

## Scottish Parliament Pre-Budget Scrutiny: Scotland's public finances in 2023-24: the impact of the cost of living and public service reform

### 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. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party political organisation.
- 1.2 In terms of this call for evidence, we do not put forward suggestions for particular powers for devolution or specific policy proposals. Our focus is on how Scotland's devolved tax powers are working in practice and where applicable, their interactions and relationship with UK-wide tax powers.
- 1.3 We focus our response to questions 1 and 8 in the call for evidence, as these most closely relate to our areas of interest and expertise.

#### 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.
- 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 contribute to the Finance and Public Administration's Committee's call for evidence on Scotland's public finances in 2022-23: the impact of the cost of living and public service reform. We would be pleased to provide further detail if required.

- 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 The questions

**The Scottish Government's Resource Spending Review assumes that the current taxation policies are maintained while funding for health and social care and social security is prioritised. Are these the right priorities and approach for the Scottish Budget 2023-24 and until 2026-27?**

- 4.1 Our response focuses on the part of the question dealing with taxation policy and, in particular, the maintenance of current taxation policies.

- 4.2 In respect of the other taxes in the Scottish Parliament's control, there remain a number of areas of reform that we would like to see progressed over the course of the 2021-26 parliamentary session. Firstly, we would like to see the Scottish Government progress its ongoing review of the additional dwelling supplement for Land and Buildings Transaction Tax. There also remain issues to be resolved around the proposed devolution of Air Passenger Duty (APD). Plans to devolve and replace the tax with Air Departure Tax were put on hold in 2019 amid concerns around the tax exemption for flights departing Highlands and Islands airports, so UK APD continues to be applied on flights departing Scottish airports. Clarity on whether and when these issues may be resolved would be welcomed by those with an interest in the tax.

Despite efforts at reform, there has been very little change to council tax. We note the Scottish Government's ambition to establish a working group to look at local government funding, culminating in a citizens' assembly on council tax reform, but are concerned that this means substantive reform of the tax, long-promised and supported by parties across the Scottish Parliament, is unlikely to happen in the 2021-26 parliament.

For all changes to existing taxes, it is essential that adequate time and capacity is given to ensuring that proposals can be properly scrutinised and their impacts understood by taxpayers. That is why the CIOT and others have suggested that reforms could be undertaken to the way the Scottish Parliament scrutinises tax changes<sup>1</sup>. We note a degree of cross-party support for the idea of a Scottish Finance Bill and would urge that the work of the Devolved Taxes Legislation Working Group, paused during the coronavirus pandemic, be reconvened in order to consider these matters further.

**4.3 *How has the Scottish Government reflected its commitment to fiscal transparency in the Spending Review and how can it best ensure that spending in the Budget 2023-24 can be properly identified and tracked?***

4.4 The Spending Review acknowledges the role played by the Scottish Government's Framework for Tax in determining Scotland's overall approach to tax policy making. Having a clear framework for taking forward tax policy allows for a more strategic approach to planning, managing and implementing devolved tax policy. This is to be applauded, however, given that the Framework was only published in December 2021, we are yet to see many practical changes to bring that intention into fruition.

4.5 We believe that the ambitions of the Framework for Tax to promote a more structured approach to tax policy should be accompanied by strengthened parliamentary oversight of taxation. That is why the CIOT, along with other organisations, have expressed support for an annual Scottish Finance Bill<sup>2</sup>. Such an approach would provide Scotland with a practical avenue for carrying out tax changes. It is our view that the current processes do not offer a sufficient balance between the competing needs of speed, scrutiny and responsiveness. It should therefore be a priority for the work of the Devolved Taxes Legislation Working Group to be reconvened as soon as possible. The group was set up by the Scottish Parliament, Scottish Government and included stakeholders (including the CIOT) with an interest in tax legislation. An interim report was published in early-2020 before work was halted due to the coronavirus pandemic. We welcome the commitments made by the Public Finance Minister, Tom Arthur, to ensure the group is reconvened. This would allow options for alternative legislative processes for the devolved taxes – including consideration of a Scottish Finance Bill – to be considered.

**5 Acknowledgement of submission**

5.1 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

17 August 2022

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<sup>1</sup> "Scotland's public finances in 2022-23 and the impact of COVID-19 Finance and Public Administration Committee – call for views", August 2021

<sup>2</sup> Ibid