Scotland update: round-up of submissions and meetings

General Features

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Round-up of CIOT and LITRG submissions and meetings

The CIOT made a submission in response to the Finance Committee of the Scottish parliament's call for evidence 'The Scottish Fiscal Commission Bill'. We referred to our previous submissions containing relevant comments: our joint response with LITRG to the Finance Committee's Inquiry into Scotland's Fiscal Framework and our response to the Scottish government's consultation on the Scottish Fiscal Commission.

The Scottish Fiscal Commission Bill takes account of one of our previous recommendations, including a provision requiring the Commission to prepare and publish an annual report, which it must lay before the Scottish parliament.

The CIOT response notes that the key role of the Commission must be to ensure that the Scottish government forecasts provide assurances, in effect a need for it to provide proper and independent scrutiny. Although we recognise that a case can be made for the Commission preparing its own alternative forecasts, we do not think this would be a realistic demand in terms of capacity and resources. As such, it may be better to explore whether other bodies make forecasts that the Commission could use in its work.

Nevertheless, the CIOT makes clear that the Commission should either have the expertise on hand, or access to it, to prepare analysis of and comment on the government's budget proposals and forecasts. It is particularly important for the Commission to have expertise to comment on the sensitivity of the forecasts to key assumptions: this is much more valuable than having the capability of putting forward different assumptions and therefore forecasts of its own, since any assumption can prove with hindsight to be significantly inaccurate.

The CIOT also considered possible expansions of the Commission's remit, noting areas where such expansion might be useful. We pointed out that there is a balance to be struck. Although any one additional function may seem reasonable in isolation, the more that those suggested in the call for evidence are added, the more the Commission will be drawn into matters that are inherently subjective and quite properly the matter of political, including party political, debate. Independent experts have an important role but so do elected politicians.

Our response also set out our thoughts on appointment of members and staff. We think the Bill should explicitly specify the normal term of appointment for members, perhaps five years. We also think the terms should provide for a member to be reappointed, although only once.

Scottish APD Stakeholder Forum

The CIOT attended the second meeting of the Scottish APD Stakeholder Forum in September and the third meeting in November. Air passenger duty (APD) is being devolved to the Scottish parliament by the Scotland Bill.

The Scottish government is proposing a 50% reduction in APD, starting in April 2018. The timing and phasing of the reduction has not been set out. The full 50% reduction should, however, be in place by the end of the parliamentary term (financial year 2020/21). The Scottish government is further proposing to abolish APD when resources and funding permit.

There were four topics discussed at the second meeting: short haul and regional routes; long haul routes; charging models; and tax administration. Each discussion had the aim of identifying opportunities and possible other models for Scottish APD. At the third meeting, there were discussions about the strategic environmental assessment and the connected flights rules.

The next meeting will be held after the consultation has been published.

All papers and notes of the meetings of the Scottish APD Stakeholder Forum are accessible through a link on the Scottish government's APD webpage.

LBTT forum

The CIOT attended the first meeting of the land and buildings transaction tax (LBTT) forum in September. Revenue Scotland established the forum as a platform to discuss the operation of LBTT, in particular in relation to guidance, policy and practical matters.

Revenue Scotland set out its various communication channels and what each one should be used for. In terms of guidance, Revenue Scotland clarified that it is not possible to rely on HMRC's guidance and practice, even in situations where the LBTT and SDLT legislation are the same. It did, however, confirm that if the legislation is the same, it is likely that its approach will mirror that of HMRC.

There was a short period of the meeting given over to technical queries, with a focus on the top three areas of concern for stakeholders. By consensus, these were leases, the transitional provisions and substantial performance.

Scottish tax tribunals' users' group

Representatives of the CIOT and LITRG attended the meeting of the Scottish tax tribunals users' group in September.

The president of the Scottish tax tribunals outlined the three major developments under way.

First, on 1 April 2015 the Scottish tax tribunals (First-tier and Upper) came into being, hearing appeals about LBTT and Scottish landfill tax.
Second, the integration of the structure and administration of all Scottish tribunals is continuing. This will produce a unified Scottish courts and tribunals service. It is expected that the Scottish tax tribunals will be rolled into the unified service from April 2017.

Third, the Smith Commission has recommended the devolution of further taxes and also that the function of UK tax tribunals in Scotland should be transferred to the Scottish bodies. This would allow the Scottish tribunals to hear income tax and VAT appeals as well as appeals on fully devolved taxes. There is no clear timescale for this third step.