Scotland update – round-up of submissions and meetings

General Features

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CIOT and LITRG comment on the various committees of the Scottish parliament

The CIOT and LITRG made submissions to four committees of the Scottish parliament in August. In addition, the CIOT attended the first meeting of the Scottish government's new air passenger duty stakeholder forum.

Devolution (Further Powers) Committee

The CIOT and LITRG made a joint submission in response to a call for evidence entitled 'Implementing the Smith Agreement – The UK Government's Scotland Bill', issued by the Devolution (Further Powers) Committee.

The submission concentrates on parts of the Scotland Bill that deal with tax, noting that the draft clauses will broadly achieve the objectives of devolving certain powers. The response points out, however, that the design of the fiscal framework (not included in the draft Scotland Bill) and the decisions on block grant adjustments will be key to ensuring transparency and accountability.

The CIOT and LITRG stress the importance of basing the devolution of tax powers on sound principles, including not only those set out by Adam Smith, but others such as simplicity and stability. In addition, it is necessary to take a holistic view of the tax and welfare systems, keeping in mind both the taxpayer and claimant. The response also examines the tax and welfare clauses in more detail, noting possible practical issues that will need to be borne in mind when devolving those powers.

The response raises a key concern that taxpayers in Scotland may find themselves having to deal with multiple government departments to manage their tax and welfare arrangements. It also notes that, ideally, there should be a single point of

entry to ensure that taxpayers are not passed from pillar to post. Finally, the response calls for more effective joint working between the UK and Scottish governments and their departments.

The joint CIOT and LITRG submission is available on the CIOT website.

Public Audit Committee

The Public Audit Committee (PAC) published an issues paper, 'Audit, accountability and further devolution of powers', to which the CIOT and LITRG responded jointly. The response considered the key principles set out in the paper and also the sections on tax and welfare.

The PAC set out three key principles to underpin audit reporting: proportionate, transparent and robust. The response raises a concern with the wording, which refers to reporting being 'no less than proportionate' since this implies that it would be acceptable to have an overabundance of data.

The CIOT and LITRG stress the need for the audit and accountability models to represent value for money and use resources effectively. In particular, it is important that work is not duplicated. The response suggests that it would be helpful to have as a key principle that the purpose(s) of the audit and accountability models should be clearly defined in each case – this will help to ensure that those involved understand what is being addressed and what value the audit and accountability model (and the data reported) is adding.

The joint CIOT and LITRG submission is available at CIOT website.

Finance Committee

The CIOT and LITRG each made a submission in response to the call for evidence published by the Finance Committee, which is intended to assist their scrutiny of the draft Budget 2016/17. The Scottish government will publish its draft Budget in the late autumn; this will include the proposed rate for the Scottish rate of income tax (SRIT). The call for evidence asked what the rate should be and whether the SRIT has been sufficiently well publicised to employers and taxpayers.

The CIOT emphasises that communications, awareness-raising and publicity are key to ensuring the smooth introduction and operation of the SRIT. Yet, the impression is

that awareness is low among all groups affected. The CIOT points out the need for publicity, guidance and information for tax advisers to ensure they can assist their clients.

The CIOT response acknowledges the work being undertaken by HMRC; it also notes the planning and ordering of publicity campaigns. The response voices a concern that more could have been done to publicise the SRIT among tax advisers and at an earlier stage. In addition, it is arguable that employers and taxpayers would benefit from a gradual increase in publicity, whereas it is clear that for most of the public, there is in effect going to be one ‘big bang’ of publicity when the draft Budget is published.

The LITRG response also notes the importance of effective publicity and communications. LITRG expresses it disappointment that HMRC and the Scottish government has jointly agreed that it will not be necessary to show the SRIT separately on form P60. This decision will significantly reduce transparency on the SRIT for taxpayers.

Neither the CIOT nor LITRG offers a view on what the rate should be, pointing out that the decision must take into account the policies of the Scottish government. LITRG notes that, in terms of the effect on taxpayers, the rate for the SRIT and income tax must not be considered in isolation – interactions with tax credits and benefits can affect the impact of decisions concerning income tax, particularly on low-income individuals.

The CIOT submission is available on the CIOT website.

The LITRG submission is available on the LITRG website.

Welfare reform committee

LITRG submitted a response to the committee’s call for evidence on the social security schemes outlined in the Smith Agreement and how the Scottish parliament can use the proposed devolved powers to better deliver benefits in Scotland.

The LITRG response does not offer views on what the changes to welfare benefits should be; instead it highlights broad principles to be addressed regardless of what changes are implemented. In particular, it highlights the need to take a holistic view of the tax and welfare systems and to consider the devolution of powers to Scotland

within the context of the UK as a whole. LITRG point out the need for certainty and the importance of making it straightforward for taxpayers and benefits claimants to negotiate the tax and benefits systems.

Scottish APD stakeholder forum

APD is now being devolved to the Scottish parliament by the Scotland Bill. The CIOT attended the first meeting of the Scottish APD stakeholder forum, which has been established by the Holyrood government, and includes representatives from airlines, airports, business, environmental organisations and professional bodies. The forum's initial remit is to support the development of policy proposals and identify issues that will inform the development of a consultation paper on Scottish APD. The forum will meet monthly until the consultation document is launched in late autumn 2015.