The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 14 May 2014

Session 4

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FINANCE COMMITTEE
15th Meeting 2014, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)
*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)
*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)
*Michael McMahon (Uddingston and Bellshill) (Lab)
*Jean Urquhart (Highlands and Islands) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Edward Troup (HM Revenue and Customs)
Sarah Walker (HM Revenue and Customs)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament

Finance Committee

Wednesday 14 May 2014

[The Convener *opened the meeting at 10:00*]

Scotland Act 2012

The Convener (Kenneth Gibson): Good morning, and welcome to the 15th meeting in 2014 of the Scottish Parliament's Finance Committee. I remind everyone present to turn off mobile phones and other electronic devices.

Our first and only item of business is to take evidence on the implementation of the financial provisions in the Scotland Act 2012 from Edward Troup and Sarah Walker of Her Majesty's Revenue and Customs. The Scottish and United Kingdom Governments have published their second annual reports on the implementation, as required under section 33 of the act, and members have copies of both reports. I welcome our witnesses and invite one of them to make a short introductory statement.

Edward Troup (HM Revenue and Customs): Thank you, convener, and good morning. It is good to be here again. As you say, you have our second annual report. Last week, the committee heard from Mr Swinney, and I will open by repeating the point that he made that the relationship between HMRC and the Scottish Government continues to be extremely good and we are making good progress towards implementation of the provisions of the Scotland Act 2012.

In a way, this is a transitional year. When I first came to the committee, which was last year, we were getting everything going and, next year, the provisions of the act will start to be in place, with the two taxes being devolved. It has been a year of good progress. From the Finance Committee's perspective, the most important thing is that we have been able to firm up—or, rather, revise down—our estimates of costs, as members will have seen from the annual report. As members will recall, when I was here last year, I said that I hoped that costs would move downwards and, overall, our estimates have moved downwards slightly, with the non-information technology costs coming down and a slight upward revision of our estimate of the IT costs due to the additional expenses that will be involved in dealing with pensions tax relief.

Overall, I am happy that we are clearer about the likely costs of implementation and that the overall costs have come down. Obviously, I am also pleased with the progress on the implementation and transition to revenue Scotland of the two devolved taxes, as well as with the implementation preparations for the Scottish rate of income tax, which look to be in good shape. We recently had another Office of Government Commerce gateway review, which put the overall project on amber/green, which is about as good as any project gets.

Overall, I am pleased with progress and I am happy to answer questions on any aspects of implementation.

The Convener: Most of my questions will be on the second annual report, which is a comprehensive document that answers many of the questions that members might have wanted to ask, although we will have additional questions, and we might want to tease out some of the points in the document.

I will ask a few questions and then open out the session to members. My first question is on chapter 7, which is on "Powers to Devolve Further Existing Taxes and Create New Devolved Taxes". Paragraph 46 states:

> "the two governments have agreed a process for creating new Scottish taxes and/or devolving existing taxes."

It goes on to say, in the first bullet point, that there is a

> "need to ensure that the proposed tax would not impose a disproportionate negative impact on UK macroeconomic or fiscal policy or impede the UK single market".

Do you have any examples of where that might happen?

Edward Troup: No, I do not. Obviously, at this stage, that is largely speculative, because there are no specific proposals for further taxes to be devolved. The criteria that are set out in paragraph 46, which would be the context for any consultation, are intended to capture the broader points that would be taken into account in relation to any domestic UK tax proposal but which would obviously also be relevant to the devolution of any tax. I do not have specific examples, because neither we nor the UK Government has turned our mind to specific taxes to be devolved.

The Convener: Thank you very much for that.

In chapter 8 of the report, "Effect of New Powers on the Scottish Block Grant", the phrase

> "In the two or three transitional years starting in 2016-17"

is used in paragraph 51. Given your experience and involvement so far, how long do you believe that the transitional period should be? Should it be two years or should it be three years? Please explain why.

Edward Troup: That is not a matter for us at HMRC; it is a fiscal matter to be sorted out between ministers. The decision on whether the transitional period should be two years or three years will be taken by ministers. The UK Government is keen to ensure that the full provisions of the Scotland Act 2012 are implemented as soon as possible, but there is a balance to be struck between speed and ensuring that there is an orderly and stable transition as far as the impacts on the public finances are concerned.

The Convener: I fully accept that. I am not trying to get you to answer a question that you may perceive to be political; I just seek your professional opinion. At this stage, on the basis of your experience to date, which period do you think would be the most appropriate?

Edward Troup: I would not want to be drawn on that. I go back to what I said about the implementation of the programme. So far, that has gone very smoothly, so I hope that a shorter rather than a longer transitional period might be possible. An overall judgment will have to be made on what is best, which will involve a combination of political and fiscal considerations.

The Convener: When do you think that that decision will be made?

Edward Troup: I do not know. I do not think that you asked Mr Swinney that question last week. That is a decision for him and UK ministers to engage on.

The Convener: Fair enough.

Let us look further at chapter 8 of the report. Paragraph 63 states:

> "In relation to stamp duty land tax ... and Landfill Tax, the two governments continue to work together to consider how Scotland's block grant should be adjusted."

As we know, there will be a one-off adjustment.

Paragraph 64 says:

> "it has been more difficult to determine the nature of a one-off adjustment that is likely to be equitable to both Scotland and the UK in the longer-term; specifically, a one-off adjustment that reflects not only the revenues currently generated by these taxes but also the longer term prospects."

How can that best be achieved?

Edward Troup: I do not want to be too unhelpful, but I am not sure that I can help with that. You are asking about the mechanics of calculating future revenue values. Although I am responsible for the analysts who do the sums, the judgment about what it is appropriate to include in any formula is not one for us to make.

The Convener: Yes, I had a feeling—

Edward Troup: You thought that I was going to say that, didn't you?

The Convener: Yes, but one can always try.

I will have another go. Paragraph 66 says:

> "A similar approach could be taken for SDLT and Landfill Tax, albeit through making all Barnett consequentials slightly smaller".

How much smaller could the Barnett consequentials be made? What might the impact of that be?

Edward Troup: I do not want to keep saying, "I refer you to my previous answer," but that is probably the best reply at this point.

The Convener: Okay.

I will ask you an easier question, the answer to which is already in the report. I will ask it to allow you to expand on what the report says. After you have answered it, I will open the session to colleagues, some of whom might want to drill down into some of the numbers.

The report says:

> "Pension providers will be given until 2018 to develop systems to ensure that Scottish taxpayers receive the right amount of tax relief by adjusting the amount that pension schemes claim from HMRC on their behalf."

I want to find out what will happen before 2018. I know that there is a section on that in the report, but I would like you to expand on what it says.

Edward Troup: As the committee knows, because the benefit of pension tax relief is dependent on the rate of tax, if the Scottish Parliament chooses to vary the Scottish rate after 2016, in effect the benefit of the tax relief will be affected for Scottish taxpayers. For the majority of taxpayers who obtain relief at source—in other words, the adjustment is made through the payment to the pension funds—that would necessitate quite a complex number of adjustments.

Between 2016 and 2018, should there be a variation of the rate, HMRC and the UK Government will in effect bear the cost of that to avoid the necessity for any pension fund to have to amend all their systems at what is a time of change for the pension industry in general ahead of 2018. No one will be disadvantaged or advantaged apart from the UK Government and HMRC, which will bear the risk in relation to that interim period. Does Sarah Walker want to add to what I have said?

Sarah Walker (HM Revenue and Customs): Yes. I can give you a bit more detail about how that would work. Currently, when somebody makes a personal pension contribution directly to a pension fund—this does not apply to people who pay into their employer's fund, when there is a different way of giving relief—they make a contribution and the fund claims from HMRC the value of the pension relief at the basic rate on that contribution. In future, the value of relief at the basic rate may be different depending on whether someone is a Scottish taxpayer or a rest-of-the-UK taxpayer if the Scottish rate is different.

In the long run, when pension funds make a claim for relief, we will expect them to identify whether or not their contributors are Scottish taxpayers so that they can claim relief at the right rate. They need to be able to set up their systems to make that identification and enable them to distinguish between Scottish taxpayers and non-Scottish taxpayers. They will not be able to do that by 2016, which is obviously the first year when the rate might differ, so we are allowing them until 2018 to do that.

If the Scottish rate is different from the UK rate in those two years—2016-17 and 2017-18—individuals who make contributions to pension schemes will be entitled to a different amount of relief. The difference in that relief will be given back to them by HMRC through an adjustment to their pay-as-you-earn code or through their self-assessment, rather than by a different rate of claim by the pension fund. The taxpayer will get the relief, but they will get it through a different route.

The Convener: I will now open up the session to colleagues. John Mason will be the first to ask questions.

John Mason (Glasgow Shettleston) (SNP): Thanks, convener. One of the very encouraging things in the report is that the costs under SRIT, which had been estimated to be between £40 million and £45 million, are now expected to be between £35 million and £40 million. Can you give a little background on why the costs will be lower than expected?

Edward Troup: I will let Sarah Walker talk about the details. As I said at the beginning, broadly, although the IT costs have moved up very slightly to reflect the pension relief that we talked about, we have simply firmed up the various elements, which are enumerated in annex 6.4 of the annual report. I would not say that we put in overfull estimates, but we put in estimates that we have managed to bring down. In part, that reflects the fact that we hope that, as we become increasingly digital, we may be able to take advantage of more automation, which will reduce some of the manual costs that we have anticipated.

We can go through each of the individual costs, but I will let Sarah Walker add some comments on the details first.

Sarah Walker: I think that we said that in this report we would provide a reasonably firm estimate of the non-IT elements of the costs. We will not have a quote from our IT suppliers for the IT changes until later this year, so we have specified as closely as we can the non-IT elements. Those include things like writing to everybody who we think is a Scottish taxpayer—so there is printing and postage for that—and dealing with responses, because a proportion of those people will phone us up and ask questions. We will issue new tax codes to people when they have a Scottish tax code, so we will have to send out additional PAYE coding notices and a certain amount of publicity, as we will use publicity to remind people of the importance of keeping their address details up to date with HMRC.

10:15

The £25 million also contains an element for additional work on address data to ensure that it is as accurate as we can make it. Some elements are pretty firm; some are still contingencies for work that we might well do over the next two years; and a large proportion depends on the number of people who phone us up or otherwise dispute their Scottish taxpayer status and the costs of dealing with that. The Scottish Government will be charged only for the actual cost, which we will keep track of and will try to keep to a minimum.

John Mason: When you gave evidence to us last year, you said that you were not very sure of the accuracy of the address data that you hold. Are you indicating that the data is perhaps more accurate than you thought, or are you still not 100 per cent sure about it?

Sarah Walker: We are still working on it. We are still comparing our addresses with other external databases such as that held by the Post Office and other commercially available databases that show the addresses that people are giving for different purposes. The fact that the address that we have does not match the address that someone else has does not necessarily mean that it is wrong, but it does mean that we have to do more work. I do not have a figure or percentage yet for the accuracy of our address data, but we are well advanced with the plans for the work that we need to do to make the comparisons and identify the groups of people about whom we will need to make further inquiries.

Edward Troup: There are levels of confidence about the unit costs. We have a pretty firm idea of the costs for undertaking communications and other particular activities, and we are continually driving those down. The two major levels of uncertainty are, first, how much work we are going to have to do, which will arise from the extent to which our data is good enough and whether we will need to improve it—in other words, the data checking—and, second, the extent to which our contacting people results in responses. As you will have seen, we are assuming a 10 per cent contact rate in response to notices. If that percentage is lower, the costs will be lower; if it is higher, the costs will be higher.

Although we have experience in a lot of fields such as data, contact and so on, this is slightly unknown territory for us. Certain elements, such as having to tell people that they are Scottish taxpayers, are different from the other things that we do, and we just do not know what the response will be. That level of uncertainty will continue until next year when we start to undertake these activities.

John Mason: I presume that you have a one-off starting position to get as much information as you can about addresses and where people live, but will that work not have to be on-going? After all, people will move around, new people will come into the system, others will retire and so on.

Edward Troup: Things will have to be cleaned up as we move from the initial position, but our on-going costs assume that people will take up or leave Scottish taxpayer status. In other words, the £4.2 million a year includes meeting the cost of taxpayers continually joining and leaving the system. I am not quite sure of our assumptions about how many will do that, but I assume that we have some embedded assumptions about the degree of churn.

Sarah Walker: We are reviewing the estimate of the £4.2 million for on-going annual costs and we will, I hope, have a better figure for that very soon. However, it will vary depending on whether the Scottish rate of income tax is varied in a particular year.

We are also looking very carefully at publicity and trying to change people’s behaviour to ensure that they remember to notify us when they move house and change their address.

John Mason: Which is what they should be doing anyway.

Sarah Walker: They should be, but in the past such moves have not affected their tax status. As a result, we have not put a lot of effort into ensuring that that is seen as an absolute requirement. However, we will be trying to change people’s behaviour, if we can, in order to jog their memories.

We are also trying to make it as easy as possible for people to notify us of changes of address by, for example, allowing them to do so on a website instead of getting them to phone us up or write us a letter.

John Mason: Fair enough.

Edward Troup: We have no legal powers to require people to tell us when they change address and a penalty for not telling us would not be an efficient way of getting people to tell us. As Sarah Walker says, this is about making it easy for people to notify us and reminding them that they need to do so. That is the most cost-effective way of keeping the address book up to date.

John Mason: On the bigger point that you were overcautious and overestimated the costs, do you normally do that when you are estimating costs? Can we expect all the other estimated costs to come down a bit?

Edward Troup: No, but obviously we get into less trouble if costs come down than if they go up. We have given an estimate, which we have been able to bring down. Equally, though, we do not want to be wildly out. I do not want to suggest that somehow these were inflated estimates. I am quite comfortable that we have had a modest downward revision of the non-IT costs.

John Mason: Another issue that has been raised is telling taxpayers how much Scottish rate of income tax they have paid compared with how much other income tax they have paid. Am I right in thinking that that will mainly be done once a year, which will be around the time that the P60 is issued? Will you give us a wee bit of the thinking behind that?

Edward Troup: As you know, that was a decision for the Scottish Government. I think that Mr Swinney may have answered questions on that last week.

Obviously, a range of options were available, for example requiring the information to be given every time a payment is made, in other words with the PAYE slips for employees. However, at the moment there is no requirement for pension payers to give pensioners any information about tax deduction, so that would have been a new obligation. That would probably be the most extreme end. At the other end would be not giving any information at all, except on request.

What has been chosen is, as you say, the option of including the payment on the P60. That will be an obligation on employers, because it is for employers to produce the P60. As I understand it, that has followed consultation and discussion with employers and business representatives here.

By accessing their annual tax statement online—once that is fully up and running—taxpayers will be able to see what their tax position is and how much Scottish rate they have paid as part of their total tax bill. That is the proposal but, in future, choices could be changed.

It would be possible, if the Government so wished, to introduce an obligation to produce more regular updates of Scottish tax payments.

John Mason: So, if I understand that correctly, from HMRC's perspective it would not really matter whether people were told weekly, monthly or annually. It would be the employers that would have a problem, because they would have to change their system.

Edward Troup: Absolutely. We do not have regular contact with taxpayers. The whole principle of the PAYE system is that the responsibility for tax payments is on the employer, through deduction from payments. For the majority of individuals, that, with the end-of-year reconciliation, settles their tax liability.

In those cases, our only contact with taxpayers is simply to issue an annual coding notice, and in the future we will give them access to an annual tax statement online. Unless a new obligation is imposed on HMRC to provide information to employees, the question of what information the employee gets is one for the employers and hence for business; it is an employer burden. As I understand it, that is why the decision has been made just to provide annual statements through the P60.

John Mason: Thank you.

On land and buildings transaction tax, the report mentions that the Scottish Government

"will continue to supply HMRC with land transaction data".

Will you expand on why that needs to happen?

Edward Troup: Yes. The availability of data from all sources is an important element of compliance information for both tax administrations, but for us in particular, as we will continue to administer the majority of taxes. The fact that an individual has acquired a property is an indication that he or she has the means to do so. That is a relevant bit of information for income tax compliance, because if an individual acquires, let us say, a £200,000 property but records income of very little, that would raise a flag that they might have undeclared income sources, which we should be investigating.

To lose the access that we have at the moment to the data on land transactions would have a significant impact on our compliance activities. One hypothesises that it would affect our compliance activities relating to Scottish taxpayers as much, if not more, than it would affect our compliance activities relating to English taxpayers. It is important for the purposes of compliance that we continue to have access to that data. The data feed that will be established to replace our existing data access will ensure that compliance activities can continue robustly in the future.

John Mason: That is great. My final question is on landfill tax, the estimated costs for which were higher than it now seems that the actual costs will be. The report states that disapplication costs for landfill tax

"will not be passed on".

Did you expect that the costs would be a bit higher?

Edward Troup: Sarah Walker may want to comment on that. As you know, the number of landfill tax payers in the whole of the UK is small, because the tax is paid only by site operators. I do not have the exact figure for Scotland, but we felt that it would hardly be worth breaking down the costs of discontinuing that small number of payers in our systems, so we have agreed not to pass on any of the discontinuance costs to Scotland.

Sarah Walker: I do not think that it is an issue that the costs are lower than we expected. We did not have a specific estimate for landfill tax costs. As Edward Troup said, once we looked at the matter we realised that, because there are such a small number of payers, and given that we do not have a bespoke IT system or anything like that, the costs would be pretty much business as usual for us, so there would be no point in us charging the Scottish Government separately.

John Mason: That is good news.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): Mr Troup raised the issue of the cost implications of communicating with Scottish taxpayers. I see from the report that HMRC and the Scottish Government have established a joint communication group, part of whose work involves developing a framework for communicating information about the introduction of the devolved taxes. However, it is not quite clear to whom that information is to be communicated. Will it be going to taxpayers generally or to specific groups?

Sarah Walker: The main communications will go to solicitors, who are the people who handle stamp duty claims in Scotland at present. We have not finalised the communications plan for the transition; we may well end up directing some publicity at people who are buying houses.

From our side, we do not need to do a great deal. People need to be aware that they will no longer pay stamp duty to the UK through HMRC; instead, they will pay land and buildings transaction tax. Revenue Scotland may well want to publicise that more widely.

With regard to ensuring that the right returns are completed and sent to the right people, that will be done through the representatives and the solicitors who handle the transactions, so we need to ensure that they know what they need to do.

Jamie Hepburn: Is that work under way yet or is it still being developed? Are people being contacted yet?

Sarah Walker: We have a newsletter that goes out to people who are interested in stamp duty land tax. We have mentioned in our regular communications that the transition is coming along. It is still relatively early days, and that communication will be ramped up over the course of the year.

Edward Troup: I think that there has been engagement with the Law Society of Scotland and other professional bodies, which produce their own internal communications on the matter.

Sarah Walker: Yes—we have a consultation group of representatives from the relevant bodies, and we have kept in close touch with them.

Jamie Hepburn: That is good to know. You have already discussed with the deputy convener the fact that the Scottish rate of income tax will be reported on annually through individuals' P60 forms. Mr Troup mentioned that the Scottish Government consulted the business sector in advance of that decision. However, I see from the report that you will be consulting employers on the specific changes to the P60 that are required. Is that process under way yet, or is it still at the planning stage?

Sarah Walker: No, that has not begun yet. Changes are made to the format of our standard forms fairly regularly, and we have a standard way of consulting employers and payroll providers about any changes. The change that you mention will not be the only change that is made to the P60. It will be made in 2017, so there is a little time to go. That process has not begun yet. The issue will form part of our routine consultation.

10:30

Edward Troup: A general point to make on communication—which, again, we discussed last time—is that we need to get it right. There is no point in communicating a change too early, because people will have forgotten about it by the time they need to deal with it. As Sarah Walker says, there is an on-going consultation cycle involving employers, so the change that you mentioned will be covered in the part of the cycle that is relevant to the P60s that are issued in April 2017.

Jamie Hepburn: So consultation is routine and it will just be part of that process. That is helpful.

The deputy convener explored some of the issues that I wanted to cover in relation to the estimated costs, but I have a general question. It is very positive that those estimated costs have come down. Is there scope for them to come down further still?

Edward Troup: We are always trying to reduce our costs, as I think I said when I was here last year. Overall, we are trying to reduce costs generally through the use of digital technology and automation. As you know, Scotland will bear only the direct, specific costs. We have quite a lot of digital and other investment planned. To the extent that that investment reduces our overall costs and our unit costs, Scotland will get the benefit of that. However, we do not have anything that I can specifically point to and say, "Yes, I think this will come down."

Although I am not going to say that I can make a promise one way or another—I did not do that last year—I will be disappointed if we cannot continue to put pressure on costs, because that is something that we do all the time.

Jamie Hepburn: Thanks.

Gavin Brown (Lothian) (Con): Mr Troup, you said in your opening statement that you recently had an OGC gateway review, which put the overall project on amber/green. Will you expand on what that is and on what it means in practice?

Edward Troup: Again, Sarah Walker will cover the details but, as you may know, the Office of Government Commerce operates a series of gateways on all significant projects as they go through, as an independent assessment of progress—by that I mean that it is independent of the people who are running the project. This is the second gateway review of this particular project and very few projects get a clear green. Not too many projects get a clear red either, but there are a lot of ambers and amber/reds. An amber/green, as I said, is about as good as we can get. In effect, it says that the project is going well. However, as you would expect of any examiner, the OGC found a few things on which it felt that we could make a few changes. Sarah may want to expand on the elements that the OGC put a bit of amber on.

Sarah Walker: This is the second review that we have had at the programme level to look at the entire implementation. There has also been an external review of the income tax project, which is implementing the change to Scottish income tax. That also had a rating of amber/green.

The OGC was very happy with the fact that we are working closely with the Scottish Government and with the collaboration that is going on, and I was pleased with that. The one specific point that it asked us to pay attention to this time was to ensure that our plans for the closedown of stamp duty land tax and the introduction of land and buildings transaction tax are kept under very close review and that we do joint planning with revenue Scotland and the Scottish Government to ensure that that transition is smooth. Obviously, given where we are in the implementation process—with less than a year to go to that date—that must be a priority for us, so we are very happy with that recommendation.

Gavin Brown: Okay. Just for completeness, the review was in relation to the SRIT, stamp duty/LBTT and landfill tax?

Sarah Walker: The latest review—yes.

Gavin Brown: The review was on all three taxes.

Edward Troup: Yes, it was on the whole project.

Gavin Brown: We have had a couple of questions on cost already, but I have a specific question about the costings for the current financial year. Paragraph 14 on page 12 of the report states:

"HMRC has shared with the Scottish Government an estimate of approximately £5-6m for ... 2014-15".

Does that prediction remain the case?

Edward Troup: Yes, I believe so.

Sarah Walker: The only caveat to that is that the split of cost between 2014-15 and 2015-16 will depend on the scheduling of the IT changes. As I have said, we will not have a definite cost or schedule for the IT work until later this year. The extent to which the spending falls in the current financial year or the next financial year depends on the scheduling, which we do not yet have.

The Convener: As there appear to be no further questions from committee members, I will ask a couple of my own. First, what is the lag between the end of the financial year and outturn figures being available for the Scottish rate of income tax? When can we expect the first set of outturn figures to be published?

Sarah Walker: We hope to be able to publish in our annual accounts in the summer of 2017—the summer following the end of the first year—an estimate of the revenue from the Scottish rate of income tax and then a final figure a year later. It takes us about a year to collect and reconcile all the figures for income tax revenue. As you know, the deadline for self-assessment returns is January after the end of year, so we will have hardly any of it immediately after the end of the year.

For PAYE as well, we do a reconciliation process over the summer and autumn to ensure that we have properly allocated people's income tax. In some cases, we will not be able finally to determine somebody's Scottish taxpayer status until after the end of the year, because that depends on their residence for the year as a whole.

We will publish the best estimate that we have in summer 2017, but we will have an accurate figure in summer 2018—that will be the point at which it is used for the block grant adjustment—which is 18 months after the end of the year.

Edward Troup: But as we get more than 80 per cent of the tax in-year, the summer 2017 figure will give a very good indication. There are always dribs and drabs, but it will be substantially all of the tax. The first year's indication will be pretty complete as a combination of actual receipts and a forecast of the balance.

The Convener: That is helpful.

What will HMRC's role be in making forecasts for the Scottish rate of income tax? Has the Scottish Government had any involvement in that?

Edward Troup: The Office for Budget Responsibility makes the forecasts but, in doing so, it works closely with the analysts in HMRC, who have access to all the data and who make the initial forecasts. There is an extensive scrutiny and engagement process involving HMRC analysts and the OBR, but the forecasts belong to the OBR. I am not quite sure what involvement there will be from Scotland in that. I am also not entirely clear where the Scottish fiscal commission has got to or how that will work. However, we will want to ensure that you are satisfied with the quality of the forecasting and satisfied that the work that we and the OBR have done is satisfactory.

Sarah Walker: I believe that the Scottish Government gets involved in some of the meetings that are held with the OBR to discuss the forecasts, although obviously they represent the OBR's opinion.

The Convener: Thank you. That concludes the questions from the committee. Do you have any further points to make to the committee?

Edward Troup: I do not think so. I would just repeat what I said at the beginning, which is that we have a very good relationship with you. We are off to see revenue Scotland to discuss progress and talk about wider issues. As I think that I may have said last year, it is very much in our interests that revenue Scotland is successful and performs the job well, because ours is very much a collaborative working relationship, not only to deliver the devolved taxes, but to ensure that the Scottish rate of income tax is delivered. We have a good relationship, which I am sure will continue.

The Convener: Thank you for your evidence this morning. It has been very helpful.

Meeting closed at 10:40.

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