Call for greater clarity from governments on Scottish tax system

Briefings



24 January 2024

CIOT and ICAS have published a paper calling on the Scottish and UK governments to review Scotland’s devolved tax powers.

Ahead of December’s Scottish Budget, the two bodies collaborated on a new paper, ‘Building a better tax system: progress report’, reviewing the development of Scotland’s tax regime in the first half of the 2021-26 Scottish Parliament. They say that policymakers should use the tenth anniversary of the Smith Commission next year to review the implementation of devolved tax powers in Scotland.

The paper contains calls for clarity on the status of the devolved replacement for UK air passenger duty (air departure tax), in addition to proposals to assign half of VAT revenues raised in Scotland directly to the Scottish Budget, which would ‘provide certainty and transparency’ about the future role they will play in Scotland’s devolved tax mix.

Both proposals were put on hold in 2019 over concerns about their introduction and no firm timetable has been given for their implementation. However, concerns have been raised about the risks posed by the policy of VAT assignment.

CIOT and ICAS have recommended that the Scottish government find ways of improving public understanding of Holyrood's tax responsibilities, expressing concern that income tax divergence has created a more complicated tax system that is harder for taxpayers to understand and engage with.

The two bodies have also called on the Scottish Parliament and Scottish government to work together to review how tax decisions are examined at Holyrood, following the decision of the Finance and Public Administration Committee to end its participation in the Devolved Taxes Legislation Working Group in January 2023.

Read the report at: tinyurl.com/y968e889