

Inquiry into the Scottish budget process in practice

Response by the Chartered Institute of Taxation

1 Introduction

- 1.1 We welcome the opportunity to respond to this inquiry into the Scottish budget process in practice, which has been published by the Finance and Public Administration Committee. Our response focuses on the budget process as part of the process of delivering effective tax policy in Scotland and improving understanding and awareness of Scottish devolved taxes. We do not provide views on the required level of taxation, nor where the burden of taxation should fall.
- 1.2 The CIOT's 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 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.

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 as 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.

3 Part One: Four objectives to the budget process

- 3.1 The Scottish Budget sets out the Scottish Government's taxation and spending plans, including how the Scottish Government intends to address fiscal and tax policy matters. One of the challenges to the effectiveness of tax policy making is the lack of a legislative vehicle that the Scottish Government can use to implement tax policy changes in an effective and efficient manner.
- 3.2 Since 2015, the CIOT and other stakeholders have suggested several key amendments to devolved tax legislation. There have been several instances where such changes to tax policy have taken a considerable length of time to resolve, sometimes years. This is because there has been of a lack of time available to introduce primary legislation into the parliamentary calendar. It is for this reason that CIOT and others have called on the Scottish Parliament and Government to consider the need for a legislative vehicle for tax changes. This could be in the form of an annual finance or tax bill, with a guaranteed slot in the parliamentary timetable for consideration. We believe this would enable the regular care and maintenance of the devolved taxes, helping to maintain the integrity of the tax system.
- 3.3 A number of representations to the Scottish Government and Scottish Parliament have been made about the shortcomings of the existing legislative procedures for tax legislation. In 2016, the then Finance and Constitution Committee established the Budget Process Review Group to carry out a fundamental review of the Scottish Parliament's budget process. The final report¹, published 30 June 2017 included the following recommendations:
 - That the Finance and Constitution Committee, Scottish Government and Revenue Scotland should explore options for alternative legislative processes for devolved tax legislation, especially where there is a need to introduce measures quickly or there is a need for minor (but nonetheless important) amendments to primary legislation;
 - The Scottish Government and Finance and Constitution Committee should examine the need for a finance bill and bring forward recommendations by the end of the current Parliament.
- 3.4 In 2018, the then Cabinet Secretary for Finance and the Constitution told the committee that "It would be nice to have a finance bill like the one at Westminster that is able to do a lot of tidying up when there might be unintended consequences and anomalies or when refinement might be required. That would be a great place for such issues to be addressed in the future." This took place during a meeting of the Finance and Constitution Committee on 7 February 2018, in respect of the agenda item concerning stage 1 of the Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Bill.
- 3.5 The Devolved Taxes Legislative Working Group (DTLWG)² was established in 2019 to take forward the recommendations of the review group. The DTLWG carefully considered the issue of how to amend primary tax legislation and issued an interim report in early 2020.³ However, the group's work was paused at the start

¹ <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2017/06/budget-process-review-group-final-report/documents/budget-process-review-group-final-report-pdf/budget-process-review-group-final-report-pdf/govscot%3Adocument/Budget%2BProcess%2BReview%2BGroup%2B-%2Bfinal%2Breport.pdf>

² <https://www.gov.scot/groups/devolved-taxes-legislation-working-group/>

³ <https://webarchive.nrscotland.gov.uk/20240327040739/https://archive2021.parliament.scot/parliamentarybusiness/CurrentCommittees/114453.aspx>

of the coronavirus pandemic and its status is currently listed as 'inactive'. Although the Scottish Government indicated its wish to see the work of the group resume, this has not yet been possible. We recognise that the issue of determining the best legislative process for tax law is a task for the Scottish Parliament, Government and wider stakeholders with an interest in tax legislation and that it is not straightforward to resolve. Nevertheless, we believe it is important that the work of the DTLWG is resumed so that the issues it identified can be addressed.

- 3.6 A recent example of tax legislation that highlights the need for a finance or tax bill is the Aggregates Tax and Devolved Taxes Administration (Scotland) Act 2024 ("the SAT Act").
- 3.7 Part 1 of the SAT Act contains the main aspects of Scottish Aggregates Tax. Part 2 however, largely consists of amendments to the Revenue Scotland and Tax Powers Act 2014, with the intention of supporting the efficient and effective collection of tax. These amendments had to be made by primary legislation and in the absence of a standalone piece of tax legislation, it was felt necessary to include these within a piece of legislation primarily concerned with the Scottish Aggregates Tax.
- 3.8 Part 2 of the SAT Act also included long awaited changes to the Land and Buildings Transaction Tax (Scotland) Act 2013. The need for these LBTT amendments were first raised by stakeholders, including CIOT in 2017. The SAT Act was the first piece of devolved tax primary legislation to pass through the Scottish Parliament since the Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Act 2018 and was used as a legislative mechanism for addressing these issues.
- 3.9 These sorts of examples highlight why an annual finance bill would remove the need for legislators to have to wait for the opportunity of using other (likely unrelated) tax legislation to bolt on wider policy changes requiring primary legislation. It would also hopefully lead to the more coherent and timely delivery of tax legislation and ensure that it is regularly reviewed and updated. Scottish taxpayers would know exactly where to find key legislative changes to devolved taxes, and this would help in improving clarity and understanding.
- 3.10 Both the 2025-26 Scottish Budget and the document Scotland's Tax Strategy include a commitment to progress the introduction of several new devolved taxes. Having a legislative mechanism to make changes to devolved taxes will become increasingly important to ensure the tax policy works as intended. It is not always possible for those drafting and scrutinising legislation to identify every possible interaction or complexity. If after introduction of a new devolved tax, anomalies, complexities or unintended consequences arise then an annual finance bill would provide a clear and transparent method to make necessary changes.
- 3.11 We welcome the commitment to renew consideration of changes to improve the legislative process for devolved taxes in Scotland's Tax Strategy, which was published alongside the 2025-26 Scottish Budget, and await further update on what this may involve and its timeframe.

4 Part Two: Medium-Term Financial Strategy (MTFS)

- 4.1 The benefits of the Medium-Term Financial Strategy are clear– it provides clear direction of travel which can inform tax policy design and provides a context to help increase public understanding of devolved tax policy. Transparency is key to understanding and building confidence in the Scottish Budget process and devolved tax policy in Scotland.
- 4.2 In a similar vein to a MTFS, Scotland's Tax Strategy had the potential to be a useful supporting document providing a 'roadmap' for devolved taxes in Scotland over a medium timeframe. This could have provided context or backbone to the Scottish Budget, increasing the effectiveness of the Scottish Budget process. However, the general sentiment appears to be that this was a missed opportunity, failing to meet expectations of a medium-term strategy. The Tax Strategy provides commitments to the end of Parliament, which may give

the perception to some that this is providing longer term direction but in reality, this is not the case with around 18 months remaining to the next election. Whilst we understand that commitments cannot be made outside the current parliamentary term, we recommend a shift to consider a medium-term focus at all points in time to, at the very least, aim for medium to longer term clarity for Scottish taxpayers.

5 Part Three: Fiscal Sustainability Delivery Plan

5.1 No comment.

6 Part Four: Approach to spending reviews

6.1 No comment.

7 Part Five: Effectiveness

7.1 It is acknowledged that more needs to be done to raise awareness of how Scotland's tax system works. Taxpayers need to be able to understand their rights and responsibilities, and this is especially true for low-income taxpayers, who may be unable to afford to pay for advice. The CIOT's Low Incomes Tax Reform Group has welcomed the Scottish Government's collaborative work on developing a tax literacy framework, which awaits publication.

7.2 We have previously raised the discussion on how to improve public understanding of Scotland's tax system⁴. The way that taxpayers across Scotland, and across the UK, interact with the tax system and obtain their information on Scottish taxes continues to change and evolve. It is important therefore that engagement around the Scottish Budget, and tax engagement in general, also evolves. This may include a willingness to try different communication methods, such as YouTube videos and social media channels.

7.3 Budget Day generates a natural peak of engagement and interest in Scottish taxes but perhaps some of these different communication strategies could be used to sustain engagement beyond Budget Day. Taxpayers don't just need the announcements on Budget Day, they need to digest and understand how these announcements will impact their own tax position in advance of and during the relevant tax year(s). Currently most of the content on the Scottish Budget is in the form of detailed PDF publications. Recently, the CIOT and LITRG were invited to give written and oral evidence to the Local Government, Housing and Planning Committee of the Scottish Parliament. Within our written submission and oral evidence, we highlighted how the Welsh Government have tried to improve council tax education through the creation of short YouTube videos and informative charts on their website. Similar ideas and pilots could be considered to increase engagement and awareness of the Scottish Budget across different parts of the population.

7.4 Whilst it is important to have detailed Budget documents and we welcome this being pinned to the front of the Scottish Government's website rather than disappearing in a long list of publications, perhaps if more manageable output is developed (discussed in point 7.3) this could be linked to from the Scottish Government's Budget web pages. This could almost create a Scottish Budget hub, with different levels of material. It would also be useful to have an Income Tax calculator which Scottish taxpayers could use to understand the impact of Budget changes.

The Chartered Institute of Taxation

26 March 2025

⁴ [051223 CIOT-ICAS paper.pdf](#)