

Scottish Parliament's Finance and Public Administration Committee – evidence on legacy issues

Response by the Chartered Institute of Taxation

1. Executive Summary

- 1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. Our stated objectives for the tax system include:
 - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.
- 1.3. CIOT have provided written and oral evidence to the committee over the course of the 2021-26 Scottish Parliament session, and we welcome the opportunity to contribute to the Finance and Public Administration Committee's session on legacy issues, to inform a legacy report for its successor committee. CIOT's response is also informed by the work of our Low Incomes Tax Reform Group (LITRG).
- 1.4. We commend the committee for its strategic year-round approach to budget scrutiny. Through this work, the committee has continued to hold the Scottish Government to account

and help drive improvements in the quality and transparency of budgetary information. The committee's continued focus on more effective long-term financial planning is evident and welcomed.

- 1.5. We agree with many of the committee's recommendations during its work in the 2021-26 parliamentary session including, in particular: the need for a wider review of the fiscal framework; the ask to put in place a fiscal literacy training programme for new MSPs; greater emphasis on the timing of fiscal events; and recognition of the need for a collaborative and constructive relationship between the Scottish and UK Governments. The last of these especially pertinent ahead of UK Budget and Spending Review announcements, as recently evidenced by the uncertainty leading up to the UK Budget 2025 and lack of consultation on new property income tax powers.
- 1.6. We appreciate and acknowledge the work the committee has undertaken to scrutinise tax policy but note that its wider responsibilities may have limited time for broader pro-active work. Indeed, this was anticipated in the [Legacy Expert Panel's report](#)¹ to the Finance and Constitution Committee dated 12 February 2021 ('the 2021 Legacy Report').
- 1.7. Scotland's tax system has hit numerous milestones recently, with the ten-year anniversary of Scottish income tax rates fast approaching. More than ten years on from the Smith Commission, we have over a decade of experience, insight and hopefully data that can be used to inform reflection on what has worked well in Scotland's tax devolution journey, and what has not. Perhaps a starting point could be a review of the report of the Smith Commission.
- 1.8. Such reflection could help inform exciting, fresh discussions around what the future of tax looks like in Scotland. We believe that the committee could play a strategic role in shaping the future of the tax system in Scotland (capacity permitting), considering topics such as the future of tax devolution, the taxation of wealth and property, the scope and role of local taxation in Scotland, the administration and simplification of the devolved tax system, and engage with the thoughts and ideas that emerge at events such as the Scottish Government's tax conferences.
- 1.9. A review of the Smith Commission could also help new MSPs to understand how new taxes have been introduced in Scotland.
- 1.10. We would strongly urge the successor committee to take a role in progressing the review and consider the introduction of a legislative process that enables the regular maintenance of, and amendment to, devolved taxes (such as an annual finance or tax bill).
- 1.11. We are mindful that we are to some degree asking for a shift of focus in the committee's busy workload. Perhaps now is the time for the successor committee to take up the 2021 recommendation to look at the committee's 'pathway to impact', to help the committee decide on its role over the next session.

¹ [\[ARCHIVED CONTENT\] Legacy Expert Panel - Parliamentary Business : Scottish Parliament](#)

- 1.12. We would like to thank the committee for their valuable work in the 2021-2026 parliamentary session and look forward to working with the next committee.

2. Budget Processes, Budget Scrutiny and Financial Transparency

- 2.1. The committee's commitment to effective budget scrutiny, improving the quality and transparency of financial information and continuing to push for long-term financial planning is evident and welcomed.
- 2.2. We recognise that changes to UK tax policy have an effect on the block grant adjustment. This can have implications for individuals and businesses in Scotland which require the Scottish Government's budget to change reactively to maintain existing resource levels and spending commitments. Whilst the Scottish Government needs to respond in this way, greater care and collaboration around the timing of fiscal events is important, and we agree with the recommendations of the committee's pre-budget scrutiny report that the UK Government should place greater emphasis on the impact on devolved budgets when considering the timing of fiscal events.
- 2.3. Key to this should be a more collaborative and constructive relationship between the UK and Scottish Government in respect of future UK Budget and Spending Review announcements. The Minister for Public Finance has confirmed that 'there had been no prior consultation with Scottish or Welsh Governments' and they were informed on budget day² of plan to offer flexibility to separate out property income, to mirror the UK announcement.

3. Fiscal transparency and understanding of tax

- 3.1. There are three key elements to the fiscal package in Scotland – tax, spending and the fiscal framework. Whilst others may be better placed than CIOT to discuss the fiscal framework in detail, we agree with the recommendation in the committee’s report on the Scottish Budget process in practice that a ‘wider review of how the Fiscal Framework is operating, including how adjustments based on relative growth with the rest of the UK impact on income tax revenues in Scotland’³ should be undertaken. Some of the key areas of focus were highlighted at the 2025 Scottish Government’s tax conference, including the impact that relative growth adjustments have on trying to maintain the same growth in tax base, concern that increased devolution of tax powers has led to increased dependency due to the need for knowledge of UK measures before the Scottish budget can be set, and whether the tools to manage the fiscal framework and funding that are available are sufficient.
- 3.2. Better public understanding of Scottish tax and funding (and therefore the fiscal framework) are vital for everyone to support effective budget scrutiny and tax debate in Scotland. LITRG was pleased to support the Scottish Government in its publication of its Tax Literacy guide⁴, which aims to provide a framework to improve communications on tax and tax policy. We do believe that the committee could scrutinise whether the Scottish Government is doing

² Meeting of the Parliament: pa/27/01/2026 | Scottish Parliament Website

³ Report on the Scottish Budget process in practice

⁴ [tax-literacy-improving-communications-tax.pdf](#)

enough to raise awareness among Scottish taxpayers and whether they are raising awareness about the right things. One area for consideration is entitlement to reliefs for Scottish income tax because of the six-band structure: How are the Scottish Government measuring awareness? Is measurement limited to polling or can the Scottish Government obtain data, for example, on how many Scottish taxpayers have contacted HMRC to say they are an intermediate rate taxpayer and request for their relief at source pension contributions to be included in their tax code to get the extra tax relief they are due?

3.3. The committee wrote to the Scottish Parliamentary Corporate Body to ask that a 'comprehensive fiscal literacy training programme be put in place as part of the induction for MSPs elected at the 2026 Scottish Parliament elections, and through continuous development throughout the five-year parliamentary term'⁵. We support a measure such as this and have previously offered guidance to the committee on these terms. We would be happy to discuss whether and how CIOT and LITRG can help support such an induction programme following the election.

4. Reviewing the effectiveness of tax policy making in Scotland

4.1. The 2021 Legacy Report acknowledged the 'need to evaluate the wider economic and social outcomes of tax policies over time, as part of a wider outcomes-based scrutiny approach'⁶. We are strongly in favour of post-implementation evaluations (such as that we are seeing with the Scottish Government's ongoing review of Land and Buildings Transaction Tax) for not only the rates, but in terms of how much a tax has raised and cost, its operational effectiveness and whether it has achieved its policy aims.

4.2. The committee is in a pivotal position to consider the effectiveness of tax policy making in Scotland, irrespective of cross-party desirability and can go further than scrutiny of the legislation. The committee could consider:

- scrutiny of the viability of introducing new taxes, for example, the introduction of Scottish Aggregates Tax (SAT) given relatively small level of aggregate imported into Scotland;
- post-implementation reviews of taxes that have been in place for a short time, for example SAT, Scottish Visitor Levy and Scottish Building Safety Levy;
- review/evaluation of taxes that have been in place for several years, for example, whether the design of Land and Buildings Transaction Tax (based on Stamp Duty Land Tax) fully reflects property law in Scotland or the impact of ten years of income tax divergence and whether the research undertaken by the Scottish Government is adequate to inform tax policy making decisions on divergence; and
- wider evaluation of tax policy undertaken before legislation is drafted, and such a draft consulted on.

4.3. Perhaps a starting point would be for the successor committee to review the implementation (or otherwise) of the tax powers delivered as a result of the Smith Commission. This would not only be a useful exercise for new members to help them understand how new taxes

⁵ [Letter from the Convener to the Presiding Officer of 20 June 2025](#) and [Report on the Scottish Budget process in practice](#)

⁶ [\[ARCHIVED CONTENT\] Legacy Expert Panel - Parliamentary Business : Scottish Parliament](#)

have been introduced in Scotland but also help the committee reflect on what has happened, what worked well and what less so. The committee's predecessor, the Finance and Constitution Committee, began an inquiry into the Scottish Approach to Taxation in 2016 but it was never completed due to a significant workload and the Covid pandemic.

5. The future of tax in Scotland – strategic, bigger picture, pro-active thinking

- 5.1. We welcome that the committee has reiterated its views on VAT assignment; its ask that the Scottish Government work closely with the UK Government to address marginal tax rates in Scotland; the long-awaited progress on council tax reform; and the recent clarity and published consultation on Air Departure Tax. We also recognise the committee's role in scrutinising the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill, the Building Safety Levy (Scotland) Bill and the Visitor Levy (Amendment) (Scotland) Bill.
- 5.2. More than ten years on from the Smith Commission, what does the future of tax in Scotland look like now? We believe there is a role for the committee to analyse (including building on its own review of the effectiveness of existing taxes in Scotland and experiences of other countries) and consult on issues of importance to the strategic direction of tax policy in Scotland. Whilst these may be sizeable, and difficult areas of debate, we now also have over a decade of experience and hopefully the data to reflect, inform and shape this discussion on the future tax system in Scotland. A review of the Smith Commission, discussed above, could also inform this work.
- 5.3. Examples of some of these bigger picture topics which could usefully be undertaken in the form of an inquiry could include:
- The future of tax devolution.
 - The taxation of wealth and property, and its interaction with other areas of tax policy, such as Council Tax.
 - The scope and role of local taxation in Scotland (which could include a review of local taxes already legislated for, ie the Scottish Visitor Levy).
 - The administration and simplification of the devolved tax system (noting that devolution is inherently complicated) and considering how the Scottish and UK governments and HMRC can work together to make tax administration as simple as possible for taxpayers.

6. Scotland's legislative process

- 6.1. The 2021 Legacy Report recognised that the Scottish Government and Scottish Parliament have received representations from stakeholders since 2015 on 'the suitability of existing policy and legislative procedures for tax'. The CIOT, and other key stakeholders, have continued to make these representations throughout the 2021-26 parliamentary session as it is a matter of continuing importance to effective tax policy making in Scotland. Of particular concern to the CIOT is the lack of an appropriate and regular legislative vehicle for making changes to tax policy. We remain of the view that tax law in Scotland should be set out in primary legislation, with secondary legislation reserved for operational and

administrative matters. The committee's work in this area has been largely paused since the Covid-19 pandemic.

- 6.2. Whilst our primary ask for the next committee remains the same – to take a role in progressing the review and consider the introduction of a legislative process that enables the regular maintenance of, and amendment to, devolved taxes (such as an annual finance or tax bill) – it is important to highlight that the tax landscape and the discussion on legislative processes has continued to evolve since this work was paused.
- 6.3. Changes to devolved tax policy have largely been managed via secondary legislation. However there are now several examples where primary legislation has been needed to progress legislative changes. Some of these legislative changes have taken a considerable length of time to resolve, because of the lack of a primary legislative vehicle. These experiences can (and should) inform any consideration of potential changes to the legislative process in Scotland.
- 6.4. We welcomed and supported the Welsh Government's consultation document, '[Views on the Appropriate Mechanisms for Making Changes to the Welsh Tax Acts](#)⁷' last year. This sought views on the current arrangements for making changes to Welsh devolved tax legislation and invited suggestions for any process that might be more appropriate. In addition a Welsh Government [consultation](#)⁸ only recently closed on what will essentially be a Welsh tax maintenance bill, making technical changes to Welsh devolved taxes and changes to the Welsh Revenue Authority's governance and powers. It is important to note that the proposed legislative amendments included some that could have been made through regulations, but the proposal is to group both together in primary legislation through a tax maintenance bill. There may be the opportunity to consider any relevant findings from the Welsh Government's ongoing work exploring the appropriateness of different mechanisms for making changes to devolved tax legislation.
- 6.5. The 2021 Legacy Report recommended that the consideration of alternative legislative options for the devolved taxes was 'an important and challenging area of work which should be an early priority for the successor committee'⁹. While there is a commitment to consider changes to the legislative processes for the fully devolved taxes in Scotland's Tax Strategy¹⁰, we continue to await further updates on how this will be taken forward, and when. Therefore, we would urge that a priority of the successor committee in the new parliamentary session should be to take the lead and:
- revisit the outcomes of the Devolved Taxes Legislation Working Group and summarise the key challenges that were identified by the committee in progressing this work and
 - agree between Revenue Scotland, Scottish Government and Scottish Parliament how to move forward with the introduction of a regular legislative mechanism.

⁷ [Views on the Appropriate Mechanisms for Making Changes to the Welsh Tax Acts](#)

⁸ [Legislative proposals relating to the Welsh Tax Acts White Paper](#)

⁹ [\[ARCHIVED CONTENT\] Legacy Expert Panel - Parliamentary Business : Scottish Parliament](#)

¹⁰ [Scotland's Tax Strategy: Building on our Tax Principles](#)

7. Finance and Public Administration committee's pathway to impact

7.1. In summary, we welcome the work the committee has undertaken to scrutinise tax policy as part of its legislative and budget scrutiny function, but there may have been limited time for broader pro-active work. Indeed the 2021 Legacy Report anticipated the challenging workload in Session 6 and had recommended that there would be merit in the committee establishing a 'pathway to impact' which sets out what the committee seeks to achieve, influence and why. We believe that in the next session there is a strategic role for the committee to further shape the future of the tax system in Scotland. We look forward to continuing to work with the committee.

8. Acknowledgement of submission

8.1. We would be grateful if you could acknowledge receipt of this submission and ensure that the Chartered Institute of Taxation and Low Incomes Tax Reform Group are included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

5 February 2026

About CIOT

The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

About LITRG

LITRG is an initiative of the CIOT to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litr.org.uk, to help make a difference to people's understanding of the tax system.

LITRG works extensively with key stakeholders such as HM Revenue and Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.