

Devolved Taxes Account



Revenue Scotland

Annual Report and Accounts

for the year ended 31 March 2023



Revenue Scotland is a Non-Ministerial Office of the Scottish Administration Laid before the Scottish Parliament by Revenue Scotland in pursuance of the Revenue Scotland and Tax Powers Act 2014 in November 2023.

Annual accounts authorised for issue on

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RS/2023/02



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Foreword



Foreword

Welcome to the Revenue Scotland *Annual Report and Accounts for the Devolved Taxes for 2022-23*.

Revenue Scotland is responsible for the collection and management of Scotland's devolved taxes – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). Amounts received from the collection of the devolved taxes, less any permitted deductions, are paid into the Scottish Consolidated Fund in accordance with the [Revenue Scotland and Tax Powers Act 2014 \(RSTPA\)](#).

Revenue Scotland was established by the RSTPA which also sets out the legislative framework for the wholly devolved taxes in Scotland.

As a Non-Ministerial Office, Revenue Scotland is part of the Scottish Administration but is directly accountable to the Scottish Parliament to ensure the administration of tax is independent, fair and impartial.

Revenue Scotland delegates some of its legislative functions for the collection of SLfT to the Scottish Environment Protection Agency (SEPA). This includes the regulatory functions of [the Scottish Landfill Communities Fund \(SLCF\)](#) – a tax credit scheme available to landfill operators.

The Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenues in line with the [Fiscal Framework](#).¹ Revenue Scotland provides statistical information about the taxes it collects.²

This document sets out the financial information about the devolved taxes required under the terms of the [Accounts Direction](#) issued by Scottish Ministers.

A separate document, the Annual Report and Accounts for the Resource Accounts for 2022-23, provides detailed commentary on the performance of Revenue Scotland in delivering its statutory functions.

This document includes Revenue Scotland's corporate governance arrangements and reporting for the Devolved Taxes Account, audit and risk arrangements, the Independent Auditor's report and the Financial Statements for the Devolved Taxes Account.

1 The Scottish Government Fiscal Framework governs how the Scottish Government is funded by the powers set out in the Scotland Act 2016 – <http://www.gov.scot/Topics/Government/Finance/fiscal-framework>

2 <https://www.revenue.scot/about-us/publications/statistics>



Foreword

Summary of Devolved Tax Revenue

These financial statements report revenue of £960m (2021-22: £934m).

| | 2022-23 Tax, penalties & interest receivable Total £000 | 2022-23 Budget Act Estimates Total £'000 | 2021-22 Tax, penalties & interest receivable Total £000 |
|----------------------------------|---|--|---|
| Land & Buildings Transaction Tax | 847,836 | 749,000 | 807,183 |
| Scottish Landfill Tax | 109,699 | 101,000 | 125,248 |
| Penalties & interest | 2,797 | 0 | 1,245 |
| Total | 960,332 | 850,000 | 933,676 |

The values in the table above are for tax returns and amendments submitted during 2022-23 and for LBTT & SLfT returns received during April and May 2023 which relate to the period up to 31 March 2023. The returns submitted during 2022-23 may include adjustments to returns originally submitted in earlier years. However, unless these adjustments were accrued into the financial statements of the relevant year, these are accounted for in the year of receipt.

The LBTT tax revenue raised in 2022-23 is dependent on the performance of both residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2022-23 is dependent on categories and tonnage of waste deposited in landfill sites in Scotland.

Revenue Scotland is not responsible for the forecasting of expected tax revenues. The Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenue and provided the forecast for the Budget (Scotland) Act 2022-23. The Budget (Scotland) Act 2022-23 estimates were included in Scotland's Economic and Fiscal Forecasts published in December 2021.





Accountability Report



Accountability Report

Corporate Governance Report

Statement of the Accountable Officer's responsibilities

Under section 19(4) of the [Public Finance and Accountability \(Scotland\) Act 2000](#), Scottish Ministers have directed Revenue Scotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Revenue Scotland and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRM) and in particular to:

- ▶ observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ▶ make judgements and estimates on a reasonable basis
- ▶ state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- ▶ prepare the financial statements on a going concern basis
- ▶ confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Permanent Secretary of the Scottish Government (SG), who is the Principal Accountable Officer for the Scottish Administration has designated, in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000, the Chief Executive of Revenue Scotland as Accountable Officer for Revenue Scotland.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding the Revenue Scotland's assets, are set out in the [Scottish Public Finance Manual](#).

The Accountable Officer may consult with the SG Chief Financial Officer (CFO) on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the CFO on any action which they consider is inconsistent with their duties on financial, regulatory or propriety grounds, and specifically where they seek written authority from the Scottish Ministers or a direction from the Board of Revenue Scotland. In practice, the Chief Executive will delegate authority widely to other employees of Revenue Scotland but cannot, on that account, disclaim responsibility. The Chief Executive is responsible for informing the Principal Accountable Officer about any complaints about Revenue Scotland accepted by the Scottish Public Services Ombudsman (SPSO) for investigation and about the response to any subsequent recommendations from the SPSO.



Accountability Report

Corporate Governance Report

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Revenue Scotland's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

In the paragraphs below, I report on the governance arrangements in place within Revenue Scotland.

Governance Framework

Revenue Scotland is responsible for the administration and collection of Scotland's wholly devolved taxes. The relevant powers and duties of Revenue Scotland, and of the Scottish Ministers are set out in the Revenue Scotland and Tax Powers Act 2014.

Scottish Ministers are responsible for appointing the Board of Revenue Scotland following a public appointment exercise, regulated by the Commissioner for Ethical Standards in Public Life in Scotland.

Ministers must not direct, or otherwise seek to control Revenue Scotland in the exercise of its functions but they may give guidance. This guidance must be published and laid before the Scottish Parliament unless Ministers consider that to do so would prejudice the effective exercise by Revenue Scotland of its functions. Scottish Ministers are responsible for setting rates, bands and thresholds relating to the devolved taxes, subject to the approval of the Scottish Parliament.

The Board of Revenue Scotland is collectively responsible for the leadership and direction of the organisation and for ensuring that it carries out its statutory functions effectively and efficiently. It may delegate any of its functions to an individual Board member, a committee of the Board, the Chief Executive, or any other staff member, but it will retain its responsibility for carrying out its function.

As the Chief Executive of Revenue Scotland, I am employed by, and accountable to, the Board of Revenue Scotland for the day-to-day running of the organisation and its operational performance. In this role I seek assurance that appropriate controls are in place across the organisation, and in respect of the partners whom we rely on to support us in delivering our objectives, and I can confirm that these have been in operation during 2022-23 and to the date of signing these accounts.

I am supported by the Senior Leadership Team (SLT), who oversee the day-to-day business of Revenue Scotland, with each member taking responsibility for a specific area. The SLT is made up of the Chief Executive, the Head of Tax, the Head of Corporate Functions and the Head of Legal Services.



Accountability Report

Corporate Governance Report

Operation of the Board and committees

The Board is responsible for the functions and powers of Revenue Scotland and delegates authority to staff through a [Scheme of Internal Delegation](#). The Board sets the strategic direction for the organisation, oversees Revenue Scotland's work and monitors performance including the design and operation of risk and governance frameworks. They do this through scrutiny and, where appropriate, approval of:

- ▶ corporate plans and business plans
- ▶ key strategies and policies
- ▶ regular reports, including reports relating to risk management, performance, tax compliance, business continuity, staff, health and safety, and changes in the devolved taxes
- ▶ scrutiny of the Annual Reports and Accounts
- ▶ reports from the Audit and Risk and Staffing and Equalities Committees
- ▶ strategic engagement with key partners and customers.

I can report that during 2022-23 the Board met on seven occasions including a strategy meeting (2021-22: eight). During this time the Board scrutinised and considered a number of specific matters including:

- ▶ decisions relating to the Scottish Landfill Communities Fund
- ▶ oversight of Revenue Scotland's review of its future operating model and approach to hybrid working
- ▶ oversight of tax and litigation cases and the implications for the organisation following the outcome

- ▶ strategic oversight of the development of our Tax Settlement and Litigation Principles
- ▶ reviewing the terms of reference for the Staffing and Equalities Committee to ensure that it continues to meet the needs
- ▶ approval of revisions to governance documents including the Scheme of Internal Delegation and the Code of Conduct for Revenue Scotland Board members.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability and integrity of the assurances produced in support of the financial statements. The terms of reference of the committee are published on Revenue Scotland's website within the Board's [standing orders](#).

The committee fulfils its role through:

- ▶ scrutiny of risk management arrangements
- ▶ regular liaison with internal and external audit and scrutiny of their plans and reports
- ▶ considering and monitoring of responses to recommendations from internal and external auditors and other bodies
- ▶ review of the certificates of assurance produced by management as part of the financial reporting process and the Chief Executive's governance statement, and
- ▶ overseeing the financial reporting process.



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Members of the committee during 2022-23 were Martin McEwen (Chair), Simon Cunningham and Robert MacIntosh. Lynn Bradley served until June 2022.

The committee is also attended by the Chief Executive, Head of Corporate Functions, Head of Legal Services, Head of Tax, Head of Governance, the Chief Accountant and representatives of internal and external audit as well as other staff as required.

I can report that during 2022-23 the committee met seven times (2021-22: five).

The committee reviewed its effectiveness, using the checklist set out in the Scottish Government's Audit Committee Handbook, in early 2023-24 and found no issues of concern which could affect its normal function.

Staff and Equalities Committee

The Staffing and Equalities Committee advises and provides assurance to the Revenue Scotland Board and Accountable Officer on issues relating to: people; equality, diversity and inclusion; and health, safety and wellbeing.

During 2022-23 the Revenue Scotland Board reviewed the operation of the committee and agreed to pilot changes during 2023-24 aimed at ensuring a more strategic focus for the committee.

The terms of reference for the committee are published on Revenue Scotland's website within the Board's [Standing Orders](#).

The committee comprised three Board members during 2022-23; Jean Lindsay (Chair), Idong Usoro and Ken Macintosh. John Whiting served until June 2022. Staff attendees comprise the Chief Executive, Head of Corporate Functions, Head of Legal Services, Head of Tax, Head of People Services and Head of Governance. Further staff members attend as required.

I can report that during 2022-23 the committee met three times (2021-22: three) and engaged in a number of relevant matters including supporting the development and scrutiny of:

- ▶ the People Strategy and subsequent action plan
- ▶ workforce planning
- ▶ health, safety and wellbeing
- ▶ equality and diversity.



Accountability Report

Corporate Governance Report

Assurances provided to the Chief Executive

I have received written assurances from members of my Heads of Service who have responsibility for the operation and effectiveness of internal controls within the Tax, Legal and Corporate Functions teams. No significant matters were identified through this process.

The 2021-22 report highlighted the need to continue to strengthen health and safety systems within Revenue Scotland. I am pleased to report that progress has been made over the last year, particularly in respect of the arrangements for landfill site visits. At the time of writing, I am pleased to report that landfill site visits by Revenue Scotland staff are now able to resume. As we look ahead to the Scottish Aggregates Tax coming on stream, we are committed to further strengthening our health and safety controls as we become exposed to an additional high risk industry. We recognise the importance of proactively addressing potential risks and ensuring compliance with regulatory requirements in order to provide a safe system of work for our staff.

I have received assurance from the Accountable Officer of the Scottish Environment Protection Agency (SEPA) in respect of the statutory functions delegated to them by Revenue Scotland. No significant issues were raised with me as part of this process.

For those services for which Revenue Scotland receives from the Scottish Government, I have received assurance from the Scottish Government's Chief Financial Officer in respect of financial systems, the Scottish Government's Director for People in respect of Human Resources (HR) services

and payroll systems shared with Revenue Scotland and from the Scottish Government's Director of Digital, in respect of digital corporate services shared with Revenue Scotland. No significant issues were raised with me as part of these.

In conclusion, I can confirm that, based on the aforementioned written assurances received, there were no significant control weaknesses identified in the period under review.

Report on personal data incidents

Revenue Scotland manages, maintains and protects all information according to the requirements of relevant legislation, its own information policies and best practice.

Revenue Scotland has an Information Assurance governance structure which prioritises and manages information risks.

The governance structure:

- ▶ protects the organisation, its staff and our taxpayers from information risks where the likelihood of occurrence and the consequences are significant
- ▶ ensures adherence with statutory duties and
- ▶ assists in safeguarding Revenue Scotland's information assets.

Revenue Scotland has a Senior Information Risk Owner (SIRO) and a number of Information Asset Owners (IAOs), who provide assurance to the SIRO that proper controls are in place. The SIRO role is to ensure information security policies and procedures are fit for purpose and are reviewed and implemented across all of Revenue Scotland's business functions.



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Corporate Governance Report

The IAOs are tasked with ensuring compliance with statutory duties, knowing what information assets they 'own' and what information they handle, along with the relevant security requirements, sensitivity, importance and protocols for sharing of information assets.

During the course of the year, there were eight issues relating to minor data losses which were reported and dealt with internally. The losses were resolved quickly and mitigations put in place. None of the losses met the threshold of being reportable to the Information Commissioner's Office. There were no security incidents involving any physical losses such as paper files or laptops.

Parliamentary scrutiny

As a Non-Ministerial Office, Revenue Scotland is accountable to the Scottish Parliament and, as such, can be called to appear before parliamentary committees to provide updates on operational matters, give evidence on tax related matters or provide written statements.

Revenue Scotland's Corporate Plan, supporting legislation and this Annual Report are published documents. The Corporate Plan 2021-24, on which this document reports, was approved by Scottish Ministers and laid before the Scottish Parliament in November 2021 and this report will be laid before Parliament in November 2023.

Corporate plans, all annual reports and accounts and minutes of Revenue Scotland Board meetings are available on our [website](#).

Internal Audit

The Scottish Government's Directorate for Internal Audit and Assurance (DIAA) provide Revenue Scotland's internal audit service.

DIAA produce an annual audit plan which is reviewed by the Audit and Risk Committee, who provide advice on the plan to the Board and the Accountable Officer. Regular updates on progress against the audit plan are presented by DIAA to the Audit and Risk Committee's meetings.

During the year, DIAA completed audits on the following:

- ▶ The review of Equalities and Diversity evaluated Revenue Scotland's approach to embedding consideration of equality and diversity as part of strategic and operational decision-making. An upper-end of 'reasonable' assurance rating was awarded. The report indicated that Revenue Scotland was well placed to achieve its ambition to fully embed consideration of equality and diversity throughout its decision-making. Areas of improvement were identified which will: help ensure that a greater focus given at the strategic level; that effort is focused on areas of greatest impact and need; and that communications around outcomes are targeted those who will benefit most.



Accountability Report

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- ▶ The review of Litigation Decisions considered Revenue Scotland's processes and governance around taking and responding to litigation decisions. An upper-end of 'reasonable' assurance rating was awarded. The report concluded that the organisation had developed an effective approach to litigation decisions. Areas for further improvement were identified to: further formalise the process and bring greater clarity and transparency to support those involved; build in resilience and scalability; and identify further opportunities to enhance processes.
- ▶ The review of Revenue Scotland's Hybrid Working Pilot examined whether the organisation's approach to considering and piloting hybrid working supports conclusions reached regarding next steps in moving out of the pilot and into business as usual. A 'Substantial' assurance rating was awarded in respect of this review. The report supported the approach that had been taken, which was seen to reflect good practice, and the conclusions reached regarding the next steps in moving out of the pilot and into the next stage.

In addition, a follow-up review was conducted in respect of the 2021-22 Review of Capability and Capacity. This review considered the work that had been undertaken to better understand Revenue Scotland's organisational capacity and to better understand what is optimum for the organisation. The review concluded further work was required and commended the good progress that had been made in researching available data and understanding the approaches taken in other organisations.

The overall annual assessment of Revenue Scotland's internal controls provided by DIAA is 'Substantial'. This means that DIAA continues to view Revenue Scotland's risk, governance and control procedures to be effective in supporting the delivery of its objectives.

This is the third year running that Revenue Scotland has achieved such a rating and is a huge achievement for the organisation. This rating is testament to the importance placed on ensuring that risk, governance and control procedures are effective and continually reviewed and improved.

DIAA noted that their work consistently obtains evidence of a strong culture and 'tone from the top' regarding the maintenance of control over key processes and embedding effective governance. They also welcomed the action that had taken place to build in further resilience to staff turnover, which was an issue identified in their previous annual assurance report.

Members of the both the Board and the Audit and Risk Committee are delighted with this achievement and are committed to ensuring that this high standard is maintained in future years.



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External Audit

External Audit is provided by Audit Scotland. Pauline Gillen, Audit Director is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Revenue Scotland and the devolved taxes. During the year, the Audit and Risk Committee scrutinised Audit Scotland's audit plan and received regular updates from them. The Independent Auditor's Report can be found on page 17.

As part of the 2021-22 audit undertaken by Audit Scotland, two matters were highlighted for attention, namely:

| Issue | Risk | Action taken |
|------------------------------|---|--|
| Contingent assets: Deferrals | Contingent assets may be overstated | The process was revised to ensure reviews are conducted on time and properly evidenced |
| Payables controls | Devolved tax payables balance could be overstated | Investigation of historical credit balances was undertaken while developing internal processes for corrections |

Audit Scotland has reviewed these during their audit of 2022-23 and reported its conclusions in its Annual Audit Report 2022-23. Audit Scotland identified a small number of control weaknesses during the audit. These related to:

- one instance of a lack of evidence authorising the creation of a new user account on SETS;
- no regular account management meetings with the supplier of the tax finance system.

Arrangements have been put in place to correct these weaknesses.



Accountability Report

Corporate Governance Report

Assessment of corporate governance

Revenue Scotland has in place a system of internal controls and policies which are designed to safeguard its assets, data and ensure the reliability of financial records in relation to operational and tax duties.

I have ensured that these controls have been subject to review by management on a regular basis. This has been facilitated through the implementation of a new assurance mapping process which was developed during the year and included a detailed review of all of our internal controls. As part of this process, controls will be reviewed monthly alongside our key corporate risks.

Our internal controls also undergo formal review by both Internal and External Audit, whose reports are made available to the Audit and Risk Committee. Having assessed our corporate governance arrangements, I confirm that they comply with generally accepted best practice principles and relevant guidance.

Risk management

I have assessed our risk management arrangements and confirm that they are in accordance with the guidance set out in the Scottish Public Finance Manual. The year-end Certificates of Assurance include a dedicated section assessing the effectiveness of Revenue Scotland's risk management approach over the year and no significant control matters were raised. This, alongside the assessment of risk throughout the year, contributes to my overall confidence assessment offered; further confirming that robust arrangements and practices were in operation throughout 2022-23. I was also delighted to receive a 'substantial' assurance rating from our internal auditors for the third consecutive year in respect of our risk, control and governance procedures, confirming my assessment.

Elaine Lorimer – Chief Executive and Accountable Officer of Revenue Scotland





Independent Auditor's Report

Independent Auditor's report to
the Auditor General for Scotland
and the Scottish Parliament



Independent Auditor's report to the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the Revenue Scotland Devolved Taxes Account for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- ▶ give a true and fair view of the state of affairs of the account as at 31 March 2023 and of the net revenue for the year then ended;
- ▶ have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- ▶ have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the account in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the account. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Independent Auditor's report to the Auditor General for Scotland and the Scottish Parliament

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the account's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the account's current or future financial sustainability. However, I report on the account's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the account's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.



Independent Auditor's report to the Auditor General for Scotland and the Scottish Parliament

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- ▶ using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the account;
- ▶ inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the account;
- ▶ inquiring of the Accountable Officer concerning the account's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- ▶ discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- ▶ considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the account's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.



Independent Auditor's report to the Auditor General for Scotland and the Scottish Parliament

Reporting on other requirements

Other information

The Accountable Officer is responsible for the other information in the Revenue Scotland Devolved Taxes Account. The other information comprises the Foreword and the Accountability Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Foreword and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Foreword and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- ▶ the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.



Independent Auditor's report to the Auditor General for Scotland and the Scottish Parliament

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- ▶ adequate accounting records have not been kept; or
- ▶ the financial statements are not in agreement with the accounting records; or
- ▶ I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pauline Gillen
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT





Devolved Taxes Account 2022-23: Financial Statements



Devolved Taxes Account 2022-23

Financial Statements

Statement of Revenue and Expenditure

For the Year Ended 31 March 2023

| | Note | 2022-23 £000 | 2021-22 £000 |
|---|------|-----------------|-----------------|
| Revenue | | | |
| Taxes | | | |
| Land and Buildings Transaction tax | 2.1 | 847,836 | 807,183 |
| Scottish Landfill tax | 2.1 | 109,699 | 125,248 |
| Total taxes | | 957,535 | 932,431 |
| Penalties and Interest | | | |
| Penalties | 2.2 | 2,065 | 1,135 |
| Interest | 2.2 | 732 | 110 |
| Total penalties and interest | | 2,797 | 1,245 |
| Total Revenue | | 960,332 | 933,676 |
| Expenditure | | | |
| Interest paid | 3.1 | (349) | (193) |
| Decrease/(Increase) in impairments | 3.2 | 224 | 685 |
| Debts written off | 3.2 | (7) | (28) |
| Total expenditure | | (132) | 464 |
| Net revenue for the Scottish Consolidated Fund | | 960,200 | 934,140 |

There were no recognised gains or losses accounted for outside the Statement of Revenue and Expenditure.

The notes on [pages 27-41](#) form part of these financial statements.



Devolved Taxes Account 2022-23

Financial Statements

Statement of Financial Position

as at 31 March 2023

| | Note | 2022-23 £000 | 2021-22 £000 |
|--|----------|-----------------|-----------------|
| Current assets | | | |
| Receivables | 4.1 | 17,915 | 12,745 |
| Accrued revenue receivable | 4.1 | 45,354 | 42,012 |
| Cash | 5 | 61,935 | 66,696 |
| Total current assets | | 125,204 | 121,453 |
| Current liabilities | | | |
| Payables and on account balances | 6 | (3,895) | (5,497) |
| Total current liabilities | | (3,895) | (5,497) |
| Net current assets | | 121,309 | 115,956 |
| Total assets less current liabilities | | 121,309 | 115,956 |
| Total net assets | | 121,309 | 115,956 |
| Represented by: | | | |
| Balance due to the Scottish Consolidated Fund | 7 | 121,309 | 115,956 |

The notes on [pages 27-41](#) form part of these financial statements.

The Chief Executive and Accountable Officer of Revenue Scotland authorised these financial statements for issue on

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer



Devolved Taxes Account 2022-23

Financial Statements

Statement of Cash Flows

For the year ended 31 March 2023

| | Note | 2022-23 £000 | 2021-22 £000 |
|---|------|-----------------|-----------------|
| Net cash flow from operating activities | | 950,086 | 934,086 |
| Cash paid to Scottish Consolidated Fund | 7 | (954,847) | (874,153) |
| (Decrease)/Increase in cash in this period | | (4,761) | 59,933 |
| Notes to the Statement of Cash Flows | | | |
| A Reconciliation of net cash flow to movement in net funds | | | |
| Net revenue for the Scottish Consolidated Fund | SoRE | 960,200 | 934,140 |
| Decrease/(Increase) in non cash assets | | (8,512) | 122 |
| (Decrease)/Increase in liabilities | | (1,602) | (176) |
| Net cash flow from operating activities | | 950,086 | 934,086 |
| B Analysis of changes in net funds | | | |
| (Decrease)/Increase in cash in this period | | (4,761) | 59,933 |
| Net funds at 1 April | | 66,696 | 6,763 |
| Net funds at 31 March | 5 | 61,935 | 66,696 |

The notes on [pages 27-41](#) form part of these financial statements.





Notes to the Accounts



Devolved Taxes Account 2022-23

Notes to the Accounts

1. Statement of accounting policies

1.1 Basis of accounting

In accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FRoM), issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained within these statements are those flows of funds which Revenue Scotland handles on behalf of the Scottish Consolidated Fund and where it is acting as agent rather than principal.

The Devolved Taxes Account have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

1.2 Accounting convention

The Devolved Taxes Account have been prepared in accordance with the historical cost convention. Taxes (including repayments) are accounted for on an accruals basis and where necessary, estimation techniques have been selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying accounting policies. For the Devolved Taxes Account the significant assumptions and estimates are set out in the accounting policies and/or notes to the accounts. The 31st May has been used as the cut-off point for accrual purposes.



Devolved Taxes Account 2022-23

Notes to the Accounts

1.3 New accounting standards

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, changes to International Financial Reporting Standards (IFRS) that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. There are no updates to the standards that are considered to be relevant to Revenue Scotland's Devolved Taxes Account.

1.4 The tax gap

The tax gap is not recognised in the Devolved Taxes Account. The tax gap is the difference between the amount of tax that should, in theory, be collected by Revenue Scotland (the theoretical liability), against what is actually collected. The theoretical liability represents the tax that would have been paid if all individuals and companies complied with both the letter of the law and Revenue Scotland's interpretation of the intention of the Scottish Parliament in setting law (referred to as the spirit of the law). Revenue Scotland undertakes compliance work in order to limit the tax gap.

1.5 Financial instruments

Revenue Scotland collects tax revenue on behalf of the Scottish Ministers for the Scottish Consolidated Fund, therefore financial instruments play a limited role in creating and managing risk. The only financial instruments within the accounts are financial assets in the form of receivables and financial liabilities in the form of payables.

1.6 Revenue recognition – Taxation

Taxes are measured in accordance with IFRS 15: Revenue from Contracts with Customers. They are measured at the fair value of amounts received or receivable, net of repayments. Revenue is recognised when:

- ▶ A taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Scottish Consolidated Fund. A taxable event therefore occurs when a liability arises to pay a tax.

Repayments of Additional Dwelling Supplement are recognised when the taxpayer or agent submits a claim for repayment creating an obligating event, and the sale of the previous main residence falls within the reported financial year or earlier.



Devolved Taxes Account 2022-23

Notes to the Accounts

1.7 Revenue recognition – Penalties and Interest

Penalties and interest are measured in accordance with IFRS 15. They are measured at the fair value of amounts received or receivable. Revenue is recognised when:

- ▶ A penalty or interest charge is validly imposed and an obligation to pay arises.

Penalty and interest revenue is de-recognised:

- ▶ When a penalty is cancelled following the correction of a tax return arising from a minor error by the taxpayer or agent;
- ▶ Where a penalty is cancelled following a review by Revenue Scotland; and
- ▶ Where a taxpayer's appeal against the penalty is upheld by the Scottish Tribunals.

Where penalty and interest revenue has been previously recognised and is later deemed uncollectable for reasons other than those shown above, this is recorded as an expense at the date of the decision.

1.8 Contingent assets

IAS 37: **Provisions, Contingent Liabilities and Contingent Assets**, defines a Contingent Asset as a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. Contingent assets often cannot be reliably quantified; where values can be determined these have been provided.

Contingent assets are not recognised within the Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as notes within Revenue Scotland's accounts.

1.9 Contingent liabilities

IAS 37: **Provisions, Contingent Liabilities and Contingent Assets**, defines a Contingent Liability as a possible liability, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. Contingent liabilities often cannot be reliably quantified; where values can be determined these have been provided.

Contingent liabilities are not recognised within the Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as notes within Revenue Scotland's accounts.

1.10 Receivables

Revenue Scotland determines impairments in accordance with IFRS 9: Financial Instruments. Impairments have been measured by applying the credit loss model set out in IFRS 9. The impairment model in IFRS 9 is based on the premise of providing for expected losses utilising available information and considering the probability of collection.



Devolved Taxes Account 2022-23

Notes to the Accounts

2. Revenue and other income

2.1 Taxes

| | 2022-23 £000 | 2021-22 £000 |
|---|-----------------|-----------------|
| Land & Buildings Transaction Tax | | |
| Residential | 464,904 | 418,390 |
| Non-residential | 220,036 | 248,043 |
| Additional Dwelling Supplement (ADS) | 211,369 | 192,677 |
| Repayment of ADS | (48,473) | (51,927) |
| Total Land & Buildings Transaction Tax | 847,836 | 807,183 |
| Scottish Landfill Tax | 109,699 | 125,248 |
| Total | 957,535 | 932,431 |

Land and Buildings Transaction Tax is payable on the acquisition of a chargeable interest in, or over, land in Scotland.

Additional Dwelling Supplement (ADS) is payable on the purchase of additional residential properties in Scotland. It is repayable where the taxpayer's previous main residence is sold within 18 months of the purchase of the additional property. Under the Coronavirus (Scotland) (No.2) Act 2020, for buyers that entered into transactions with effective dates between 24 September 2018 and 24 March 2020 the 18-month period in which some buyers can dispose of a previous main residence and still be eligible for a repayment of the ADS was increased to 36 months rather than 18 months.

Scottish Landfill Tax is payable on disposals of waste material in Scotland made by way of landfill.



Devolved Taxes Account 2022-23

Notes to the Accounts

2.2 Penalties and interest

| | Year of Offence | Penalty £000 | 2022-23 Interest £000 | Total £000 | Penalty £000 | 2021-22 Interest £000 | Total £000 |
|---|-----------------|-----------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
| Land and Buildings Transaction Tax | 2022-23 | 534 | 47 | 581 | 0 | 0 | 0 |
| | 2021-22 | 490 | 48 | 538 | 420 | 21 | 441 |
| | 2020-21 | 225 | 33 | 258 | 546 | 23 | 569 |
| | Pre 2020 | 518 | 166 | 684 | 116 | 57 | 173 |
| | Total | 1,767 | 294 | 2,061 | 1,082 | 101 | 1,183 |
| Scottish Landfill Tax | 2022-23 | 176 | 39 | 215 | 0 | 0 | 0 |
| | 2021-22 | -1 | 76 | 75 | 28 | 3 | 31 |
| | 2020-21 | -1 | 0 | -1 | 0 | 4 | 4 |
| | Pre 2020 | 124 | 323 | 447 | 25 | 2 | 27 |
| | Total | 298 | 438 | 736 | 53 | 9 | 62 |
| Total penalties & interest | | 2,065 | 732 | 2,797 | 1,135 | 110 | 1,245 |

Penalties are charged on the late receipt of tax returns, late payments or other reasons permitted under the RSTPA. Penalties are recognised when a penalty notice has been issued to the taxpayer.

Interest is charged on the late payment of tax returns or penalties.



Devolved Taxes Account 2022-23

Notes to the Accounts

3. Expenditure

3.1 Interest paid

| | 2022-23 £000 | 2021-22 £000 |
|----------------------------------|-----------------|-----------------|
| Land & Buildings Transaction Tax | 347 | 196 |
| Scottish Landfill Tax | 2 | (3) |
| Total Interest paid | 349 | 193 |

Interest payable by Revenue Scotland on the repayment of any tax or penalties.

3.2 Revenue losses and gains

| | Debts written off £000 | Increase/ (decrease) in impairments £000 | 2022-23 Total £000 | 2021-22 Total £000 |
|-------------------------------------|------------------------------|--|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 7 | (217) | (210) | (650) |
| Scottish Landfill Tax | 0 | (7) | (7) | (7) |
| Total | 7 | (224) | (217) | (657) |

Revenue losses and gains are made up of revenue write-offs and the movement in the impairment of receivables (further information can be found in Note 4.2 Change to impairments).

Debts written off are amounts that, after all reasonable action has been taken and following careful appraisal, have been considered to be irrecoverable.

Impairment reflects the prospects of recovery in relation to debt recovery action.



Devolved Taxes Account 2022-23

Notes to the Accounts

4. Receivables

4.1 Amounts due:

| | Receivables £000 | Accrued Revenue Receivable £000 | 2022-23 Total £000 | 2021-22 Total £000 |
|------------------------------------|---------------------|--|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 16,002 | 21,466 | 37,468 | 27,150 |
| Scottish Landfill Tax | 3,890 | 23,888 | 27,778 | 29,808 |
| Totals before impairments | 19,892 | 45,354 | 65,246 | 56,958 |
| Less impairments (see note 4.2) | (1,977) | 0 | (1,977) | (2,201) |
| Total | 17,915 | 45,354 | 63,269 | 54,757 |

Receivables represents taxpayer liabilities where a liability has been assessed and not paid at the balance sheet date, including amounts due from those on whom financial penalties have been imposed prior to the balance sheet date, but not paid at that date.

Accrued Revenue Receivable represents taxpayer liabilities which relate to the financial year but for which the liability had not been assessed as at the balance sheet date. These may include estimates made by Revenue Scotland of those activities.

4.2 Change to impairments

| | LBTT £000 | SLFT £000 | 2022-23 Total £000 | 2021-22 Total £000 |
|---|--------------|--------------|--------------------------|--------------------------|
| Balance at 1 April | 2,194 | 7 | 2,201 | 2,886 |
| Change in estimated value of impairments | (217) | (7) | (224) | (685) |
| Balance at 31 March | 1,977 | 0 | 1,977 | 2,201 |

Impairments are debts which are currently being pursued but which are considered likely to be irrecoverable in the longer term. Receivables in the Statement of Financial Position are reported after the deduction of the estimated value of impairments. The estimate is based on a number of factors including where legal action has been initiated.



Devolved Taxes Account 2022-23

Notes to the Accounts

5. Cash

| | 2022-23 Total £000 | 2021-22 Total £000 |
|----------------------------|--------------------------|--------------------------|
| Government Banking Service | 61,560 | 66,527 |
| Commercial Bank | 375 | 169 |
| Total | 61,935 | 66,696 |

Cleared funds are paid over to the Scottish Consolidated Fund on a monthly basis in arrears. The above balances represent funds received from taxpayers which had not been paid over to the Scottish Consolidated Fund as at 31 March 2023 and which were paid over during 2023-24.

6. Payables and on account balances

| | Revenue Repayable £000 | 2022-23 Total £000 | 2021-22 Total £000 |
|----------------------------------|------------------------------|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 3,839 | 3,839 | 3,493 |
| Scottish Landfill Tax | 56 | 56 | 2,004 |
| Balance at 31 March | 3,895 | 3,895 | 5,497 |

Taxes are structured in such a manner that taxpayers are entitled to amend their return within twelve months of the effective date of the transaction and claim a repayment.

Revenue repayable relates to outstanding repayments of tax or penalties, including claims for repayment of Additional Dwelling Supplement, where the amount has been established at the balance sheet date. It also includes any credit balances which may be repayable in the future.



Devolved Taxes Account 2022-23

Notes to the Accounts

7. Balance due to the Scottish Consolidated Fund Account

| | 2022-23 £000 | 2021-22 £000 |
|--|-----------------|-----------------|
| Balance due at 1 April | 115,956 | 55,969 |
| Net revenue for the Scottish Consolidated Fund | 960,200 | 934,140 |
| Less amount paid to Scottish Consolidated Fund | (954,847) | (874,153) |
| Balance due at 31 March | 121,309 | 115,956 |

Only cleared funds are paid over to the Scottish Consolidated Fund. The balance represents accrued income and amounts that remain outstanding or funds which are still to be paid over to the Scottish Consolidated Fund at the balance sheet date.



Devolved Taxes Account 2022-23

Notes to the Accounts

8. Contingent assets

Contingent assets can arise as a result of a deferral being granted by Revenue Scotland, or as a result of appeals to the Scottish Tax Tribunals or as a result of an enquiry into tax returns received.

Deferrals

| LBTT Deferrals | 2022-23 Total £000 | 2021-22 Total £000 |
|---------------------------|--------------------------|--------------------------|
| At 1 April | 6,523 | 4,008 |
| Additions | 1,057 | 2,556 |
| Amounts not materialising | (1,084) | (3) |
| Amounts materialised | (437) | (38) |
| At 31 March | 6,059 | 6,523 |

Property buyers can make applications to Revenue Scotland to defer the LBTT payable on a land transaction where:

- ▶ the whole or part of the chargeable consideration is contingent or uncertain and;
- ▶ the chargeable consideration becomes payable more than six months after the effective date of the transaction.

This could include, for example, a situation where additional consideration is payable by the buyer if planning permission is obtained after the sale.

Where a deferral has been granted, the amount of tax due is not recognised within the financial statements until the chargeable consideration materialises. The estimated timings are:

| | 2022-23 | | 2021-22 | |
|--------------------------|------------|--------------|------------|--------------|
| | No | £000 | No | £000 |
| Due within 1 year | 54 | 2,982 | 73 | 2,697 |
| Due within 2-5 years | 68 | 1,241 | 57 | 1,602 |
| Due in more than 5 years | 58 | 1,836 | 60 | 2,224 |
| Total | 180 | 6,059 | 190 | 6,523 |



Devolved Taxes Account 2022-23

Notes to the Accounts

8. Contingent assets

Tribunal cases

Those aggrieved by an appealable decision made by Revenue Scotland may dispute that decision by requesting that Revenue Scotland carry out a review and/or by making an appeal to the Tax Chamber of the First-tier Tribunal for Scotland (FTTS). Mediation may also be entered into at any time.

Where appeals have been made to either the FTTS or Upper Tribunal, the tax revenue and any associated penalties and interest are not recognised in the Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as contingent assets due to the uncertainty of the outcome.

| Tribunal cases | 2022-23 Total £000 | 2021-22 Total £000 |
|-----------------------|--------------------------|--------------------------|
| At 1 April | 116,237 | 112,878 |
| Additions | 227 | 9,442 |
| Recognised in year | (5,662) | (51) |
| De-recognised in year | (110,749) | (6,032) |
| At 31 March | 53 | 116,237 |

Further information on the nature and value of these contingent assets cannot be disclosed as to do so may result in the disclosure of protected taxpayer information.



Devolved Taxes Account 2022-23

Notes to the Accounts

8. Contingent assets

Enquiries

Revenue Scotland has the power to open an enquiry which can cover anything contained, or required to be contained, in a tax return relating to:

- ▶ Whether the taxpayer is liable to pay tax; and
- ▶ The amount of tax due.

The enquiry has to be closed within three years of the filing date of the tax return where the filing date for LBTT is 30 days after the effective date of the transaction and for SLfT is 44 days after the end of the relevant quarter. At the conclusion of the enquiry Revenue Scotland will advise the taxpayer of the outcome and whether an amendment to the tax return and/ or the tax due is required. When the enquiry is completed and a closure notice issued, any additional tax or reduction in tax is recognised in the financial statements at the date of closure.

Revenue Scotland has a number of open enquiries into LBTT and SLfT tax returns but management are of the opinion that:

- ▶ Some of these enquiries are at an early stage and it may not yet be possible to assess with certainty the amount of tax subject to the enquiry;
- ▶ To disclose values of additional tax in these circumstances may prejudice the outcome of those enquiries.

For these reasons a value for contingent assets relating to enquiries has not been disclosed in these financial statements.



Devolved Taxes Account 2022-23

Notes to the Accounts

9. Contingent liabilities

Additional Dwelling Supplement

Property buyers who have included ADS in their LBTT tax return are entitled to seek a repayment of the supplement if they meet certain criteria, including selling their previous main residence within 18 months of the purchase of their new property. The increased 36 month period referred to in note 2 under the Coronavirus (Scotland) (No.2) Act 2020 expired in March 2023. When they submit a claim then this is recognised in the accounts in accordance with our accounting policy.

However, where no such claim has been received there is not an “obligating event” in terms of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, and as a result any amounts that may be due to taxpayers are treated as a contingent liability.

Taxpayers are invited to indicate their intention to sell their previous main residence and seek repayment of ADS when submitting their tax return. Where taxpayers have indicated in their tax return that it is their intention to sell their previous main residence but have not done so by the end of the financial year, then the potential refund is disclosed as a contingent liability. For 2022-23 all such amounts of ADS, are estimated as £37m (2021-22: £46m). It should be noted that this is an indicative figure, based on the information received from taxpayers in their tax return.

Enquiries

As outlined in Note 8 Revenue Scotland has a number of open enquiries into LBTT and SLfT tax returns which may, or may not, result in additional tax or a reduction in tax liabilities.

Management are of the opinion that:

- ▶ Some of these enquiries are at an early stage and it may not yet be possible to assess with certainty the amount of tax subject to the enquiry;
- ▶ To disclose values of possible tax in these circumstances may prejudice the outcome of those enquiries.

For these reasons a value for contingent liability relating to enquiries has not been disclosed in these financial statements.



Devolved Taxes Account 2022-23

Notes to the Accounts

10. Events after the reporting period

A taxpayer dispute that was subject to the Tribunal process led to an agreement to conclude the litigation after the end of the reporting period. The revenue that had previously been reported as a contingent asset has been incorporated into the financial statements as an adjusting post-balance sheet event.



Accounts Direction



Scottish Government
Riaghaltas na h-Alba
gov.scot

REVENUE SCOTLAND

DEVOLVED TAXES ACCOUNT

DIRECTION BY THE SCOTTISH MINISTERS

In accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, The Scottish Ministers hereby give the following direction:

1. Revenue Scotland will prepare, for the financial year ended 31 March 2021, and subsequent years, an account of the devolved taxes collected by Revenue Scotland in the exercise of its functions. The account shall show the amounts receivable from the collection of taxes, any deductions permitted and amounts paid to the Scottish Consolidated Fund in accordance with the Revenue Scotland and Tax Powers Act 2014.
2. The account shall comply with the relevant accounting principles and disclosure requirements, as specified in the Government Financial Reporting Manual (FReM) which is in force for the year for which the account is prepared.
3. The account shall comprise:
 - A Foreword - explaining the statutory background and respective responsibilities of Scottish Ministers, Revenue Scotland etc. in relation to the Devolved Taxes.
 - An Accountability report:
 - a statement of the Accountable Officer's responsibilities in relation to the account
 - a Governance Statement setting out the framework for the Devolved Taxes as this relates to their payment into the Scottish Consolidated Fund. This may link to, but need not repeat, Revenue Scotland's Governance statement dealing with the wider operation of the systems for the taxes.
 - Financial Statements:
 - A statement of revenue and related expenditure
 - A Statement of Financial Position
 - A Statement of Cash Flows
 - And such notes to the account as may be necessary.
4. The account shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the accounts. The previous Accounts Direction dated 24 April 2018 is hereby revoked
Signed by the authority of the Scottish Ministers

Chief Financial Officer
27th October 2021



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