

## Scottish Parliament consultation – What matters to you?

### 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.

#### 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 We welcome the opportunity to share our views with the Scottish Parliament on what the priorities for Scotland should be. We focus on tax issues that the committees should focus on between 2021 and 2026.

3.2 Our stated objectives for the tax system 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.

### **4 Tax and Finances**

4.1 We make a few recommendations for the Scottish Parliament that we believe can help deliver a devolved tax system that is sustainable and fit for purpose.

#### ***4.2 Tax decision-making***

4.2.1 The Chartered Institute of Taxation believes decision-making and parliamentary oversight of devolved tax powers needs to be strengthened.

4.2.2 Steps to achieve this could include establishing a Scottish Taxes Bill with a guaranteed slot in the parliamentary timetable and improved collaboration between institutions responsible for Scottish taxes and their interactions with the wider UK tax system.

4.2.3 It can be difficult to find time in the parliamentary calendar to address many of the care and maintenance issues required to ensure the tax system works as it should. There is a ministerial commitment from 2018 to clarify certain LBTT rules, for example, that remains unaddressed because of this.

4.2.4 A priority needs to be completion of the work of the Devolved Taxes Legislation Working Group, established during the last Scottish Parliament session to improve tax processes. Its findings can help set the tone for how the Scottish Parliament approaches its scrutiny of tax policy.

#### ***4.3 Better tax processes***

4.3.1 The Chartered Institute of Taxation believes there needs to be a more strategic approach to the process of tax-policy making, for both new and existing taxes.

4.3.2 Taxes like the Workplace Parking Levy and Tourist Tax were announced with no consultation. This doesn't lead to good tax policy making, because it makes it more likely that shortcomings in the proposals will be found.

- 4.3.3 A more strategic approach is in the best interests of the long-term health of the tax system. Principles to follow include identifying the purpose and locus of the tax, consulting early and widely, ensuring that collection and compliance are easy and that consideration is given to how they interact with existing taxes.
- 4.3.4 In the case of environmental taxes, for which a long-term plan is needed, because climate change is not simply a national issue, there needs to be close co-operation between all the nations of the UK (and arguably beyond) to ensure policies are joined-up.

#### **4.4 Public understanding**

- 4.4.1 The Chartered Institute of Taxation thinks it is important that voters can access information to help them better understand Holyrood's tax powers, so they can hold their representatives accountable. However, polls conducted by the Diffley Partnership for CIOT have consistently shown a low level of awareness/understanding of Holyrood's tax powers.
- 4.4.2 Devolution provides an opportunity for Scotland to engage with and inform the public about tax. The Scottish Government's pre-pandemic work on a tax communications strategy needs to be reinstated. The Finance and Public Administration Committee may want to consider awareness issues if it revisits the 'Scottish Approach to Taxation' inquiry as recommended by its predecessor.
- 4.4.3 Other areas to help with better understanding of the tax system could include consideration of the role of the education system in promoting tax education and improved visibility of the devolved tax powers in the parliamentary calendar/cycle.

The Chartered Institute of Taxation

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