Scottish Taxes Update

General Features

01 July 2020

CIOT and LITRG have made a number of written submissions to consultations and calls for evidence published in Scotland. They have also engaged with the Scottish government on amendments to the Land and Buildings Transaction Tax (Scotland) Act 2013.

Land and buildings transaction tax

Representatives of CIOT's Scottish Technical Committee joined a call with the Scottish government, together with ICAS representatives. The purpose of the call was to discuss the Scottish government's proposals for amending the time limits for eligibility to claim repayments of the Additional Dwelling Supplement for Land and Buildings Transaction Tax in light of the coronavirus pandemic. The required legislation was included in the Coronavirus (Scotland) (No. 2) Bill.

In addition, CIOT submitted a response to the COVID-19 Committee of the Scottish Parliament's inquiry on the Coronavirus (Scotland) (No. 2) Bill. The submission focused on the provisions to extend the eligibility period for claiming repayment of Additional Dwelling Supplement for Land and Buildings Transaction Tax. The original proposed amendment would have extended the period within which taxpayers may sell their previous main residence from 18 months to 27 months for certain taxpayers. It should be noted that after the closure of the call for evidence, the extension was changed to 36 months following an opposition amendment. The Bill was passed, becoming the Coronavirus (Scotland) (No. 2) Act 2020, in May 2020.

The submission is available on the CIOT website.

Carer's Allowance Supplement

LITRG submitted a response to the COVID-19 Committee of the Scottish Parliament's inquiry on the Coronavirus (Scotland) (No. 2) Bill. The LITRG submission focused on

the provisions to make an additional payment of Carer's Allowance Supplement in June 2020 to those unpaid carers who are in receipt of UK Carer's Allowance and Scottish Carer's Allowance Supplement. The proposed additional payment effectively doubles the amount of Carer's Allowance Supplement that carers would expect to receive in June. This was enacted as proposed in May 2020.

The submission is available on the LITRG website.

The impact of COVID-19 on the public finances and the Fiscal Framework

The Scottish government made plans to publish a Summer Budget Revision towards the end of May. In preparation for this, the Finance and Constitution Committee of the Scottish Parliament sought views on the impact of COVID-19 on the public finances and the Fiscal Framework. The CIOT response focused on the implications and considerations for the Fiscal Framework and Scottish taxes.

In response to the coronavirus pandemic, both the UK government and Scottish government have established programmes of financial support for various sectors. We think there needs to be an examination of the fiscal impacts of these support programmes and how funding announced by the UK government has translated into funds available for the Scottish government, via the block grant. This will help to establish whether the Fiscal Framework has operated as expected and whether it has worked appropriately in these exceptional circumstances.

The situation created by the coronavirus pandemic has also highlighted the importance of being able to make necessary tax changes quickly, without sacrificing scrutiny. As a member of the Devolved Taxes Legislation Working Group, the CIOT has been considering alternative legislative processes, including an annual Finance Bill, for Scottish taxes. We noted that tax legislation often needs changing on a regular basis for much more mundane matters too, to ensure the credibility and integrity of the tax system. So, in order to ensure Scotland is positioned as well as it can be, in the aftermath of the coronavirus pandemic, to make best use of its devolved tax powers, we emphasised the importance of taking forward the work of the Devolved Taxes Legislation Working Group.

The submission is available on the CIOT website.

Call for Views: Advisory Group on Economic Recovery

The Scottish government established the Advisory Group on Economic Recovery to provide independent expert advice on supporting sectors and regions of Scotland's economy to recover from the impact of COVID-19. This is with the aim of developing a strategy, not simply to return the economy to the status quo, but to set out possible options to create paths towards a more robust and resilient Scottish economy.

The CIOT and LITRG made separate submissions. Both submissions broadly focused on the Fiscal Framework and Scottish taxes, with slightly different emphases.

The CIOT submission reiterated points made in response to the Finance and Constitution Committee call for evidence detailed above. In particular, it highlighted that the scheduled review of the Fiscal Framework in 2021 provides an opportunity to consider possible changes to the Fiscal Framework to ensure that it supports the Scottish economy appropriately. In addition, it stressed the importance of the work that the Scottish government has carried out over the past year or so in relation to exploring methods of improving the tax policy-making process and the legislative processes for taxes in Scotland. The CIOT view is that it will be necessary to see this work through to fruition in order to ensure that Scotland's tax system is in the best position possible to support its economic recovery.

The LITRG submission endorsed the CIOT position. In addition, it noted the work that the Scottish government has been carrying out to improve communications about tax in Scotland. LITRG noted that improved communications could help to raise awareness and understanding of the Scottish tax system, thereby improving its credibility and accountability – also important factors in supporting Scotland's economic recovery.

The CIOT submission is available on the CIOT website.

The LITRG submission is available on the LITRG website.

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