

Department of Finance

Consultation on devolution of more fiscal powers

Response by the Chartered Institute of Taxation

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 While the devolution of taxes is a political matter, such steps tend to increase complexity in the tax system. The UK tax code is already too complex, and while we recognise that complexity of itself is unlikely to materially influence political choices, the practical impact of tax devolution on taxpayers, agents and tax authorities does need to be considered.
- 1.3 Evidence shows that awareness of existing devolved taxes (and indeed taxes generally) is low, and significant effort will be needed to meet the Commission's recommendation that people should 'understand the rates of tax being charged by the NI Assembly, the UK Government, and how they interact'.
- 1.4 The process of devolving taxes should be a measured one, undertaken in consultation with taxpayers and interested parties. As experiences elsewhere in the UK demonstrate, new measures operate more effectively if they are allowed sufficient time to go through the full policy development process.
- 1.5 We have set out several key considerations when determining taxes suitable for devolution. Perhaps the most important of these is to ensure that the object of the tax is located in Northern Ireland (or clearly connected with Northern Ireland), rather than anywhere else. Like Scotland and Wales, if taxes are to be devolved we would suggest starting with 'physical' type taxes such as landfill tax and stamp duty land tax (SDLT) (or their devolved equivalents).

- 1.6 On the proviso that these ‘physical’ taxes become devolved, we would agree with the Commission that a Northern Ireland revenue authority is established to administer these taxes. It would be necessary to consult on the powers to be given to the revenue authority, and on its ‘charter’. If tax devolution is taken further, as the Commission recommend, we think it is particularly important to consider the ‘interaction with other taxes’ and ‘learning from experience’ (see those headings in section 5 below).

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

3 Introduction

- 3.1 On 12 March 2021, the Finance Minister, Conor Murphy MLA, announced the establishment of the Independent Fiscal Commission via a Written Ministerial Statement to the NI Assembly. The Commission was established to carry out a comprehensive review of the case for increasing fiscal powers available to the Assembly. In line with the terms of reference, the Commission carried out research and put forward recommendations on powers to enhance the NI Assembly’s fiscal responsibilities and increase its ability to raise revenues to sustainably fund public services.
- 3.2 The Commission’s work explored the case for devolving additional tax powers. In doing so, it considered the economic context, current fiscal powers, the possible reasons for additional devolution, and the potential risks and rewards from such devolution. The Commission’s interim report identified the potential benefits of greater Northern Ireland control over taxation, with additional fiscal powers enabling elected Ministers to set taxes in line with Northern Ireland’s needs and circumstances. The Commission’s final report then looked further at the case for devolving excise duties, the scope of devolution of income tax, the administration of devolved taxes, and the complex fiscal framework issues which will require further consideration as part of any devolution process.
- 3.3 The Commission recommended the following taxes for devolution:

Type of tax	Nature of devolution
Corporation tax	To complete the devolution of corporation tax.
Income tax	Limited devolution, with powers over the income tax base and income tax administration to remain reserved. The taxation of savings and dividend income should be devolved (albeit with the proviso that it should also be devolved to the Scottish Parliament and Welsh Senedd). Full devolution of revenues, rates and band-setting powers would be preferable.
Apprenticeship levy	If income tax powers are devolved, then the apprenticeship levy should be devolved in parallel, though it should continue to be administered by HMRC.
Stamp Duty Land Tax	Full devolution of revenues and tax powers, with a Northern Ireland revenue authority established to administer them.
Air Passenger Duty	
Landfill tax	
Excise duties	Consider devolution over the longer term.

3.4 The Department is now considering the Commission's report and as part of that, is seeking formal stakeholder engagement on the recommendations made by the Commission, via this public consultation, to inform policy considerations and next steps that can be presented by an incoming Finance Minister to the Executive.

3.5 While not repeating them throughout this submission, we generally agree with the views expressed by the Commission in relation to the challenges that devolution brings and the behavioural impacts caused by divergences between devolved and reserved taxes. It is clear from the Commission's report dated 19 May 2022 that significant thought has gone into the pros and cons and practicalities of devolution.

4 Question 1 - Do you think the Executive should be provided with more fiscal powers like the Scottish and Welsh administrations have? What are your reasons for saying that?

4.1 As outlined above, the CIOT is an educational charity and we are non-political. As recognised by the Commission, additional devolution of tax powers would be a political choice.

4.2 We recognise that devolution tends to make for greater complexity in the tax system. While we think that the UK tax code is already too complex, we do not think the additional impact of devolution on that will, or should, materially influence the political choice. However, we do think that there should be more priority given to mitigating complexity in the design of the devolved system: see for example the next question.

- 5 Question 2 - Which taxes that the Commission recommends for devolution do you think that the Executive should seek to prioritise? Why do you say that?**
- 5.1 Again, decisions on whether and who to tax are matters of political choice. Therefore, our comments do not seek to advocate devolution of particular taxes. Instead, we set out some of the key considerations that should be kept in mind when determining taxes suitable for devolution. We think that the choice of taxes to devolve should be made in part on the basis of the interactions between the taxes, so that the devolved taxes form a coherent package. With hindsight, as will become clear, we do not think sufficient attention was given to this issue in the design of Scottish and Welsh tax devolution. That said, we recognise that it will likely be impossible to design a completely coherent package, without any possibility of anomalies or unfairness at the margin.
- 5.2 The locus of the tax
- 5.3 It should be easy to identify whether the object of the tax is located in Northern Ireland (or clearly connected with Northern Ireland), rather than anywhere else. It is perhaps no surprise that Scotland and Wales' fully devolved taxes are 'physical' type taxes such as landfill tax and stamp duty land tax (SDLT) (or their devolved equivalents). Not only does this make it simpler to attribute revenue and easier for the taxpayer in terms of understanding whether or not a transaction or source of income is subject to a particular tax, it makes it more straightforward for the tax authority (see later) in terms of administration and compliance.
- 5.4 We note that the Commission's proposal for income tax is to also devolve the taxation of dividends and savings income, albeit with the caveat that it would be preferable if Scotland and Wales followed suit. We agree with the Commission that having different levels of income tax devolution between Northern Ireland, Scotland and Wales would add complexity¹, particularly if tax rates and bandings are expected to diverge.
- 5.5 However, not many taxpayers individually will be affected by a divergence between these devolved powers, and there are already differences in relation to corporation tax. It seems to us that it is a more serious deficiency in the Scottish and Welsh arrangements that unincorporated owners of businesses are subject to income tax whose rates are devolved, but incorporated business owners are subject to corporation tax and dividend income tax, which are reserved, accentuating the potential tax leakage through tax motivated incorporation which already exists at UK level. Although there is some devolution of corporation tax in Northern Ireland, considerations of international competitiveness will likely constrain political choices in that regard, so a devolved legislature is very constrained if it has control over business, but not dividend income tax rates.
- 5.6 There were several teething problems with the introduction of Scottish income tax; particularly defining who is a Scottish taxpayer, and applying that definition in practice, in part because HMRC determined this based on their latest address information for the individual (which therefore filtered through to notices of coding etc). Taxpayer identification is only as successful as the data HMRC hold. As there is no obligation on taxpayers to keep HMRC informed of address changes, incorrect classification can easily arise.
- 5.7 Interaction with other taxes
- 5.8 When making choices relating to tax policies in the context of the tax powers that Northern Ireland seeks, it is important that the Executive gives detailed consideration to interactions between Northern Irish tax policies (including local taxes within Northern Ireland's control) and those for reserved taxes, such as whether a new devolved tax would be a straight replacement for a previously reserved tax or an additional tax. Further,
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- ¹ Para 5.4.5 of May 2022 report

consideration needs to be given to interactions between Northern Irish tax policies and Northern Irish social security policies, as well as between those policies and UK reserved social security policies.

- 5.9 We agree with the Commission's concerns around potential behavioural impacts if taxes are varied so that there are differences between NI and UK rates². There is already tension in this area at UK level, even before devolution is taken into account, because different business arrangements (employment, self-employment as a contractor, and operating through a 'personal services company') are subject to different tax and/or national insurance rules and rates. This is frequently referred to as the 'three-person problem'³, and it incentivises behavioural shifts to a business structure which incurs the lowest incidence of tax. This interacts with differences between reserved and devolved rates, and with the fact that some tax rate decisions are devolved and others not, each issue exacerbating the other.
- 5.10 Scotland and Wales are already more exposed to the 'three-person problem' because business income tax is devolved while dividend tax is reserved. There are also issues of fairness around the relationship between reserved and devolved taxes. The UK government has, entirely understandably, chosen to align the National Insurance Contributions upper earnings limit with the starting point for the UK higher rate income tax band. Scotland has exercised its devolved power such that it now has a lower starting point for the higher rate band. The result is a very high marginal rate of tax (53%) on incomes in Scotland between the Scottish and UK starting points for the higher rate (as compared with the 46% rate which is the highest Scottish rate that has formally been enacted by the Scottish Parliament) It does not seem likely that this outcome would rationally have been sought by either legislature. While there would no doubt be particular complexities in devolving national insurance rates, the solution of devolving power over income tax while fully retaining it over national insurance (or, for that matter, benefits such as Universal Credit which interact with tax liabilities) is also problematic.
- 5.11 National or local level
- 5.12 It is necessary to decide whether the tax is to be imposed and administered at a Northern Ireland-wide level, or a local (eg local authority) level, or indeed a mixture of the two.
- 5.13 Consistency throughout Northern Ireland can mean greater ease of administration (whether operated by a single body or by local authorities within a Northern Ireland-wide framework) and can assist taxpayer understanding. However, local autonomy could mean the tax is better suited to local needs, but equally it could result in distortions or a 'postcode lottery', impacting factors such as social mobility.
- 5.14 The location and adequacy of resources and expertise also needs consideration.
- 5.15 Collection and administration
- 5.16 These are key factors in considering whether or not a power should be devolved. Ideally its collection should be efficient and compliance high, to ensure maximum benefit from its revenues. We note that the Commission sought to evaluate Revenue Scotland and the Welsh Revenue Authority's administration costs as compared to the revenue they collect⁴, but they also recognise that there are non-financial considerations such as greater flexibility around policy and administration⁵.

² Para 5.4.6 – 5.4.9 of May 2022 report

³ The difference in tax treatment between employees, the self-employed, and those working through a limited company

⁴ Para 5.10 of May 2022 report

⁵ Para 5.11 of May 2022 report

5.17 Use of revenues

5.18 Consideration may also need to be given to use of the tax revenues. This may arguably be of greater importance if the tax is local, where there may need to be thought given as to how much of the revenue flows to the general Northern Ireland Budget and how much is retained by local authorities, and whether or how much equalisation between local authorities there should be.

5.19 Purpose of the tax

5.20 Consideration should be given as to why the tax is needed or what its purpose is. Is the tax being introduced to raise revenue, or is it aimed at driving a particular behaviour or supporting a different policy aim? The impact of taxes on other governmental policies (eg climate change) should also be considered to ensure they complement each other rather than create tensions between them.

5.21 The outcomes from behavioural taxes are also difficult to predict; in particular the level of behavioural change and therefore the amount of tax revenues collected. For example, the soft drinks industry levy was anticipated to generate revenues of £520m, £500m and £455m in the years 2018-19 to 2020-21 respectively⁶. Actual receipts were much lower at £240m, £337m and £299m⁷. Of course, reduced tax revenues might be offset by savings in other areas (eg healthcare), but it emphasises that the purpose of both the tax, and wider government initiatives, must go hand in hand.

5.22 Learning from experience

5.23 Proposals for devolution should reflect the learning from others' experiences. Decisions on devolution to Northern Ireland should be made in the light of the learning points from the devolution of fiscal powers to Scotland and Wales, and should not be conditional on changes for Scotland and Wales (eg in relation to the devolution of savings and dividend income).

5.24 For example, we recently provided commentary on the previous Senedd (Welsh Parliament) term from the perspective of the devolved taxes⁸ and it is this sort of evaluative feedback that the Executive should take on board.

5.25 As we note in this evaluation it would be sensible, and improve the policy-making process, for the devolved governments to receive forewarning of changes (through existing high level senior civil service confidential channels) to predecessor taxes. Since implementing tax changes is a complex process, proactive co-operation is necessary to enable the devolved governments to run their tax systems effectively, in the interests of taxpayers in devolved administration whose decisions may be affected by the consequential effects on the devolved taxes.

6 **Question 3 - What are your views regarding the timing for devolution of the taxes as recommended by the Commission?**

⁶ <https://www.gov.uk/government/publications/soft-drinks-industry-levy/soft-drinks-industry-levy>

⁷ <https://webarchive.nationalarchives.gov.uk/ukgwa/20210105055108/https://www.gov.uk/government/publications/soft-drinks-industry-levy-statistics/soft-drinks-industry-levy-statistics-commentary-2020> and <https://www.gov.uk/government/statistics/soft-drinks-industry-levy-statistics/soft-drinks-industry-levy-statistics-commentary-2021>

⁸ [The fifth Welsh Parliament \(tax.org.uk\)](https://www.tax.org.uk)

- 6.1 We agree with the Commission's view that, if Northern Ireland were to take on additional tax powers it should, like Scotland and Wales, take them on gradually.
- 6.2 Subject to addressing the relevant political factors, the Commission believes that significant devolution to Northern Ireland can be achieved by 2027/28. The Commission conclusion is informed by the experiences in Scotland and Wales - the time taken between the conclusion of the technical commissions' work in Scotland and Wales, political consensus being reached and devolved taxes beginning to be administered and collected was around six to eight years.
- 6.3 At face value, and based on experiences in Scotland and Wales, the Commission's timeframe seems possible, though challenging. It is particularly important that adequate time is devoted to consulting on proposals for devolution and fully analysing and understanding the responses. This should help to identify possible unintended consequences and any consequential legislative amendments required.
- 6.4 In this regard, the UK already has established consultation processes, such as that set out in the Tax Consultation Framework⁹ (to which the government recommitted in 2017¹⁰). It is vital that all stages of the consultation process are undertaken, as past experience shows that failure to do so can lead to poor decision making and implementation.
- 6.5 For all changes to existing devolved and local taxes, it is essential that adequate time and capacity is given over to ensuring that the taxes can continue to be administered effectively and efficiently and that there is clear and accessible guidance for affected taxpayers, as well as awareness-raising of any changes, their timing and what they mean for taxpayers.

7 Question 4 - What are your views as to how the Executive could best make use of any additional fiscal powers? Should the Executive be seeking such powers to raise or lower certain taxes? Where might the Executive use taxes as policy levers to change behaviours? And do you think increased local taxation should be used to better fund public services in line with local needs and circumstances?

- 7.1 The CIOT has a number of stated objectives for the tax system. These include:
- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.

These objectives apply to devolved taxes inasmuch as they apply to reserved taxes.

⁹ <https://www.gov.uk/government/publications/tax-consultation-framework>

¹⁰ <https://www.gov.uk/government/publications/the-new-budget-timetable-and-the-tax-policy-making-process/the-new-budget-timetable-and-the-tax-policy-making-process>

- 7.2 There is merit in the Executive developing a suite of principles (ideally following a period of consultation) against which its decisions regarding tax powers should be measured.
- 7.3 For example, the Welsh Government has developed the following principles for Welsh Taxes, in that they should:
- Raise revenue to fund public services as fairly as possible.
 - Deliver Welsh Government policy objectives.
 - Be clear, stable and simple.
 - Be developed through collaboration and involvement.
 - Contribute directly to the Well Being of Future Generations Act goal of creating a more equal Wales.
- 7.4 Similarly, the Scottish Government's general approach to tax is founded on four principles articulated in the 18th century by Adam Smith in his book *The Wealth of Nations*. These are certainty, proportionality to the ability to pay, convenience and efficiency.
- 7.5 More recently, the Scottish Government has adopted a Framework for Tax¹¹ which sets out the principles and strategic objectives that underpin the Scottish Approach to Taxation, as well as their approach to decision making, engagement and how they manage and sequence tax policy and delivery. They add engagement and effectiveness to make six guiding principles as follows:
- Proportionality: Taxes should be levied in proportion to taxpayers' ability to pay. The Scottish Government also believes that a fair tax system should be progressive, ie that the proportion of tax paid should reflect the relative income or wealth of the taxpayer. Equally, comparable circumstances should attract comparable tax treatment, in the absence of strong justification to the contrary.
 - Efficiency: The tax system must balance the prospects for revenue against the potential for unintended behavioural responses. If such responses reduce economic activity – where, for example, a tax change prompts employees to cut back on working hours – they can create economic inefficiencies.
 - Certainty: Taxpayers must know if they are liable to pay tax, the amount to be paid and when it is to be paid. This allows businesses and individuals to plan and invest with confidence. Changes to the tax system should be justified and, where possible, follow a predictable fiscal cycle or published roadmap.
 - Convenience: Taxes should be collected at a time and in a manner that maximises convenience for taxpayers. Tax policy should be as simple, clear and straightforward as possible and opportunities to streamline the tax system should be taken where they arise.
 - Engagement: People and businesses should be able to understand the tax system and governments and tax authorities play a critical role in relation to that. Governments must therefore be open and transparent about tax policies and their decision-making, consulting as widely as possible. This is crucial for accountability and trust.
 - Effectiveness: Design of the tax system should focus on ensuring taxes raise the expected revenues and achieve their intended aims. This includes designing taxes that minimise opportunities for tax avoidance. The vast majority of taxpayers want to pay the correct amount of tax, and do, but where taxpayers do engage in avoidance practices governments and tax authorities should respond quickly and proactively to tackle them.

¹¹ <https://www.gov.scot/publications/framework-tax-2021/>

- 7.6 These principles then act as a yardstick against which proposals can be measured.
- 7.7 Whatever tax powers Northern Ireland has and whatever policies are implemented, it is essential that its tax system, policy framework and the process for making tax legislation operate effectively and with credibility.
- 7.8 While we strongly approve of the efforts made by Scotland and Wales to build a principles-based system, it is striking that the extent to which tax policies in the devolved nations have diverged from the residual UK regime in practice is comparatively limited. There may be several possible reasons for this.
- 7.9 Where it has happened, largely in Scotland, there have been anomalies and unfairness arising from the interaction of devolved and retained taxes, as alluded to earlier, and the desire to avoid these becoming more pronounced may be a restraining factor. Whilst, as we have said, devolving tax is a political decision, it would seem right that if there is to be devolution, it should be done as cleanly and coherently as possible.
- 7.10 The method for calculating block grant adjustments may be another factor, as the choice made by devolved governments as to how to respond to within the devolved tax regime to changes made to equivalent taxes at the UK level will likely be affected by differences between the real-life revenue effect of such a change and the assumptions made in computing the adjustment under the block grant adjustment.
- 7.11 Another factor is that on at least one occasion the UK government has itself adopted a direction of change first made at devolved level, for example its move (following the Scottish proposal for Land and Buildings Transaction Tax) from a 'slab' to a 'band' system of rates for the UK SDLT. Whatever the merits (or otherwise) of that particular change, the general possibility would seem to be a positive thing.
- 7.12 Finally, it seems likely that considerations of tax competition play a role, and likely would do so under any arrangements given the proximity of the UK nations and the extent of travel and migration between them, as well as the land border with the Republic of Ireland.

8 Question 5 - What are your views on how any newly devolved fiscal powers might be administered?

- 8.1 This will, in large part, depend on the nature of the devolved tax; in particular whether it is a Northern Ireland-wide or local tax.
- 8.2 We agree with the Commission that at this stage in the development of tax devolution it is sensible:
- to establish a Northern Ireland revenue authority to administer any fully devolved taxes (those recommended being SDLT, APD and landfill tax)¹²
 - The powers over the income tax base and income tax administration remain reserved.¹³
- 8.3 However, if the first tax to be devolved is SDLT, consideration could be given to its collection and administration being undertaken by Land and Property Services (LPS). LPS undertake a similar role in relation to the collection of rates (domestic and non-domestic) in Northern Ireland, and its responsibilities could be expanded to include the devolved equivalent of SDLT. This option is recognised by the Commission. Of course, if further taxes are to be fully devolved, that would only represent a short-term solution and in the longer-term a dedicated tax authority would be preferable.

¹² Recommendation 9

¹³ Recommendation 3

- 8.4 Should any local taxes be introduced, again it might still be preferable to have a Northern Ireland-wide framework within which such taxes should operate. This will make the tax easier to administer and understand for those affected by it, as well as streamlining collection, enforcement, and the systems required for its operation. Local flexibility in relation to rate-setting and spending of funds raised (for example) will help the tax respond to local circumstances and enhance local accountability. We note, for example, that rates in Northern Ireland comprise a regional rate set uniformly by the Executive, and the district rate set individually by local councils.
- 8.5 Local administration of taxes would give rise to questions around compliance costs; both for each collection authority, and for businesses that might operate in different regions. Where the scope and rate of taxes are to be set locally, it will be necessary to ensure that those setting them have sufficient access to data, and the expertise, to ensure that there is a sound basis for their decisions. In such cases, it might be sensible for local tax authorities to join together and have the same rate; or, there could be a Northern Ireland-wide default rate that local tax authorities could choose to vary.
- 8.6 If a Northern Ireland revenue authority is to be established, it will be necessary to determine the extent of its powers. For example, in Wales there is an Interdepartmental agreement which details how the Welsh Revenue Authority and Welsh Government work together¹⁴. The agreement recognises that the Welsh Revenue Authority is authorised to *design* as well as deliver revenue services. This can be contrasted with the position for Revenue Scotland which does not have such policy-making powers.
- 8.7 We would also encourage any new authority to introduce (after consultation) a ‘charter’; something that HMRC¹⁵, Revenue Scotland¹⁶ and the Welsh Revenue Authority¹⁷ each have, and address how the authority would be held to account in relation to its charter.
- 8.8 Matters such as IT capabilities; both of the authority and taxpayers, would need considering. We note, for example, that the Welsh Government successfully migrated their technology to the cloud, and that might be something for the Executive to consider, too.

9 Question 6 - Are there any other issues related to fiscal devolution, perhaps not covered in the Commission’s Final Report or where you have a different opinion, which in your view should be considered by the Executive?

- 9.1 It is generally accepted that devolution of taxes can lead to increased complexity and lack of understanding about the tax system, particularly where there is divergence in scope, rates and thresholds.
- 9.2 By way of illustration, in 2018, 2019 and 2021, we undertook a poll of the Scottish public and found a decline in awareness and understanding of the devolved tax regime. In our 2019 survey, for example, 86 per cent of respondents said they need better information about how taxes are decided in Scotland. The poll also identified that the number of people who could correctly identify that income tax was a tax shared between Holyrood and Westminster fell from 34 per cent in 2018 to 26 per cent in 2019. While a lack of understanding and awareness about tax generally is not unique to Scotland, it is an indicator that there is a general lack of understanding of taxes; particularly devolved taxes. It does however suggest that the issues we have

¹⁴ <https://gov.wales/interdepartmental-agreement-welsh-government-and-welsh-revenue-authority-html>

¹⁵ <https://www.gov.uk/government/publications/hmrc-charter>

¹⁶ <https://revenue.scot/about-us/charter-standards-values>

¹⁷ <https://gov.wales/welsh-revenue-authority/our-charter>

highlighted around the anomalies and unfairnesses of the devolution settlements in Scotland and Wales should be given more attention in the design of the Northern Ireland settlement.

- 9.3 We agree with the Commission's statement that people should 'understand the rates of tax being charged by the NI Assembly, the UK Government, and how they interact'¹⁸.
- 9.4 We agree with the Commission's recommendation that the NI Executive and the UK Government agree a transparent process for the introduction of any new taxes in Northern Ireland,¹⁹ and the need to ensure that process works effectively, with effective collaboration between the parties. We note the difficulties Wales has encountered in testing the process for introducing new taxes (the Vacant Land Tax), summarised in paragraph 50 of the Welsh Government's 'Welsh Tax Policy Report 2021'²⁰. Consideration should also be given to how existing devolved taxes might be changed (potentially quickly) in response to decisions taken in Westminster eg in a Budget or Autumn Statement.
- 9.5 Processes will also need to be put in place to ensure there is effective policy and legislative scrutiny and accountability. We remain of the view that, even in an established tax policy development process such as that in the UK, there is insufficient scrutiny and accountability for tax. These are themes set out in our Better Budgets report in 2017²¹, and still remain, such as the lack of Finance Bill oral evidence sessions, or increased expert support for Parliament on tax.

10 Acknowledgement of submission

- 10.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

28 November 2022

¹⁸ Paragraph 5.7.9 of the May 2022 report.

¹⁹ Recommendation 22

²⁰ [Welsh Tax Policy Report 2021 \(gov.wales\)](https://gov.wales/welsh-tax-policy-report-2021)

²¹ https://www.instituteforgovernment.org.uk/sites/default/files/publications/Better_Budgets_report_WEB.pdf