Scottish Taxes Update

General Features

30 September 2021

A summary of three consultations to which CIOT and LITRG have responded and meetings they have attended.

Scottish Parliament consultation: What matters to you?

The CIOT responded to a Scottish Parliament consultation seeking views on what the priorities for Scotland should be in the parliamentary term from 2021 to 2026 (see www.tax.org.uk/ref818). We made three recommendations with a view to delivering a devolved tax system that is sustainable and fit for purpose. Drawing on the joint CIOT and ICAS paper 'Building a better tax system' (see www.tax.org.uk/210407holyrood), we discussed the need to strengthen tax decision making, to take a more strategic approach to the process of tax policy making, and to improve public understanding of the Scottish Parliament's tax powers.

Carer's Allowance Supplement (Scotland) Bill: call for views

LITRG responded to a call for views issued by the Social Justice and Social Security Committee of the Scottish Parliament (see www.litrg.org.uk/ref2522).
Once enacted, the Carer's Allowance Supplement (Scotland) Bill would double the December 2021 payment of Carer's Allowance Supplement, covering the period 1 October 2021 to 31 March 2022.

Carer's Allowance Supplement is paid twice a year by Social Security Scotland, to people in Scotland who are in receipt of Carer's Allowance on a specified date. The Carer's Allowance Supplement serves the purpose of increasing the level of Carer's Allowance to the level of Jobseeker's Allowance, and is a temporary measure until the Scottish government implements Carer's Assistance.

The Bill would also give the Scottish government the ability to increase the amount of Carer's Allowance Supplement by regulations in the future, whereas currently it must use primary legislation.

LITRG welcomed the proposed measures and highlighted the importance of providing good communications to recipients of Carer's Allowance Supplement. In particular, they need to know that the payment is taxable but that it is not taken into account when determining entitlement to tax credits or other welfare benefits.

Scotland's public finances in 2022/23 and the impact of COVID-19: call for views

The CIOT and LITRG responded to the call for views published by the Finance and Public Administration Committee of the Scottish Parliament (see www.litrg.org.uk/ref2527).

The Committee wished to receive views on how the Scottish government should use its next budget to ensure a fair and equal recovery, as well as how it could address the effect of the coronavirus pandemic on different social groups.

We used the joint response to stress the importance of giving detailed consideration to interactions between Scottish devolved tax policy decisions and reserved taxes, as well as interactions with social security policies, both devolved and reserved.

We also noted that it might be helpful if a detailed analysis of impacts were published when tax policy was being developed and consulted on. This could help to improve consideration of fairness and equality issues earlier in the process of developing tax policy. There should also be a programme to review whether assumptions made in evaluating impacts prove to be correct and whether a measure has resulted in unintended consequences.

Meeting with Tom Arthur MSP, Minister for Public Finance, Planning and Community Wealth

Representatives of CIOT, LITRG and ICAS met with Tom Arthur MSP, to provide the new minister with an introduction to the professional bodies and to explain the areas of devolved tax policy that we will be taking a keen interest in over the next few months. The minister thanked CIOT and ICAS for all the work we have done so far in relation to taxation in Scotland, and indicated that he would welcome regular meetings with us going forward.

Meeting with Scottish government: new tax policy framework Representatives of CIOT, ATT, LITRG, ICAS and the Law Society of Scotland met with the Scottish

government to discuss their upcoming paper on enhancing their approach to tax policy making. The paper was launched at the end of August, for public consultation (see tinyurl.com/5saf4ch4). The intention is that the tax policy framework will be a strategic document, and therefore something that should last beyond the parliamentary term.

Discussion covered the principles for the Scottish approach to taxation, the proposed policy cycle, the legal status of the framework document and the fiscal framework review, which is due to take place during 2021.

Scottish Towns Partnership: A New Future for Scotland's Towns

In July 2020, the Cabinet Secretary for Communities and Local Government launched the Town Centre Action Plan Review Group. This published a report 'A New Future for Scotland's Towns' (see tinyurl.com/4ttfkbha) in early 2021.

CIOT was represented at a roundtable arranged by Scottish Towns Partnership on behalf of the Scottish government. This was one of a series of roundtables to follow up the report, and was focused on private sector/fiscal policy. There were representatives of the Scottish government in attendance, and they were keen to hear how participants thought fiscal policy might support them in following up recommendations in the report.

The plan is for the Scottish government to consider the contributions from the roundtables and also input from their own internal discussions on the report recommendations, before publishing an Action Plan by the end of 2021. This should include both short and long-term measures.

Discussions covered non-domestic rates, VAT and more appropriate use of incentives. In particular, it was felt that some incentives and reliefs are currently targeted at the 'wrong' kinds of activity, but that rather than measures to discourage activities, reliefs should be better directed.

Scottish income tax policy evaluation: focus group

The CIOT participated in a focus group of tax and payroll professionals, as part of the Scottish government's policy evaluation in respect of the Scottish income tax.

The focus group sought to generate feedback about various issues including:

- the impact, financially and administratively, on businesses and payroll software providers according to the following themes:
    - the ‘S’ code prefix;
    - the move to a five band structure for the Scottish income tax;
    - administration and cost; and
    - timing; and
- whether the changes have made the system more complicated, and if so, why and for who:
    - taxpayers;
    - communication;
    - divergence; and
    - technology.

CIOT’s view was the key takeaway from the discussions related to communications, and whether there is enough active communication with Scottish taxpayers about the implications for them in relation to Scottish income tax.