

Scottish Taxes Update

General Features

28 January 2022

Key points from the Scottish Budget for 2022/23, published on 9 December 2021, and other tax documents published by the Scottish government, as well as from meetings with the Scottish government.

The Scottish government published its Budget for 2022/23 (tinyurl.com/y5j2zw4n) on 9 December 2021.

The Scottish government's stated intention is that the Budget delivers stability and certainty for taxpayers, offers targeted support for the retail, hospitality and leisure sectors and therefore provides a foundation for economic recovery.

While Scottish income tax rates will remain unchanged for 2022/23, the starter and basic rate bands will both increase by CPI inflation. The higher and top rate thresholds will, however, be frozen at their 2021/22 levels. There are no changes being made to the rates and bands of land and buildings transaction tax. The standard and lower rates of Scottish landfill tax will, however, increase in line with the UK and Welsh rates.

A week after the Budget, on 16 December 2021, the Scottish government published four documents related to tax matters:

- a call for evidence on the additional dwelling supplement (ADS) (tinyurl.com/2p84jv5t), which is the first stage in the review of the ADS promised by the Scottish government;
- a policy evaluation (tinyurl.com/2errzvnh) of Scottish income tax changes made in 2018/19;
- the final Framework for Tax (tinyurl.com/yf5r3akj), which sets out the principles and strategic objectives underpinning the Scottish government's approach; and
- a consultation analysis (tinyurl.com/2ytm86dz) of the pre-budget consultation on tax policy and the draft Framework for Tax.

HMRC published a report (tinyurl.com/42429y86) examining Scottish taxpayer behavioural responses to the 2018/19 changes to Scottish income tax on the same day.

Both in the period leading up to the Budget and following it, the CIOT, LITRG and ATT attended a number of meetings and roundtables on Scottish tax issues. CIOT was represented at two Ministerial roundtables – a pre-budget roundtable on Scottish tax policy chaired by Tom Arthur MSP, Minister for Public Finance, Planning and Community Wealth, and a roundtable on the Fiscal Framework Review chaired by Kate Forbes MSP, Cabinet Secretary for Finance and the Economy. At each roundtable, stakeholders were given a few minutes to provide their thoughts on three specific questions, before the sessions opened up into discussion.

There was a meeting between the professional bodies, including CIOT, LITRG and ATT, and the Scottish government following the publication of the Scottish Budget for 2022/23. The Scottish government thanked us for our pre-Budget engagement and responses to the pre-Budget consultation. There was discussion about the Budget announcements and the Scottish Fiscal Commission's forecasts. Scottish government officials discussed the final Framework for Tax, and confirmed that a few changes had been made following suggestions from stakeholders. For example, CIOT and LITRG had recommended that the document should set out the roles of the different actors in the Scottish tax system, and also that the principle of avoidance should be reframed as effectiveness. Scottish government has taken up both of these suggestions.