# Scotland update: The Deposit and Return Scheme for Scotland Regulations 2020

**General Features**

01 February 2020

**The CIOT made a written submission to the Scottish government in response to its consultation on The Deposit and Return Scheme for Scotland Regulations 2020, which would apply a 20p deposit on single-use drinks containers.**

The Scottish government consulted in late 2019 on the draft regulations to establish a deposit and return scheme in Scotland. Broadly, the scheme would require that a 20p deposit is applied each time a single-use drinks container is sold in Scotland, and enable consumers to redeem the deposit when returning these containers to any retailer selling drinks covered by the scheme or any other approved return point.

The draft legislation and the consultation questions did not address VAT or other tax matters, so the CIOT wrote a letter to the Scottish government. In the first place, we recommended that the Environment and Forestry Directorate, which has responsibility for the scheme, liaises with HMRC to ensure VAT and the tax implications of the scheme are considered, with reference to the current HMRC VAT guidance on the treatment of deposits for VAT. This is a particularly complex area and the current guidance does not set out the treatment where the supplier does not always refund the deposit, or where the supplier refunds other suppliers' deposits.

We also suggested that it would be helpful if HMRC could publish guidance setting out the VAT and direct tax treatment for income received and refunds made via the scheme, also offering our assistance, for example in providing feedback on draft guidance.

In the letter, we also set out some specific issues that we think it would be helpful for the guidance to include, such as the following questions. If deposits are outside the scope of VAT, will it be confirmed that they fall outside the Making Tax Digital record keeping requirements? And how should deposits be treated on a retailer's simplified VAT invoice?

Finally, we offered to meet with Scottish government and/or HMRC representatives as appropriate to discuss the tax considerations for the scheme.

The submission is available on the CIOT website: http://www.tax.org.uk/ref620.

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