

From: [REDACTED]
Sent: 08 November 2017 08:46
To: First Minister
Cc: Scottish Ministers; [REDACTED]
Subject: Scottish Lifesciences Association representation to Scottish Ministers on personal taxation

Dear First Minister,

Please see the attached letter I am send you on behalf of the Scottish Lifesciences Association.

Regards

[REDACTED]

[REDACTED]

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From [REDACTED]: 8 November 2017
Scottish Lifesciences Association

Nicola Sturgeon MSP
First Minister
Scottish Government

St Andrew's House

EDINBURGH

Dear First Minister

On behalf of our 140 members across the life sciences sector in Scotland, the Scottish Lifesciences Association (SLA) wishes to put to you our views on the potential effect of rises in personal taxation which your administration is considering ahead of the Scottish Budget in December. In summary, we have strong concerns about the potential effect that increased taxation will have on access to talent from outside Scotland, and the consequences for the availability of the highly skilled (and highly paid) people who are the life blood of companies in this global and highly mobile sector, the growth of which is of such value to the Scottish economy.

As you know, Scotland is home to a thriving and diverse life sciences sector which is growing strongly and steadily. It supplies medical technologies, diagnostics,

pharmaceutical services, medicines, vaccines and digital health solutions to customers across the world. This well-networked life sciences sector comprises around 700 businesses and organisations of all sizes, and employs 37,000 people in generally highly paid jobs.

Our views on access by these businesses to the talent they need in the light of increases in personal taxation in Scotland are as follows:

1. The life sciences sector in Scotland has a strategic aspiration to double current sector turnover to £8bn by 2025. This emphasises the necessity for companies in the sector to have ready access to the requisite skills to support this expansion, which is under way.

2. Recruitment of skilled employees, from other parts of the UK as well as elsewhere, should not be made more difficult. We recognise that there are political aspects to the issue of personal taxation in Scotland, but nevertheless it is fundamentally important to the future of this country as a modern economy that taxation does not become a barrier to ready recruitment of staff from elsewhere. The consequences of Brexit already threaten to make recruitment from overseas more difficult, and we would be very concerned were that difficulty to be compounded by Scottish Government policy on taxation.

3. The impact of any taxation arrangements designed to increase taxes in higher salary bands will impact harder on life sciences than on many other sectors. The range of skills needed by the sector is very broad, and includes scientists, engineers, IT specialists, clinicians, medical researchers, and experienced commercial managers. The remuneration needed to attract and retain these people, who form the backbone of what is a high value sector, means that salaries are in general higher than for some other key sectors of the economy, e.g. tourism or food and drink.

4. The impact on recruitment of higher taxation is likely to work both directly and indirectly, as we believe that it would not only affect the after tax remuneration of potential recruits from outside Scotland, but also lead to the (justified) perception that Scotland is the highest taxed part of the UK.

5. Last but not least, any revised taxation system should be kept simple. Experience shows that the more complex the tax system is (e.g. the higher the number of tax bands), the more difficult it is to be sure that it will deliver the anticipated results in terms of tax yield. I hope that these views are helpful to you and your Ministers and officials in drafting your Budget for 2018/19. I am copying this letter to those listed below, and we look forward to being part of the planned round table discussions on your policy paper on taxation issued last week.

Yours sincerely

[Redacted] | [Redacted] | Scottish Lifesciences Association | [Redacted]
[Redacted]

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Derek McKay, Cabinet Secretary for Finance and the Constitution
Keith Brown MSP, Cabinet Secretary for the Economy, Jobs and Fair Work
Paul Wheelhouse MSP, Minister for Business, Innovation and Energy
Gary Gillespie, Chief Economic Adviser

