Scottish Taxes Update: Scottish Parliament’s pre-Budget scrutiny 2021-22

General Features

28 August 2020

CIOT and LITRG made submissions in response to the call for views published by the Finance and Constitution Committee of the Scottish Parliament in relation to its pre-Budget scrutiny 2021-22. The Scottish Parliament agreed a new process for Budget scrutiny in 2018, based on the recommendations of the Budget Process Review Group. The Finance and Constitution Committee carries out pre-Budget scrutiny as part of its aim to meet the core objectives of the Budget process, which are:

- to have a greater influence on the formulation of the Budget; zzto improve transparency and raise public understanding and awareness of the Budget;
- to respond effectively to new fiscal and wider policy challenges; and
- to lead to better outputs and outcomes as measured against benchmarks and stated objectives.

As part of the pre-Budget scrutiny 2021-22, the Committee issued a call for views seeking input on the impact of COVID-19 on the Scottish government’s Budget 2021-22. The call for views covered a range of areas. The CIOT and LITRG submissions focused on the questions concerning transparency and ministerial accountability and the implications for taxation policy.

Both CIOT and LITRG noted that over the past year or so, the Scottish government has been exploring possible changes to the tax policy-making process, alternative legislative processes for tax and how to raise public awareness about tax in Scotland. In particular, there was a consultation in 2019 on ‘Devolved taxes: a policy framework’, to which CIOT and LITRG submitted a joint response. The CIOT has been involved in the work of the Devolved Taxes Legislation Working Group, which was set up by the Scottish government together with the Scottish Parliament to consider

alternative legislative processes for devolved tax powers.

The CIOT also pointed to the two polls of the Scottish public that it has undertaken in 2018 and 2019, which show a decline in understanding and awareness of the devolved tax regime. The CIOT and LITRG both encouraged the Scottish government to build on the work that it had started to undertake prior to the pandemic to improve its communications with the general public and awareness of Scottish income tax in particular. It is our view that the pandemic has highlighted the importance of expediting these pieces of work. This should help to ensure that Scotland continues to have a tax system, policy framework and process for making tax policy and legislation that has integrity, credibility and is fit for purpose. It should also mean that Scotland is positioned as well as it can be, in the aftermath of COVID-19, in terms of making best use of its devolved tax powers. All three strands of work will complement each other in ensuring transparency and ministerial accountability.

Both CIOT and LITRG pointed out that the biggest potential for raising revenue is arguably offered by Scottish income tax powers, although these powers in themselves are limited. CIOT said that if changes are made to Scottish income tax, it is imperative that consideration is given to interactions with the reserved aspects of income tax. LITRG added that interactions with reserved and devolved social security powers should also be borne in mind.

The CIOT submission is available at: www.tax.org.uk/ref685. The LITRG submission is available at: www.litrg.org.uk/ref383.