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Dear Richard

Administration of Scottish Income Tax 2020-21

Thank you for your letter of 4 October requesting further information in relation to the evidence given to the Public Audit Committee on 12 May 2022.

The Service Level Agreement (SLA) between the Scottish Government and HMRC is reviewed annually. I can confirm that discussions with HMRC for this year have now concluded. I enclose a copy of the finalised SLA, which will be published on gov.uk website in due course.

The SLA sets out the specific requirements and performance measures related to the operation of Scottish Income Tax. It is jointly agreed and signed off by HMRC and the Scottish Government. The SLA ensures that there are appropriate structures and governance arrangements for reviewing and dealing with any performance issues arising with HMRC. Both the National Audit Office and Audit Scotland annual reports, alongside views of the Scottish Parliament, are essential inputs to the annual review of the SLA.

Due to the importance of having regular, robust and timely data to effectively administer Scottish Income Tax, as highlighted by the Committee, the SLA has been amended to enhance and clarify the process around data sharing requests between HMRC and the Scottish Government. This addition ensures that there is now a clearer process of requesting data from HMRC and if there is reason not to share data, that HMRC clearly evidences why this is the case. The new additions can be found at sections 26-28 of the SLA, and are as follows:

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“HMRC will provide the Scottish Government with information, including data, where it is required for Scottish Income Tax policy development. Where HMRC is unable to provide the information requested by the Scottish Government, HMRC will set out the reasons for this out in writing.”

Other minor changes have also been made to improve formatting and clarity of the SLA.

I note your letter to HMRC highlighting the Committee’s concerns over the data methodology. As outlined at the meeting on 12 May, officials continue to work together on possible data improvements, including through the Joint Analytical Working Group, to understand the feasibility and costs of obtaining more Scottish specific data on the tax base.

With regards to the assurance I have received on data sharing and data collection by HMRC, I would like to draw your attention to the key requirements and performance measure sections set out at paragraph 24 and Annex A respectively. These outline the expectations that the Scottish Government has in place for the effective administration and operation of Scottish Income Tax. It makes several references to the provision of sufficient, relevant and timely information and data and are regularly reviewed as set out in the SLA.

I trust this information is helpful.

Alyson Stafford
DG Scottish Exchequer

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