Scotland – devolved tax collaborative

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ATT, CIOT and LITRG report on the latest meeting

Representatives of the ATT, CIOT and LITRG attended a meeting of Revenue Scotland's Devolved Tax Collaborative (DTC) on 15 May. It was the first time the DTC had met since the Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) went live on 1 April.

In the opening plenary session, Revenue Scotland reported on the experience to date with LBTT (more than 10,000 LBTT returns received, almost 98% of which were submitted online with about two-thirds of payments made electronically) and thanked stakeholders for their help, support, advice and input.

Scotland Bill and future tax powers in Scotland

In the session on the Smith Commission proposals on tax, welfare and the fiscal framework, Revenue Scotland noted that, if all the recommendations were implemented, about 64% of Scotland's expenditure would be devolved to the Holyrood government and just under 40% of revenues devolved.

Perhaps the most important recommendation is the proposal for Scotland to gain control over decisions on income tax rates and bands, a significantly more radical step than the Scottish rate of income tax (SRIT) but still falling short of full devolution. Smith also recommends the assignment of half of VAT receipts in Scotland (the issue here is how to measure them) and the devolution of air passenger duty and aggregates levy.

On SRIT, Revenue Scotland explained that the Scottish government is expected to propose the single Scottish rate in the draft Budget (October 2015), with HMRC having administrative responsibilities. Two HMRC representatives provided an update on the SRIT preparations and the implementation timetable.

In summary, SRIT will take effect from 6 April 2016 and will be paid by Scottish taxpayers on non-savings and non-dividend income only. HMRC will determine who is a Scottish taxpayer – based on a person's residential address, not where they work. HMRC will collect SRIT through PAYE, using an 'S-code' prefix, or self-assessment.

The SRIT will work by deducting 10% from each of the UK rates (basic, higher and additional) and adding the single SRIT back. A SRIT of 10% would mean no change in overall rate of income tax for Scottish taxpayers although SRIT can be as high or low as the Scottish parliament decides.

In the run-up to 6 April 2016, there will be:

- an HMRC mailshot in September 2015 to the limited group of taxpayers with a c/o Scottish address;
- a mailshot in November 2015 explaining the 'S code' to those whom HMRC think are Scottish taxpayers; and
- an issue of PAYE coding notices between January and March 2016 when Scottish taxpayers will receive their 'S codes'.

HMRC gave an assurance that they were aware of vulnerabilities in the Scottish taxpayer population. They then summarised the ongoing detailed work with employers, pension providers and software houses.

Future of the DTC

The January issue of *Tax Adviser* (page 49) carried a report on the DTC's meeting that briefly considered the body's future. In May, Revenue Scotland clarified the position. The DTC will continue to meet twice a year to discuss future changes. There will, however, be a new tax LBTT forum and a new SLfT forum. Each of these will be a smaller group with perhaps no more than 20 members whose purpose will be to discuss technical and practical issues – probably on a quarterly basis. It is hoped that the members of the groups will help to set the agenda and raise issues from their experience.

Workshops

The second part of the meeting comprised workshops on LBTT and SLfT. The detailed nature of the discussions in each of these does not make for ready

summary.
A more detailed note of the full DTC meeting, including the workshops, is available by email from technical@ciot.org.uk.