



The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Public Administration Committee

John Swinney MSP
Deputy First Minister and Cabinet
Secretary for COVID Recovery

By email:

All correspondence c/o
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20 January 2023

Dear Deputy First Minister,

Thank you for your letter of 19 January 2023 in which you respond to the outcomes of our joint conference with Scotland's Futures Forum on 'Frameworks and Forecasts: The Scottish Approach to Taxation' and provide an update in relation to related work.

Prior to receiving this letter, the Committee (at our meeting on 17 January 2023) considered our work programme and agreed to write to you seeking information and updates on several other issues relating to taxation. I have set these out below.

Scotland's Framework for Tax 2021

As you are aware, the Committee took evidence from the Minister for Public Finance, Planning and Community Wealth on the Scottish Government's first [Framework for Tax 2021](#), on 22 March 2022. The Framework states that the Scottish Government is "committed to refreshing its content at mid-point during the Parliament (2023) and to ensure we deliver on all aspects by the end of the Parliament (2026), recognising the need for flexibility to respond to unforeseen developments". The Committee would welcome an update in relation to when this refresh will take place and what it will involve.

Additional Dwelling Supplement

The Committee considered, on 17 January, the Scottish Statutory Instrument laid by the Scottish Government on 15 December 2022 to increase the Additional Dwelling Supplement (ADS) that applies for second homes under the Land and Buildings Transaction Tax 2013, from 4% to 6%, as announced in the Scottish Budget 2023-24. We reported to the Parliament on this instrument on 23 January.

During evidence on the instrument the Committee separately explored with the Minister for Public Finance, Planning and Community Wealth, the Scottish Government's plans regarding its review of how the ADS operates. The Scottish Government committed to a review of the ADS in the 2021-22 Programme for Government in response to some concerns of stakeholders. We understand that the Scottish Government was due to publish an analysis of responses received during the consultation period and an outline of next steps in summer 2022. This has not yet been published and the Committee notes from evidence we heard on 17 January 2023 that this process is ongoing. The Committee seeks a specific date for putting in place the proposals arising from the ADS review.

Tax discussion paper

The Committee notes that, during your statement to the Parliament on 4 October 2022, you committed to publish a discussion paper alongside the Emergency Budget Review (EBR) “to encourage public engagement on those important and difficult choices on tax and public expenditure”. We agreed in our Pre-Budget Report that a “wider public discussion on these issues would be helpful”. The EBR was announced on 2 November but was not accompanied by the anticipated tax discussion paper. The Committee would welcome an update from the Scottish Government in relation to this discussion paper and, should the paper not be forthcoming, we seek the reasons for this.

Devolved Taxes Legislation Working Group

The Minister for Public Finance, Planning and Community Wealth wrote to the Committee on 5 September 2022 setting out his preference for the Devolved Taxes Legislation Working Group to be re-established as soon as possible and for it to be chaired jointly by Scottish Government and Scottish Parliament officials. As you know, this Group had been formed in Session 5 to explore options for alternative legislative processes for devolved taxes legislation and to examine the need for a Finance Bill. The Committee understands that the Group was disbanded due to other work pressures after producing an interim consultative report setting out challenges and opportunities of different options. Of five responses received to the interim report, four were from members of the Group.

In our response to the Minister’s letter, dated 7 October 2022, the Committee stated, “given this, and in view of the Committee’s current workload”, it would be prudent to establish whether a broader range of stakeholders at the conference held by the Committee on 21 November 2022 considered this should be a priority area of work. While raised in passing, this issue was not a key theme arising from the conference workshops. It is, therefore, the Committee’s preferred approach, in light of the priorities raised by attendees at its recent conference, to not be represented at the Working Group. The Committee would, of course, wish to scrutinise any proposals emerging from the Group or developed separately by the Scottish Government.

The Committee looks forward to receiving your response.

Kind Regards

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee