



The Scottish Parliament
Pàrlamaid na h-Alba

Alyson Stafford
Director-General Scottish Exchequer
Scottish Government

Public Audit Committee
Room T3.60
The Scottish Parliament
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4 October 2022

Dear Alyson

Administration of Scottish income tax 2020/21

Thank you for providing evidence to the Public Audit Committee at its [meeting on 12 May 2022](#), alongside HM Revenue and Customs and for providing the Committee with follow up [written evidence](#) in respect of the methods and data used by the Scottish Fiscal Commission to forecast Scottish income tax.

During the meeting on 12 May 2022, you will recall that the Committee also discussed the service level agreement between the Scottish Government and HMRC. The Committee was keen to hear how it could be improved, in particular in relation to the quality and timeliness of the data that is collected. You confirmed that the discussions and negotiations between the Scottish Government and HMRC over the service level agreement would be concluded by September.

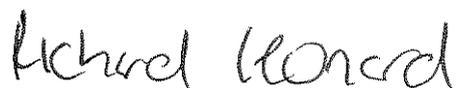
The Committee has agreed to write to you to seek an update on the conclusion of the service level agreement for 2022 and to request a copy of the final service level agreement.

The Committee also remains concerned about the continued reliance of the use of estimated and sample-based data in the administration of Scottish income tax and has written to HM Revenue and Customs to highlight that we expect to see a

reduced reliance on these types of data as soon as possible. I have attached a copy of that letter in the **Annexe** for your information.

The Committee looks forward to receiving your response to this letter by **4 November 2022**.

Yours sincerely



Richard Leonard MSP
Convener

Annexe



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Jonathan Athow
Director General for Customer Strategy
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4 November 2022

Dear Jonathan,

Administration of Scottish income tax 2020/21

The Committee thanks you again for providing oral evidence alongside the Scottish Government on the National Audit Office [report on the Administration of Scottish income tax 2020/21](#) and the [assurance report from the AGS](#) at its [meeting on 12 May 2022](#).

Both the report from the National Audit Office and the assurance report from the Auditor General for Scotland demonstrate a continued reliance on a significant amount of estimated data, despite the Scottish income tax system being in place since 2017/18. We continue to be concerned over the limitations that have been highlighted in both reports over the use of estimated and sample-based data rather than making use of the actual Scotland specific data that is available.

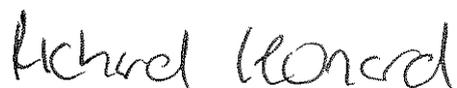
We agree with the Comptroller and Auditor General that HMRC's focus must be on "refining its processes to maintain an accurate and complete record of the Scottish taxpayer population and on continuing to monitor the risk of non-compliance that might or might not arise as a result of divergence between UK and Scottish tax rates." We expect to see the reliance on estimated and sample data reduce as soon as possible.

We also recently had the opportunity to consider [further information from you on 15 June 2022](#), regarding specific figures on debt levels for Scottish taxpayers which set out the debt value and the number of customers in debt for Scotland and the rest of the UK. Thank you for this information.

As you may recall, the Committee also discussed the impact of the Covid 19-pandemic on HMRC's compliance and debt management activities and heard that 29% fewer civil compliance cases were opened in 2020/21 than in the previous year. In response to Willie Coffey MSP's question on the impact this would have on tax revenues (Columns 38 and 39 of the Official Report), you undertook to write to the Committee to provide an estimate of the revenue that you hope to collect as a result of compliance and debt management activities.

The Committee would be grateful for this information and looks forward to receiving your response to this letter by **4 November 2022**.

Yours sincerely



Richard Leonard MSP
Convener