Scottish Taxes Update

General Features

04 November 2021

LITRG responded to a Scottish government dialogue on a Minimum Income Guarantee. CIOT attended a meeting between the professional bodies, Scottish government and Revenue Scotland on land and buildings transaction tax.

Scottish government dialogue: Minimum Income Guarantee

The Scottish government has committed to work on providing a Minimum Income Guarantee (MIG) (see tinyurl.com/xttaeuzn) for all during the current Parliament (2021-2026). It has established a steering group consisting of experts and MSPs from different parties. The purpose of the dialogue was to generate ideas and comments to be shared with the steering group. As the work progresses, the Scottish government expects there to be further stakeholder engagement.

The Scottish government describes a MIG as an assurance that no one will fall below a set income level that would allow them to live a dignified life. Its aim would be to deliver a MIG through a variety of means, including employment, support and services provided by the state and targeted welfare payments.

The LITRG response (see www.litrg.org.uk/ref2548) focused on some of the key considerations in relation to the tax and benefits systems and their interactions. We emphasised the need for the Scottish and UK governments to work together if Scotland is to introduce a MIG. We also discussed the need to think about administrative and operational matters at an early stage of policy development; for example, eligibility criteria, including the definition of income, whether to take wealth into account, or certain types of debt and expenditure.

We also noted a risk in relation to perception. If some MIG recipients appear to be better off (taking into account financial and non-financial aspects of a MIG) than ineligible individuals or households, this could lead to a removal of incentives to take on more work or stay in work.

We examined some of the funding options available to the Scottish government under the current devolution settlement, noting that existing powers do not offer much scope for raising additional revenues. But the reform of council tax might support a MIG in more than one way: so that it better reflects the ability to pay, provides targeted support for those unable to pay and by raising revenues for local councils such that they can fund local services.

Meeting with Scottish government and Revenue Scotland: land and buildings transaction tax

Representatives of CIOT, ICAS and the Law Society of Scotland met with the Scottish government and Revenue Scotland to discuss land and buildings transaction tax (LBTT). These meetings take place three or four times a year and enable open discussion of operational and policy matters.

Revenue Scotland provided an update on operational matters, such as repayments and penalty notices. In addition, they are putting together improved guidance in a few areas, including on the Scottish Electronic Tax System (SETS), the additional dwelling supplement (ADS), garden and grounds, and the distinction between residential and non-residential more generally, as well as multiple dwellings relief.

The Scottish government highlighted the publication of its Programme for Government in September, as well as work in relation to a policy framework for tax. There was confirmation that there will be a review of the ADS, and we expect a written consultation in due course.