Thank you for your letter asking for my views on how the operation of the Scottish Rate of Income Tax (SRIT) will be reported to the Scottish Parliament. As you are aware, the Comptroller and Auditor General (C&AG) reports annually to the UK Parliament on HM Revenue and Customs’ (HMRC) financial statements, as well as on HMRC’s performance in collecting UK taxes and duties. These reports are the subject of regular scrutiny by the Public Accounts Committee. The changes proposed in relation to the Scottish Rate of Income Tax are not expected to alter these arrangements but are likely to have a significant impact on how HMRC performs its functions.

I understand that the Government is currently proposing that the C&AG report separately on the SRIT. The C&AG’s report, the form of which is yet to be clarified, is expected to be presented to both the UK and Scottish Parliaments.

How SRIT will operate remains to be seen, but it is clear that both Parliaments will have an interest in how it operates and expect transparency and accountability. While the PAC has always looked at debt management, enforcement and compliance issues, the Scottish Parliament will also have an interest in how such issues impact on Scottish taxpayers. Both Parliaments will also expect the Department to be accountable for the appropriateness of the classification of taxpayers as being ‘Scottish’ or ‘non-Scottish’ for the purposes of SRIT and the impact this subsequently has.

It is appropriate that the Scottish Parliament is able to hold HMRC to account for the effective collection and administration of SRIT, and I look forward to discussing with you how our committees can work together on this issue.

RT HON MARGARET HODGE MP
CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS
Dear Ms Hodge

**Auditing the Scottish rate of income tax**

Over the past 6 months the Public Audit Committee at the Scottish Parliament has been considering the audit arrangements for the new financial powers arising from the Scotland Act 2012. In particular the Committee has been taking written and oral evidence in relation to auditing arrangements for the Scottish rate of income tax (SRIT) both during its implementation and operational phase (from April 2016). Details of both the written and oral evidence received by the Committee can be found on the Committee’s web page at the following address: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/56760.aspx

As you may be aware Her Majesty’s Revenue and Customs (HMRC) will be administering and collecting the SRIT with the National Audit Office (NAO) auditing its accounts annually. As part of this arrangement HMRC have appointed an Additional Accounting Officer with responsibility for the SRIT who would be available to give evidence to the Scottish Parliament and its Committees. In addition an extract of HMRC’s Annual Accounts relating to the administration and collection of the SRIT would be provided to the Scottish Parliament together with an audit report from the National Audit Office.

The Committee is clear that both HMRC and the NAO are accountable to the UK Parliament and your Committee in particular. However given the changes arising from the Scotland Act 2012, the Committee would welcome any comments you may have on the new reporting mechanisms proposed in relation to the SRIT. We would also be grateful for any views you may have as to how the Committee on Public Accounts’ scrutiny HMRC’s accounts (and the NAO reports on those accounts) may or may not change as a result of the implementation and operation of the SRIT.

It would be most helpful if we could receive a response to this letter by Friday 28 February however should this deadline cause you any difficulty or you or the Committee of Public Accounts clerks wish to discuss this further then please do not hesitate to contact the Clerk to the Committee, Jane Williams on 0131 348 5207 or on the email address (set out above).

Yours sincerely

*Iain Gray MSP, Convener*