

DEVOLVED TAX COLLABORATIVE

8 DECEMBER 2015

Welcome and Introduction (Eleanor Emberson, Chief Executive)

1. Eleanor Emberson welcomed everyone to the meeting and set out the agenda for the event. She gave a brief overview of the history of the DTC forum and noted that stakeholders' feedback indicated that there was an ongoing need for the forum to be held. Eleanor informed the audience of the recent success of the Revenue Scotland Programme Team who were awarded the Scottish Public Service Award in the Project and Programme Management category. Eleanor emphasised that the Programme owes much of its success to the feedback and input from stakeholders.

Revenue Scotland: our first six months of operation (Donald Carvel, Head of Tax Policy)

2. Donald Carvel gave an overview of Revenue Scotland's key milestones since the 'go live' date. He outlined Revenue Scotland's key stakeholder relations and explained how the organisation interacts with external and internal stakeholders, and how the wide experience of the Revenue Scotland Board Members contributes to this, in order to deliver quality of service. Donald mentioned Revenue Scotland mailboxes for tax queries and the opportunities to provide comment through the webforms on the Revenue Scotland website, and emphasised that we were continuously looking for feedback from stakeholders.

Looking ahead: future tax powers and the New Tax Administration Programme (Andrew Fleming, Change Director)

3. Andrew Fleming set out the legislative framework for the new devolved tax powers in Scotland, outlined the expected timeline for the powers to be implemented and explained the implications of the new taxes for Revenue Scotland. Andrew also gave an overview of the two specific areas of tax expected to be devolved to Scotland and collected by Revenue Scotland, replacements for the UK Aggregates Levy and Air Passenger Duty, and outlined current preparatory activities carried out by the new Programme Team.

Communications Workshop

4. Neil Broadfoot, Communications Manager led the session. Jane Ryder, Member of Revenue Scotland Board, Andrew Fleming, Change Director and Susan MacInnes, Head of Corporate Services and Finance also attended. Neil opened the session by providing an overview of Revenue Scotland's communication strategy and invited feedback.

5. Delegates agreed that some information given at the forums can be very specialised. It was suggested forums should start with a more general overview and then split into group sessions. A delegate mentioned that a few technical members and those on the legal side raised concern of the lack of technical support from Revenue Scotland. The delegates agreed that the forums are beneficial and should not be run more than twice a year due to busy schedules. A number suggested that the forum could be held in locations across Scotland which would allow it to be a more inclusive forum. Neil explained that this is something Revenue Scotland is considering and asked delegates to suggest locations. Suggestions included Aberdeen, Dundee and Glasgow. The groups agreed that Revenue Scotland does well at communicating with different groups of stakeholders and suggested Revenue Scotland continue to evolve this.

6. Finally, delegates mentioned that Revenue Scotland should make it clear what can and cannot be discussed. It was mentioned that there was a lot of interest in the fiscal environment but it was stressed that Revenue Scotland cannot offer comment or analysis on this because, as a non-ministerial department, it must remain independent and neutral.

Loss on Ignition workshop

7. David Kerrouchi (Scottish Government) led the session. Donald Carvel and Eleanor Emberson also attended. David outlined the purpose, timing and contents of the Scottish Government consultation on Loss on Ignition (LOI) testing. David noted that before the tax came into force in April 2015, the Deputy First Minister and Finance Secretary, John Swinney, stated his intention to introduce a statutory LOI testing regime in the second year of operation of SLfT. David noted that the period between the tax starting and the introduction of a statutory LOI regime was intended to allow the industry to adapt to the new tax. David stated that it was essential for Scottish Government to gather adequate evidence in order to support decision making in relation to LOI regime. Donald Carvel said that time would be made available at the SLfT forum in January for discussion about guidance, frequency of testing, record keeping and other technical issues, so the present workshop should focus on points of principle for the legislation.

8. Following a question from a delegate, David explained that the criterion of a 10% loss, which applies under the UK LfT regime, and the current provisions in Revenue Scotland guidance are starting points for consultation on LOI testing in Scotland. One of the delegates was concerned with the application of the 19 12 12 waste code as the only eligible category, as there were other methods of categorising loads within the industry. David explained that the decision will depend on the results of the consultation. Some concerns were raised that the current Revenue Scotland guidance already requires 19 12 12 code on the transfer note. Eleanor Emberson noted that Revenue Scotland would be happy to receive any feedback in relation to Revenue Scotland's current guidance on LOI testing but restated that the purpose of the workshop was to gather views in relation to Scottish Government consultation.

9. A question was asked if the Scottish Government planned a consultation on the secondary legislation. David explained that the consultation relates to the LOI regime as a whole looking at desirable outcomes and there were no plans at present to consult separately on specific statutory instruments.

10. Delegates raised concerns in relation to the timetable for introducing the mandatory LOI regime. Delegates agreed that if the changes were to come into force in April 2016, this would not give landfill operators enough time to prepare and make appropriate investment in order to comply with the new regime. Concerns around the timing of a mandatory testing regime included;

- time for planning
- leaving appropriate time for setting up testing contracts
- the time window for procuring testing equipment
- making technical changes to waste treatment lines
- securing funding from boards / executive management teams
- waste producers also required time to look at their processes

11. Some delegates were also concerned that the consultation was too vague. David stated that the consultation had been intentionally drafted in order to be open, the questions positioned so as to allow for alternative views, and he explained that more specific information will be provided in the New Year. Delegates also stated that there was a need for clarity regarding testing frequency and temperatures. They noted that they would prefer if the Scottish regime was consistent with the UK wide regime. Delegates also noted the need for clarity as to what constitutes mechanical sorting. David noted that it was essential for Scottish Government to gather a strong evidence base in order for Ministers to make evidence-based decisions, for the

legislation to withstand Parliamentary scrutiny and encouraged delegates to make their views clear in the consultation.

12. Some delegates expressed the view that it was unnecessary for the legislation and Revenue Scotland guidance to regulate the sorting process. Donald emphasised that an LOI test was not the only criterion for evidencing that waste qualified for the lower rate.

13. Delegates also raised concerns with regards to the current definition of small amounts of qualifying materials for the purposes of LOI. Donald explained that Revenue Scotland guidance starts from the point of what is in the legislation and cannot run contrary to it. It was also noted by delegates that it was important to them that clear statutory provisions were put in place. They noted that this could be achieved if the majority of LOI rules were covered by the legislation rather than Revenue Scotland guidance in order to ensure certainty. David noted that a balance between certainty and flexibility had to be maintained. Delegates also asked that changes to Revenue Scotland guidance be notified well in advance.

Update on the Scottish Rate of Income Tax (Zoe Stokell, HMRC)

14. Zoe Stokell began by giving a short summary of the key facts relating to SRIT and its implications on Scottish taxpayers and employers. Zoe noted that SRIT rates are to be announced in the autumn Draft Budget on 16 December 2016. She also explained that taxpayers are encouraged to notify HMRC of any changes to their addresses online. She then provided a brief overview of the communication activities undertaken by HMRC in order to ensure that Scottish taxpayers are informed of the changes.