Scottish Taxes Update

General Features

01 December 2020

CIOT and LITRG made submissions in response to the Scottish government consultation Budget 2021/ 22: Supporting the COVID-19 Recovery, and LITRG responded to an inquiry on the role of Scottish social security in Scotland's recovery from COVID-19 published by the Social Security Committee of the Scottish Parliament.

Budget 2021/22: supporting the COVID-19 Recovery

The CIOT and LITRG each submitted a response to this Scottish government consultation. It sought views on the role of Scotland's devolved taxes and Fiscal Framework in supporting the COVID-19 economic recovery. This was with a view to informing the Scottish government's Budget 2021/ 22.

The COVID-19 pandemic has had a major impact on Scotland's economy and public finances. Both CIOT and LITRG acknowledged that there are no easy answers in terms of tax policies to support the COVID-19 recovery, with LITRG stressing that those on the lowest incomes should be treated fairly despite the overall climate: they must not bear a disproportionate financial burden.

Neither CIOT nor LITRG put forward suggestions of particular powers for devolution or specific policy proposals. Instead our responses noted key principles and issues that should be borne in mind when considering policies. We noted some of the consequences and interactions that might arise if changes are made to Scottish income tax, and noted that council tax is ripe for reform. We also highlighted the importance of progressing the work commenced in 2019 to develop a policy framework for the devolved taxes. The CIOT also stressed that the work of the Devolved Taxes Legislation Working Group, which was exploring options for alternative legislative processes for the devolved taxes, needs to be completed.

Both CIOT and LITRG took the opportunity to discuss the importance of raising awareness of tax and improving tax education. In this regard, it was opportune that the Ministerial foreword contained the statement that the hope is for ‘Scotland to be a country where we speak openly and frankly about tax’.

The CIOT submission is available on the CIOT website.

The LITRG submission is available on the LITRG website.

The role of Scottish social security in Scotland’s recovery from COVID-19

LITRG responded to an inquiry published by the Social Security Committee of the Scottish Parliament. The Committee was seeking to understand how Scottish social security, and its part within the broader context of all UK social security, should contribute to the social and economic recovery from COVID-19. The focus was on deliverable change from 2021 onwards.

The LITRG response noted that whatever changes are made, early efforts must be made to identify and address any unintended consequences; for example, how social security and welfare benefits interact with the tax system. We also pointed out that close attention needs to be paid to the interactions between devolved and reserved parts of the welfare benefits and tax systems. Failure to do this could result in well-intentioned policy not achieving its desired result.

We also stressed the importance of accurate and detailed guidance. This is essential in helping people to understand their rights, entitlements and obligations. We noted that there is significant room for improving current guidance; for example, in relation to passported benefits.

The LITRG submission is available on the LITRG website.

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