FINANCE COMMITTEE CALL FOR EVIDENCE
REVENUE SCOTLAND AND TAX POWERS BILL
SUBMISSION FROM STUC

Introduction

1.1 The STUC welcomes the opportunity to provide evidence to the Finance Committee on the Revenue Scotland and Tax Powers Bill.

1.2 The STUC has been impressed by the process of consultation undertaken by the Scottish Government on this issue and has been pleased to be involved in the Cabinet Secretary for Finance’s consultative forum. The level of engagement and consultation has led to a generally well drafted Bill.

1.3 There are a number of elements of the Bill upon which the STUC does not have the expertise to comment. We will therefore confine our comments to the general principles of the Bill; its application beyond the two taxes currently subject to devolution; the General Anti Avoidance Rule; and the potential workforce issues associated with the future implementation of the Bill.

General Principles

2.1 The STUC recognises and generally accepts the principles of certainty, convenience, efficiency and proportion as the guiding principles for the Bill. It is important that these principles are understood to apply within a system which is as simple as possible whilst maintaining the key principle of fairness.

2.2 In the context of the failures at UK and international tax level to convince the general population that tax is currently fair and transparent, particularly in relation to the activities of multinational companies and rich and powerful individuals, it has never been more important that, notwithstanding the technical issues relating to tax law, public trust is increased on taxation.

2.3 The STUC realises that the current taxes to which the role of Revenue Scotland will apply are limited in terms of monetary size and scope, but recognises the value of building a paradigm and system which can adapt to further tax devolution and redesign. Whilst recognising the difficulties, is the STUC is attracted by a vision of future taxation system which increases the autonomy in revenue raising of local government and in which local taxation is reformed to ensure that a proper mix between service, property, land and income based taxation – a system which takes into account the full picture of local council revenue raising, including charging and which offers a route out the of current centrally directed policy of serial Council Tax freezes. Given the possibility that further taxes will be devolved to Scotland it is entirely right that this should from part of the Committee’s considerations even though the role of Revenue Scotland, in the first instance will be limited.
2.4 The STUC supports the concept of a Taxpayers Charter which must effectively balance the legitimate expectation of taxpayers of the new tax authority, with the legitimate concerns of the general public as to the standards of behaviour expected of taxpayers.

2.5 The STUC has noted a general view that there are a number of aspects of the Bill, particularly penalties and the related issue of appeal and enforcement, which should be the subject of primary legislation. Both in relation to proving certainty for tax payers and transparency for the general public, the STUC is attracted to amendments which would ensure that this is the case.

General Anti-Avoidance Rule (GAAR)

3.1 The STUC has been pleased to be involved in the Scottish Government’s consideration of the inclusion of a GAAR within the legislation and is generally supportive of the Government’s position and in particular its view that a Scottish GAAR should not be narrowly drawn and should reflect elements of the European Union recommendations on tax avoidance. Whilst some will no doubt argue that some forms of tax avoidance are acceptable, this does not meet with public perceptions of what tax avoidance means. The burden of proof on tax avoidance should therefore sit with the tax payer rather than the tax authority. STUC supports the view, laid out in the response of Unison Scotland to the Committee, that the Scottish GAAR should

- Be applicable to international transactions
- include additional EU criteria for judging tax avoidance artificiality namely:
  - “the arrangement or series of arrangements results in a significant tax benefit but this is not reflected in the business risks undertaken by the taxpayer or its cashflow”; and
  - “the expected pre-tax profit is insignificant in comparison to the amount of the tax benefit”

3.2 The STUC also supports the inclusion in the Bill of a Disclosure of Tax Avoidance Schemes provision.

Workforce Implications

4.1 Much of the debate at a UK level on the principles and legislative responses to tax evasion and tax avoidance has taken place in the context of a continuing limitation in the capacity of HMRC to pursue tax dodging, with considerably more resources employed on tackling benefit fraud than pursuing tax underpayment.

4.2 STUC represents unions with members in HMRC and also those in SEPA and Registers of Scotland, for whom an enhanced role can be imagined under the provisions of the legislation.

4.3 There is no reason in principle why the re-organisation implicit in the creation of Revenue Scotland and the potential sharing of function and responsibilities with SEPA and Registers of Scotland cannot be achieved. It would however, be helpful if the committee, and thereafter the Scottish Government, would make clear its
understanding that there are a range of challenges with respect to the redesign of jobs including where:

- officers’ tasks relate to a range of tax administration functions beyond the two taxes to be administered;
- officers currently undertake a tax administration role for a specific tax across different parts of the United Kingdom;
- it is imagined that SEPA and Registers of Scotland staff would undertake new roles; and
- new information systems need to be created to enable data sharing.

4.4 Meeting these challenges, is no doubt possible but will require in-depth consultation with the unions concerned and commitments that adequate funding and staffing levels will underpin both the process of transition and effective operation of the new system.