths of some of the most vulnerable people in our society.

No one should be hungry and cold and have to rely on emergency help. I hope that, at some point, the UK Tory Government will see sense and do a U-turn on its welfare reform austerity agenda and on the social security cuts of which we have seen far too many in recent years.

The Scottish Government's £1 million-a-year fair food fund supports projects across the country to help us eradicate the need for food banks in Scotland. Those projects work to tackle food poverty in dignified ways that build both individual and community. The latest figures indicate recent improvements in fuel poverty levels, with almost 100,000 fewer households in fuel poverty in 2016, compared with in 2015—something that Ms McKelvie also highlighted in her speech—but we know that much more needs to be done.

This Government has a clear aspiration to eradicate fuel poverty in Scotland. Although the power to regulate energy markets rests with the UK Government, we are determined to be innovative in using the powers that we do have to target support where it is needed most. However, I wish that Mrs May and her Government would live up to their promises to cap energy prices, which, sadly, have gone by the wayside.

We are investing more in tackling fuel poverty than any other Government. Since 2008, we have helped to deliver over 1 million energy efficiency measures to over 1 million households, and we are on track to deliver our commitment to make £1 billion available for fuel poverty and energy efficiency between 2009 and the end of this session of Parliament.

It would also be useful if some of the UK Government schemes were run a little better. I am surprised that Ms Haughey is not here today, because she normally has something to say about the inadequacies of the UK Government's green deal scheme, which has failed people right across Scotland. I hope that Conservative colleagues in the chamber will help us to get the UK

Government to deal with those missold and shabby schemes so that people can go on and live in their households in the way in which they were supposed to, rather than being left with defective homes.

I can hear Mr Golden speaking from the sidelines. If he wants to intervene, I would be more than happy to take his intervention.

Maurice Golden: Is the minister not embarrassed by the Scottish Government's track record of failure to eliminate fuel poverty?

Kevin Stewart: This Government has done much to alleviate fuel poverty in this country and we will set out our agenda further in our warm homes bill, which will be introduced shortly. Maybe the Tories should be a little bit embarrassed about the welfare reforms and the stupidities of their fuel poverty schemes, which, as I said, have actually put folk backwards in Scotland, rather than forwards. I hope that Mr Golden will talk to his colleagues south of the border and will help us get to the point of actually compensating those folks who suffered from the green deal.

We also support an impartial supplier-switching support service through a partnership between Home Energy Scotland and the social enterprise Citrus Energy. The initiative helps to simplify the switching process for those who do not have internet access or who struggle to navigate price comparison websites.

However, all of this is not solely the responsibility of the Scottish Government, particularly when we do not hold all of the powers. Energy companies have a key role in delivering a fairer Scotland. The voucher scheme that we are discussing today is encouraging, and I urge more energy companies to look at similar initiatives to help local communities. We want to work with energy companies in whatever way we can to do that.

Last month, the Government held a summit that brought energy suppliers and consumer groups together to find practical solutions. I believe passionately that such collaboration is the only way in which to drive real change. For example, as a result of the summit, suppliers have agreed to do more to assist those who are struggling to pay their energy bills, and we will work closely with them to develop a process for them to report back to Government.

We also want to make sure that good practice goes beyond the traditional big six suppliers, so best practice will be shared across the sector, and consumer groups, such as Citizens Advice Scotland, will focus on how to engage customers who need the most support to help them to switch or to avoid self-disconnection.

We continue to look at innovative ways of tackling fuel poverty in our communities, including solutions to improve the energy efficiency of homes and businesses through Scotland's energy efficiency programme—SEEP for short.

By the middle of this century, we will have transformed the energy efficiency and heating of our buildings so that, wherever technically feasible and practical, buildings are near zero-carbon. Later this year, we will publish a route map for SEEP that will set out the steps that we will take to achieve those ambitions, including the investment to which we are committed.

We have also committed to establishing a publicly owned Scottish energy company to support our efforts to resolve fuel poverty and to help to achieve our climate change targets. We expect to provide more information on that later in the year.

In closing, I take a moment to remind everyone that we all need to work together to eradicate poverty and inequality in Scotland. We welcome more energy suppliers joining us in our efforts to tackle fuel poverty by taking forward innovative ideas and projects, and we praise volunteers in community organisations across the country who work hard to make a real difference to people's lives.

I finish by thanking Christina McKelvie once more for securing tonight's debate, and for maintaining momentum and focus on addressing fuel poverty in Hamilton and throughout Scotland.

The Deputy Presiding Officer: In fairness to the members whom I chastised for drifting into energy efficiency in their speeches, I have to say that the minister also did so. When we have a tightly drawn motion such as this one, it is incumbent on members, whoever they might be, to speak to the motion. I understand that the minister was, in part, responding to issues that were raised by members, but he also spoke about more that was not to do with the motion.

I say to all members that they should read the motions carefully.

Meeting closed at 17:43.

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