

DEVOLVED TAX COLLABORATIVE NOTE

15 May 2015

Introduction

1. Eleanor Emberson welcomed everyone to the meeting and set out the agenda for the event. She informed the audience of the progress being made with online submissions for Land and Buildings Transaction Tax and the aims for the future in terms of further increasing the proportion of online submissions of returns and electronic payments. She thanked everyone involved in the process of setting up Revenue Scotland for their advice, support and co-operation.

2. Eleanor introduced Ian Tait and Jane Ryder, the members of the Board of Revenue Scotland, who attended the Conference. She then invited Alistair Brown (Finance Directorate, Scottish Government) to discuss the outlook for future tax powers flowing from the Scotland Act 2012 and the recommendations of the Smith Commission.

Looking ahead: Scotland Bill and future tax powers in Scotland (Alistair Brown, Scottish Government)

3. Alistair began by discussing the recommendations of the Smith commission, on which the UK Government had committed to legislating. Lord Smith had recommended more powers for Scotland in relation to taxation and welfare, with further consideration to be given to borrowing. He explained that the Smith Commission had also recommended that the fiscal framework within which the proposed powers would operate should be agreed between the UK and Scottish Governments. The framework would govern funding for devolved public services in Scotland, including operation of the Barnett Formula, baseline funding transfers for new tax and spending powers, and provide arrangements for delivering the principle advocated by the Smith Commission that there should be no detriment to either Government's budget as a result of the devolution of powers. It was expected that the legislation to give effect to the Smith commission's proposals would be included in the Queen's speech in early June with a Scotland Bill following shortly thereafter (in fact the Scotland Bill was introduced on Thursday 28 May).

Alistair concluded by summarising the powers of the Scottish Parliament and Ministers in relation to the Scottish Rate of Income Tax (SRIT), stating that it is the Parliament's responsibility to set the rate each year, while HMRC would collect and administer SRIT as an integral part of UK income tax. The Scottish parliament's power would not extend to tax bands, or to reliefs and allowances, which would remain under the control of the UK Government.

Scottish Rate of Income Tax (Scottish Government/HMRC)

4. Karen Hopton and Doug Stoneham delivered a presentation on "Building the Scottish Rate of Income Tax" (SRIT), presenting the key facts in relation to SRIT including who was liable, responsibility for setting rates, and collection

arrangements. Karen then discussed the impact SRIT would have on Scottish taxpayers. PAYE tax codes would be amended to show whether someone was a Scottish taxpayer. Employers' payroll systems would then pick up Scottish codes and undertake tax calculations that reflected any changes in tax liabilities as a result. Karen explained how HMRC would support employers when using the new tax codes. Doug then provided a description as to how income tax relief at source in respect of pension contributions paid from after-tax salary would be administered so that pension providers gave the correct amount of relief to Scottish taxpayers. He explained that pension providers would continue to apply UK rates until 2018, with HMRC undertaking separate calculations to ensure that Scottish taxpayers contributing to pension schemes were dealt with correctly by means of payments made between HMRC and pension providers. Karen then presented HMRC's plans to communicate with taxpayers, employers and staff in preparation for the go live date of April 2016. HMRC noted that the reaction of taxpayers to SRIT would depend on the rate set, and that focus group work had indicated that there was limited value in informing taxpayers about whether or not they were Scottish taxpayers until information could be provided about the rate of SRIT and about the potential impact on total tax liability. The present expectation was that the Scottish Government would announce its proposed rates of SRIT in the autumn of 2015, although this was not a statutory requirement. HMRC staff would be trained to answer questions from the public in advance.

Future of DTC

5. Eleanor gave a brief overview of the DTC meetings so far and explained how the DTC had been a useful tool for setting out plans and receiving feedback. The plan is to continue with the current the format with 2 meetings a year so that we can provide updates and inform of any changes coming. Eleanor also set out a proposal to create specific forums for LBTT and SLfT so that detailed guidance, technical issues and legislation could be discussed. Eleanor invited attendees to discuss this proposal in more detail at the LBTT and SLfT specific workshops.

Tax Specific Workshops

LBTT Workshop

6. Nadeem Hanif, Senior LBTT Tax Specialist led the session together with Eleanor Emberson. Ian Tait, Member of Revenue Scotland Board also attended. Nadeem opened the session by providing an overview of the proposal for an LBTT specific forum and invited feedback from attendees. Feedback on current LBTT issues was also sought.

7. The attendees agreed that the LBTT forum would be beneficial for industry representatives. The group discussed areas which could be discussed by the forum such as changes to the guidance and additional worked examples. There was a suggestion that the forum could be held in locations across Scotland which would allow it to be a more inclusive forum..

8. The group also discussed paper and online LBTT returns. Nadeem explained that Revenue Scotland aims to encourage as many returns and payments to be

submitted online as possible. He also informed the attendees that Revenue Scotland is preparing to launch a direct debit payment option shortly. Members of the group provided positive feedback about their experiences of using the system and suggested ways to encourage online submissions and communicate with stakeholders more widely.

SLfT Workshop

9. Colin McHardy, Head of Operations and Compliance, Revenue Scotland, led the session together with Alison Howard, SLfT Tax Specialist, Revenue Scotland and Chris Myerscough, Tax Administration Programme. Jane Ryder, Member of the Revenue Scotland Board was also in attendance. Firstly, Colin looked at the forthcoming consultation on qualifying materials to be launched by Revenue Scotland by end of May. This was followed by a walkthrough of the returns process which gave attendees sight of what the online form will look like. Colin informed the attendees that it would be possible to create draft returns from June onwards. While Revenue Scotland would be aware of the existence of draft returns, Revenue Scotland could not see their contents prior to submission. Colin advised that Revenue Scotland's support desk could be contacted for assistance with the return submission process. Colin then provided more details about the proposal for tax specific forums, including an SLfT forum, describe how the forum might work in terms of the scope and purpose and invited questions and comments from attendees.

10. In their comments, attendees agreed that there was a need for SLfT specific forum in order to provide a platform for communications between Revenue Scotland and industry representatives. The majority of the discussion related to implementation of LOI testing and its requirements, where landfill operators would have appreciated more advance warning and more and clearer online guidance. The operators also expressed their concerns about the lack of clarity with regards to SLfT rates chargeable on certain types of waste.

11. Revenue Scotland agreed that there would be an SLfT forum arranged for June, earlier than originally anticipated, to discuss those concerns, and that Revenue Scotland they would provide a communication circular to all registered Landfill Operators shortly, that would cover the topics discussed.

Closing Remarks

12. Eleanor thanked everyone for coming and invited Ian Tait and Jane Ryder to say a few words about their experience of the meeting. She confirmed that a note of the meeting would be prepared and circulated and a date would be provided for the next workshop.

13. Jane Ryder and Ian Tait thanked all delegates for attendance and participation. They welcomed the opportunity to have been directly involved in the event and obtain feedback from delegates. They thanked Revenue Scotland staff for all their work and contribution.