17 July 2018

Dear Bruce,

I am writing to bring to your attention HMRC’s annual accounts for 2017/18 published on 12 July. The full Trust Statement, and accompanying technical annex, is available at the link below:


This is the first time that HMRC has published outturn data for Scottish Income tax for 2016/17, for the Scottish rate of income tax share and the full amount of non-savings non-dividend (NSND) income tax raised in 2016/17 in Scotland. Outturn data for comparable UK Government income tax liabilities in 2016/17 will be published by HMRC at a later stage.

The annual accounts show that SRIT raised £4.35bn in 2016/17, around £550 million less than forecast by the Office for Budget Responsibility (OBR) at the time of the Draft Budget 2016/17 which was £4.9bn. There will be no reconciliation as 2016/17 is a transition year.

HMRC also report the full Scottish NSND income tax in 2016/17 as £10.7bn and it is this figure that will be used as the baseline for future block grant adjustments (BGA). There will be no impact on the Scottish public finances because both Scottish revenue and the BGA will be revised down equally in 2016-17. Although not in the Annual Trust Statement HMRC officials have also confirmed that there were a total of 2.53m Scottish taxpayers in 2016/17, which falls within the range of 2.5m to 2.6m that was anticipated, indicating the success of the process to identify Scottish taxpayers.
I welcome this opportunity to provide further transparency on Scottish income tax and the operation of Scotland’s new Fiscal Framework. The Scottish Government also intends to publish a Fiscal Framework outturn report in September, which will set out in more detail the implications of Scottish tax revenue outturn data for the public finances.

However, forecasting is of course a matter for the SFC and the OBR, and it is for them to comment on the difference between forecast and outturn. I understand the SFC will be writing to you shortly and the OBR are considering whether to do so.

DEREK MACKAY