



Lorraine King
Deputy Director
Tax Strategy, Engagement and Performance Division
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

19 July 2023

Dear Lorraine,

Scottish Government Tax Advisory Group

We write this letter jointly on behalf of the Law Society of Scotland (“**LSS**”) and the Institute of Chartered Accountants of Scotland (“**ICAS**”), in relation to the newly established Scottish Government Tax Advisory Group (the “**SGTAG**”).

We welcome the formation of the SGTAG and the Scottish Government’s intention to draw on a diverse range of perspectives and expertise to consider the whole tax system and approach to tax policy. We are cognisant of the range of challenges facing the Scottish tax system at present. We would draw attention to, for example, the recent [reports](#) of the Scottish Fiscal Commission, [ongoing challenges](#) in relation to the breadth and sustainability of the Scottish taxpayer base, alongside a wider [need](#) to improve public awareness of the devolved taxation system.

We particularly support the Scottish Government’s ongoing commitment to tackling tax avoidance in Scotland, and welcome that further work in this area will be considered by the SGTAG.

More generally, we are aware of the current resourcing and staffing constraints faced by the Tax and Revenues Directorate at the Scottish Government. We consider it essential, to ensure the efficacy of the tax system in Scotland and to allow for thorough tax policy reform and planning, that adequate resources are in place.

Our organisations are very keen to support the work of the SGTAG. To that end we are setting out below a number of key areas and which the SGTAG might consider as part of its work.

Policy Positions

We stress the need for greater public awareness, and accessible public information about how devolved taxes work and sit alongside UK taxes, to enable and encourage informed decision making by taxpayers and citizens generally. We would welcome clearer, targeted communications, and resources to increase taxpayer understanding



and stakeholder engagement, which [previous research](#) carried out by CIOT indicates is low.

Early consultation with stakeholders is key to ensuring that any new tax legislation is fit for purpose, and it is essential that sufficient time is given to stakeholders to input into the process. We consider it crucial that priority is given to delivering a clear policy cycle for tax legislation, supporting a strong policy partnership between Scottish Government and revenue and benefits authorities (in particular, Revenue Scotland), as well as delivering a well-resourced and agile tax authority.

We believe there should be a process that allows for regular maintenance of and amendment to the devolved taxes; this should be part of the budget process, including formalising a regular timetable and mechanism for stakeholders to give input on any operational and policy concerns with the tax legislation. This includes so-called 'care and maintenance' matters as well as substantive changes to tax policy and to rates and bands. We fully supported the work of the Devolved Taxes Legislation Working Group (the "**DTLWG**"), which was disbanded during the pandemic and has not yet been re-established. The work of the DTLWG in identifying better ways of making changes to the devolved tax legislation was extremely important, and we would welcome the DTLWG being reconvened.

We support and encourage the adoption of a rolling five-year roadmap to set out the objectives and proposed timeline of devolved taxes policy (noting that the Scottish Government has set its broad tax policy framework out for the 2021 – 2026 Parliamentary term). We also hope that the SGTAG will consider the strategies and ways in which tax can assist with attracting inward investment in Scotland generally (further to the ongoing work to establish two Green Freeports in Scotland).

We believe the Scottish Government should continue to work closely with the UK authorities to ensure that tax administration is kept as streamlined as possible whilst implementing the devolved tax powers. Simplification of tax needs to be borne in mind when deciding parameters with tax impact during devolution negotiations and the design of devolved or new taxes. While these are primarily political negotiations, we would urge the Scottish and UK Government to recognise the potential for adding (necessary and/or unnecessary) complexity to UK and devolved tax law.

Further Observations

We would also draw to the Group's attention more specific proposals that we consider would progress the policy positions set out above.

We note the role of the Finance and Public Administration Committee as the primary committee for scrutinising tax legislation at Holyrood and its focus on Scotland's public finances and public administration in government. We value and fully welcome the scrutiny and work that the Committee undertakes. However, given the volume and technical nature of the devolved taxes legislation, the general complexity of tax law and policy reform, and the significant issues which have to be considered in relation



to Scottish income tax, we would recommend the creation of two separate Committees, being the Finance Committee and the Public Administration Committee. By dividing the work of the Committee in this way, we consider that members would have greater capacity for detailed engagement and scrutiny of legislative reforms.

We noted above our shared desire for early and comprehensive engagement with stakeholders, alongside a wider need to improve taxpayer education. We consider that the introduction of an annual Scottish Government Tax Conference (akin to that held by the Welsh Government) would be extremely valuable. We would also welcome policy developments aimed at increasing taxpayer engagement with the relevant tax authorities, for example through an online tax forum for taxpayers to post questions.

We also stress the need and value of establishing an appropriate forum to consider tax technical policy and law reform, involving a range of attendees including solicitors, accountants, taxpayers and representatives of expert professional and industry bodies. For example, the LBTT Forum – which was established during the early years of LBTT to promote discussion of technical LBTT issues, but has not continued – proved to be extremely useful to taxpayers, agents and Revenue Scotland. We consider that there remains a need for the formation of a forum which meets regularly to consider technical tax matters.

We value our continued and detailed track record of engagement between the Scottish Government and our organisations on tax policy and law reform and extend our organisations' renewed offer to assist the work of the SGTAG in whatever way would be most helpful to the group.

Yours sincerely,

A handwritten signature in black ink that reads 'I J d'Inverno'.

Isobel d'Inverno

*Convener, Tax
Committee, Law Society
of Scotland*

A handwritten signature in black ink that reads 'Justine Riccomini'.

Justine Riccomini

*Head of Tax (Employment
& Devolved Taxes),
ICAS*