Scotland update: recent meetings; reminder of Scottish government consultation

General Features | Personal tax

01 May 2019

A round-up of some recent meetings with the Scottish government and a reminder of the open consultation on a tax policy framework for devolved taxes.

Recent meetings

There have been a number of meetings at which the CIOT and/or LITRG have been represented in recent weeks. These have ranged from opportunities to provide input into Scottish government on issues such as their approach to equalities in the Scottish budget, to discussions about current issues in relation to Land and Buildings Transaction Tax and sitting on the recently established Devolved Taxes Legislation Working Group to explore options for alternative legislative processes for devolved taxes legislation, particularly where tax measures need to be introduced quickly or where minor amendments are needed to existing primary legislation.

LITRG was represented at a meeting of the Equality Budget Advisory Group, which is convened by the Scottish government, and has a remit to help shape the Scottish government's equality and human rights approach to the budget. The seminar-style meeting focussed on the tax and revenue aspects of the budget. A representative of the Scottish government's tax directorate gave a presentation on tax, which considered the growth in importance of tax revenues to the Scottish budget, the workings of the block grant and block grant adjustments, and the reliance of Scotland on forecasts prepared by the Scottish Fiscal Commission and the Office for Budgetary Responsibility. Discussion covered the Scottish government's approach on Scottish income tax, and the equality impact papers published at budget time. The data challenges in relation to equalities characteristics were discussed.

Representatives of CIOT attended a seminar on VAT Assignment organised by the Scottish government. Following the Smith Commission's recommendations and the Scotland Act 2016, VAT Assignment commenced on 1 April 2019. The first 10 percentage points of the standard rate and the first 2.5 percentage points of the reduced rate of Scottish VAT receipts are being assigned to the Scottish government. A methodology has been created (by HMT, HMRC and Scottish government) in order to work out Scottish VAT receipts. The seminar provided an opportunity for people to hear about how the model was developed and why the expenditure approach was adopted. There was also a short presentation from the Scottish Fiscal Commission on forecasting the VAT assigned to Scotland.

CIOT was represented at a meeting of the Land and Buildings Transaction Tax (LBTT) working group, which allows Scottish government to meet jointly with CIOT, the Law Society of Scotland and ICAS. Discussions focussed on some of the current issues in relation to LBTT, in particular, concerning development sub-sale relief and section 14(1)(c), the Additional Dwelling Supplement and leases. In these areas legislative changes are likely to be needed in order to solve the issues; however, it appears that these are unlikely to occur until the new policy and legislative process has been developed.

CIOT has been invited to sit on the Devolved Taxes Legislation Working Group, which has been established by the Scottish government, in partnership with the Scottish parliament, to take forward recommendations made by the Budget Process Review Group. In particular, the group is to explore options for alternative legislative processes for devolved taxes legislation and to examine the need for a Finance Bill. The group will meet in parallel to the consultation on a policy framework for devolved taxes, and will report to the Cabinet Secretary prior to the Scottish budget.

Consultation on a policy framework

As noted in April's Technical Newsdesk, the Scottish government is undertaking a consultation on a policy framework for devolved taxes. The consultation seeks views on a new approach to the planning, management and implementation of fully devolved taxes in Scotland; it proposes a new legislative and policy cycle, and considers matters such as the Scottish government's approach to engaging with stakeholders.

More information is available on the CIOT website. The closing date for submissions is 6 June, so if you have any comments we would welcome them by the middle of

May.