Scotland: Finance and Public Administration Committee: evidence on legacy issues

General Features

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The CIOT gave evidence at a meeting of the Scottish Parliament's Finance and Public Administration Committee on Tuesday 10 February on legacy issues, to inform a report for the successor committee.

Lindsay Scott (Technical Officer) gave evidence for the CIOT, alongside Stephen Boyle (Auditor General for Scotland), Dr João Sousa (Fraser of Allander Institute), Michael Clancy (Law Society of Scotland), Professor David Heald (University of Glasgow) and Professor David Bell (University of Stirling).

The objective of the session was to reflect on the work of the committee over the course of the 2021-26 Scottish parliamentary session and contribute to a discussion on legacy issues to inform a report for the successor committee, in advance of the

Scottish parliamentary elections due to take place in May 2026. Prior to the session, the CIOT submitted written evidence, which was also informed by the work of LITRG.

The CIOT commended the committee for its strategic, year-round approach to budget scrutiny, its work to hold the Scottish government to account and drive improvements in the quality and transparency of budgetary information, its continued focus on more effective long-term financial planning, and its scrutiny of new tax legislation during the session. The CIOT did note the committee's limited capacity for broader pro-active work during the session, which had largely been anticipated in 2021 given the volume of work the committee undertakes.

We suggested that the committee could have a pivotal, cross-party, strategic tax role, including reviewing the effectiveness of tax policy making in Scotland. A starting point could be a review of the Smith Commission package of taxes, given the milestones that the Scottish tax system has passed during this session and the upcoming ten-year anniversary of Scottish rates of income tax.

We reiterated the importance of post-implementation evaluation similar to that undertaken by the Scottish government for land and buildings transaction tax. The committee could potentially go further by reflecting on the overall viability of tax policy decisions in Scotland, not just whether the legislation delivers the tax policy as intended.

A reflection on what worked well, and what did not, in delivering the Smith Commission (tinyurl.com/ynznvups) package of taxes over the last decade could inform strategic, bigger picture thinking about the future of tax in Scotland, including challenging areas such as the taxation of wealth and property in Scotland, and its interaction with other areas such as council tax.

The session also covered the issues around low awareness and understanding of tax in Scotland, and the CIOT's view that the committee could potentially play a role in scrutinising the work of the Scottish government in raising awareness of tax. For example, does the Scottish government ask HMRC for data on the number of intermediate rate taxpayers who claim the additional income tax relief to which they are entitled on relief at source pension contributions?

We supported the need for a review of the fiscal framework. There are three key elements to the fiscal package in Scotland: tax, spending and the fiscal framework. The fiscal framework has led to increased dependency on UK measures being known

before the Scottish Budget can be set, resulting in more reactive tax decision-making.

We also supported the committee's recommendation to consider the timing of fiscal events and the need for a collaborative and constructive relationship between UK and Scottish governments, particularly given the uncertainty around the UK Autumn Budget and the Minister of Public Finance confirming that there was no consultation on the introduction of new property income tax rates before the Budget.

The CIOT asked that a priority of the next committee be to revisit the outcomes of the Devolved Taxes Legislation Working Group and agree between Revenue Scotland, the Scottish government and the Scottish parliament how to move forward with the introduction of a regular legislative mechanism, such as a Scottish tax bill. This work has been largely paused since the Covid pandemic, yet there remains a list of current issues requiring legislative change, as well as potential future issues. We reiterated the importance of having a primary legislative mechanism to make technical changes to tax legislation to ensure the effectiveness of the Scottish tax system. We also referenced the consultation recently undertaken by the Welsh government to review its own tax legislative mechanisms.

In summary, we welcomed the work the committee has undertaken during the 2021-26 parliamentary session and the important role it plays in asking detailed questions that help to hold our political leaders to account and inform debate by improving transparency. We look forward to continuing to work with the committee in the next session.

The evidence session in the Scottish parliament can be viewed at tinyurl.com/4hh6rhc8 and the full CIOT written evidence is available here: www.tax.org.uk/ref1614

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