Thank you for your letter of 22 January setting out the Public Audit Committee’s queries about the roles and responsibilities of Revenue Scotland and Registers of Scotland in administering Land and Buildings Transaction Tax following its introduction in April 2015 and the anticipated audit arrangements for both organisations.

Taking the questions in turn, I am pleased to respond as follows:

Audit arrangements and accountability

- which of these organisations (Revenue Scotland or Registers of Scotland) would include the accountable officer for this tax? Would there be one accountable officer for administration and one for collection of the tax?

Registers of Scotland already has an accountable officer in relation its core role of registering land transactions and this role will continue. However, the accountable officer of Revenue Scotland will be responsible for Land and Buildings Transaction Tax.

The Land and Buildings Transaction (Scotland) Bill includes a power in section 53 for the tax authority (Revenue Scotland, once it is established on a statutory footing) to delegate the exercise of any of its functions to the Keeper of the Registers of Scotland. That power, however, does not enable Revenue Scotland to delegate its accountability for the tax; that accountability will be retained by Revenue Scotland.

- would all of Registers of Scotland’s new responsibilities be subject to audit by Audit Scotland?
Registers of Scotland is already subject to audit by the Auditor General and I anticipate that the additional functions delegated to Registers of Scotland by Revenue Scotland will also be subject to audit by the Auditor General. It will, of course, be for the Auditor General to decide the audit arrangements.

- **would Registers of Scotland be required to publish information on their annual performance in collecting the tax and the levels of tax collected?**

Revenue Scotland will provide operational and performance information on the running of Land and Buildings Transaction Tax, including information from Registers of Scotland. Revenue Scotland intends to establish an agreement with Registers of Scotland that will include arrangements on the provision and publication of the management and performance information that will be needed. As discussed below, Revenue Scotland will have a formal agreement with Registers of Scotland on the delegation of responsibilities.

- **where does the Government envisage responsibility would lie between the two organisations for delegated functions? For example, should there be lower levels of tax collected than anticipated, would Revenue Scotland or Registers of Scotland ultimately be accountable?**

Accountability lies with Revenue Scotland for the running of Land and Buildings Transaction Tax. Within any limits on delegation imposed by the tax management legislation, which as you know is at the consultation stage at present, it will be for Revenue Scotland to decide which of its functions will be delegated to Registers of Scotland. Planning on this is at an early stage and obviously will not be final until the legislation is in place but Revenue Scotland will ensure that early discussions with the Auditor General (or her representatives) take place as part of the planning process. The ultimate responsibility for the collection of tax will lie with Revenue Scotland and the delegation of any particular areas of work, such as activity on compliance, will have to be set out very clearly. In the interests of transparency, I have asked that the final agreement on delegation from Revenue Scotland to Registers of Scotland be a public document.

**Risk management**

- **what does the Government consider to be the key risks associated with establishing Revenue Scotland and adding responsibilities to Registers of Scotland?**

The Government has identified a number of risks associated with the establishment of legal and administrative arrangements for a new tax system. These include the potential for tax avoidance activity, higher than expected administrative and collection costs and the under-collection tax.

- **how are the risks associated with development of new ICT systems being mitigated? For example, the Committee would be interested in whether, if Revenue Scotland issues a contract for ICT system development, lessons will be learned from previous**
ICT contracts detailed in the AGS report on ‘ICT contracts: an audit of three public sector programmes’.

As stated above, planning is at an early stage; the Government is putting in place robust programme management arrangements between Revenue Scotland and Registers of Scotland, and these will include a range of mitigating actions in relation to the risks associated with development of ICT systems required to administer the tax.

As the Committee heard from Paul Gray at your session on Managing ICT Contracts on 7 November 2012, the Government has, in response to the issues raised by the AGS report, put in place an ICT Investment Plan Process. This provides assurance at key stages throughout the development of new ICT projects.

Further, the development work to implement the new taxes forms part of our overall Fiscal Responsibility Implementation Programme, which is subject to Gateway Review.

I trust that this response deals with the Committee’s queries.

JOHN SWINNEY