Thank you for your letter of 7 December setting out your Committee’s views on the draft Memorandum of Understanding (MoU) between the Scottish Government and HMRC regarding the Scottish Rate of Income tax (SRIT) which I sent to the Committee seeking comments on 15 November 2012. I welcome the time that the Public Audit Committee has taken to consider matter, and I hope the appearance of my officials at your formal evidence session on 22 November 2012 helped with this process.

Your comments [on the MoU] considered a range of different issues included in the draft document, and I would like to address these in turn.

Dispute Resolution

You noted that the references to dispute resolution in the draft MoU seem to be limited to payments in the implementation project. You suggested that the MoU should be expanded to cover the performance of HMRC in setting up, administering and collecting the SRIT (paragraph 5). I agree and propose to amend the draft to cover any potential areas of dispute in the implementation project, and I will direct officials to consider an appropriate mechanism for the operation and collection of the SRIT. I can also agree to inform the Scottish Parliament of any occasions when the Joint Exchequer Committee (JEC) makes a decision arising from the dispute resolution mechanism. Minutes of JEC meetings are published and will include any decisions arising from use of the dispute resolution mechanism.

Accounting, Audit and Assurance

You welcomed in your comments the planned provision of the annual implementation report made under section 33 of the Scotland Act 2012. I see this report as an important part of the process in ensuring transparency and accountability in the implementation of the financial provisions in the Scotland Act 2012. I would agree with the comments made by the Committee that the report providing an update on the progress being made in the SRIT implementation project should include information such as key milestones and updated costs estimates (paragraphs 12 & 15). In addition to the provision of the implementation report my officials would be happy to discuss the progress of the SRIT implementation project with the Committee if asked, and as you know the HMRC Additional Accounting Officer has also agreed to appear before the Committee when asked to.

The Committee also sought further consideration of what operational performance data HMRC would be able to provide to the Scottish Government and Scottish Parliament, and the costs associated with this (paragraph 22, 24 & 31). I agree this is important information to consider as part of the implementation project and as such my officials are working with HMRC officials to provide an update on this issue by June. My officials will also consider what information the Scottish Government may be able to provide to the Scottish Parliament out with that of the HMRC annual report following implementation of the SRIT (paragraph 29).
**Additional Accounting Officer**

With your Committee I also welcome the appointment by HMRC of an additional accounting officer (AAO) with responsibility for the implementation and collection of SRIT. I recognise and welcome the stated willingness of the AAO to appear before Scottish Parliament Committees. I understand the Committee’s question regarding the statutory basis of the AAO position (paragraph 37), however, this is a matter for the UK Government to determine. If the AAO does not provide evidence to a Committee when requested, I would see this as an issue which I would certainly take up at the JEC.

I hope that the measures set out here will be welcomed by your Committee, and would assure you that I take the issues of value for money and accountability associated with the SRIT very seriously. I would also note that whilst I would like to see the draft MoU agreed with HMRC soon, I do not see this as closing future opportunities to consider any operational issues between the SG and HMRC regarding SRIT.

I am also writing to the Convenor of the Finance Committee responding the recommendations that his Committee made regarding the draft MoU.

**JOHN SWINNEY**