

Draft Scotland Bill 2015 clauses

Technical

Employment Tax

Indirect Tax

01 May 2015

The CIOT and LITRG have submitted responses to the UK government's command paper Scotland in the United Kingdom: an enduring settlement and the draft Scotland Bill 2015 clauses that it contains.

The CIOT submission concentrates on part 2, concerning tax. We agree that the draft clauses will broadly achieve the objectives of devolving certain tax powers, but point out that the design of the fiscal framework (not included in the draft clauses) and the decisions on block grant adjustments will be key in terms of ensuring transparency and accountability.

The Scottish government has committed itself to a tax system that has regard to Adam Smith's principles of certainty, the burden proportionate to the ability to pay, convenience and efficiency of collection. The CIOT response draws attention to the principles, and calls for due regard to be given to them in taking forward devolution.

We draw attention to the difficulty in obtaining a clear understanding of the proposed draft clauses in relation to income tax – due to the necessity of considering provisions of the Scotland Act 1998, as amended by the Scotland Act 2012 and the Finance Act 2014, before final amendment by the proposed draft clauses. This situation would be improved somewhat if it was possible to view a consolidated picture of the legislation on www.legislation.gov.uk

The response also considers the issue of inter-governmental working. We emphasise the importance of strong inter-governmental working in tax – this should extend from high-level government working right through to effective liaison between HMRC and Revenue Scotland.

The LITRG's response considers parts 2 and 3 of the command paper, covering tax and welfare, and uses the submission to stress the importance of taking a holistic view of the tax and welfare systems. In devolving further tax and welfare powers to Scotland, LITRG believes the taxpayer and claimant should be at the forefront of

considerations. It should be straightforward for taxpayers and benefits claimants to deal with the tax and benefits systems and it should be clear which governmental department they need to deal with in respect of a particular tax or benefit. In this regard, LITRG welcomes the fact that HMRC will continue to administer all income tax, both Scottish and rest of UK.

LITRG notes that Scottish individuals will face a more complex system than those in the rest of the UK (albeit less complex than originally anticipated due to the proposed introduction of the personal savings allowance from April 2016). This means that it is even more essential that HMRC take steps to make people aware of reliefs, allowances and deductions to which they are entitled and also ensure that the processes for claiming them are simple to use.

In terms of welfare devolution, LITRG recognises that devolution can bring advantages. For example, it can be easier to meet individual needs and circumstances at a local level. The response also notes potential disadvantages, including confusion among claimants, particularly when moving from one area to another, and the difficulty for central government in understanding the impact of national changes on individuals at a local level. Devolution of some aspects of welfare could have a negative effect on the transparency of the tax and welfare systems. This means that good joint-working is essential at various levels.

LITRG's response ends by sounding a note of caution. It is important that the tax and welfare systems work well together in the best interests of individual taxpayers and claimants. In the future, low-income taxpayers may find themselves having to deal with two tax authorities (HMRC and Revenue Scotland), at least one welfare authority (the DWP) and at least one local council in order to manage their tax and welfare affairs. LITRG recommends that there should be one port of call for queries to ensure that taxpayers are not passed from pillar to post.

The CIOT's response is available on the [CIOT website](#).

LITRG's response is available on the [LITRG website](#).