

Written evidence submitted by Aberdeenshire Council

This response to the UK Parliament Treasury Committee [Tax after coronavirus call for evidence](#) comes from a sustainability and climate change perspective and has been collated by the Sustainability and Climate Change Team at Aberdeenshire Council.

Responses below in red

The coronavirus pandemic has had a major effect on the UK economy and public finances, and when the economy recovers from the crisis, debt levels will be significantly higher than they were before. The UK will need a strong tax base to maintain the level of public services at sustainable rates of borrowing. The crisis has also brought to the fore issues such as whether the Government's economic response to the pandemic should be reflected in changes to taxation.

The UK tax system has been largely unchanged for many years, whereas the 1960s, 1970s and 1980s saw a number of radical and far reaching reforms. But even before the crisis there were a number of pressures building up in the tax system which had already led to calls for reform. For example, demographic shifts are changing the tax base and demands for public services, and the growth of online- and data-driven employment and business models are eroding traditional sources of taxation and raising questions about the future of the tax system. The reconstruction of the economy after the unprecedented economic fallout of the coronavirus pandemic is an opportunity to reflect upon and address these issues.

The Committee is seeking evidence on:

- What are the major long-term pressures on the tax system in the UK, including those arising from changes in working practices, demographics, the environment and other factors? How are these affecting the efficiency of the tax base and the overall level of demand for public services?

A major pressure on the UK tax system is the conflict between the distribution of taxation and the development of a more sustainable way of life, a reduced emissions society and a circular economy. The tax balance often promote activities and practices that support unsustainable environmental damage, levels of emissions and resource waste and fails to incentivise activities and practices that would lead to a more sustainable and positive future.

- What more can the UK do to protect its tax base from erosion as a result of globalisation and technological change, and what further impacts will the coronavirus pandemic have on our tax base?

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- Do these pressures need to be met with tax reform, and if so, is this the right time for reform?

Yes, the conflict between the distribution of taxation and the development of a more sustainable way of life, a reduced emissions society and a circular economy absolutely needs to be met with tax reform and the sooner reforms are considered the sooner we will set the UK on the path to a more sustainable and successful future.

- What overall level of taxation can the economy bear without undesirable or counterproductive harm to economic growth?

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- Which areas of the tax system are most in need of reform, and which are best left alone?

Areas of the tax system relating the consumption of resources, emissions and environmental damage (in the UK or overseas) are the most in need of reform in order to provide systems conditions within the UK economy which support more sustainable resource use, reduced emissions and better environmental stewardship. Reduction of taxation on employment could be considered alongside the above to stimulate job creation.

- What reforms should be considered in response to the pressures on the tax system?

Rebalancing of taxation levels such that price signals align with and support sustainable activities and practices in all areas of the UK economy leading to better/greener options becoming the most financially attractive and incentivising a more circular economy.

A particular example of a reform that should be considered is reform of the levels of taxation on aviation fuel. A level of taxation should be considered which takes into account the contribution of the combustion of aviation fuel to greenhouse gas emissions and incentivises significantly reduced emissions from the aviation sector.

- What is the role of tax reliefs in rebuilding the economy and promoting economic growth and efficiency? Does the current regime of tax reliefs perform this role well?

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- What are the areas for simplification?

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- Is there a role for windfall taxes in the post coronavirus world?

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- What is the right balance between taxation of work, savings/pensions and wealth?

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- What is the best way to tackle tax reform, including what changes might be needed at HMRC to support implementation, and how should the Government consult with stakeholders and parliament?

Tax reform should be tackled from the starting point of a clear national vision (ideally with international agreement) for a better and more sustainable future and the emphasis that tax reform is about reorienting the biggest levers in our economy to support the whole-system change required in our pursuit of this vision. Without an approach of reorienting the biggest levers in our economy efforts could lead to merely shifting environmental problems elsewhere, unfairness, unintended consequences, complexity and stifling of innovation. A vision and consensus for a more sustainable future, supported by appropriate tax reforms, would provide assurance, clarity, fairness and a sound platform and the next wave of innovation and societal development to meet the challenges of our time.

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