

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
13 May 2015

Meeting time:
09.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Bethan Davies

Committee Clerk

0300 200 6565

SeneddFinance@Assembly.Wales

Agenda – Supplementary Documents

Collection and management of devolved taxes in Wales: Consultation Responses

Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

2 Collection and management of devolved taxes in Wales: Consultation Responses (Pages 1 – 50)

Y Pwyllgor Cyllid

Casglu a rheoli trethi datganoledig yng Nghymru

**Ymatebion i'r Ymgynghoriad
Mai 2015**

.....

Finance Committee

Collection and management of devolved taxes in
Wales

**Consultation Responses
May 2015**

Cynnws | Contents

Rhif Number	Sefylliad	Organisation
CMDT 01	Sefydliad Siartredig Trethiant	Chartered Institute of Taxation (CIOT)
CMDT 02	Ffederasiwn Busnesau Bach Cymru	Federation of Small Businesses Wales
CMDT 03	Cymdeithas Llywodraeth Leol Cymru	Welsh Local Government Association
CMDT 04	Archwilydd Cyffredinol Cymru	Revenue Scotland
CMDT 05	Gerald Holtham	Gerald Holtham
CMDT 06	Cymdeithas y Cyfreithwyr	The Law Society
CMDT 07	Grŵp Diwygio Trethi Incwm Isel	Low Income Tax Reform Group

- CMDT 01 - Sefydliad Siartredig Trethiant (Saesneg yn Unig)
- CMDT 02 - Ffederasiwn Busnesau Bach Cymru (Saesneg yn Unig)
- CMDT 03 - Cymdeithas Llywodraeth Leol Cymru (Saesneg yn Unig)
- CMDT 04 - Revenues Scotland (Saesneg yn Unig)
- CMDT 05 - Gerald Holtham (Saesneg yn Unig)
- CMDT 06 - Cymdeithas y Cyfreithwyr (Saesneg yn Unig)
- CMDT 07 - Grŵp Diwygio Trethi Incwm Isel (Saesneg yn Unig)



**Finance Committee of the National Assembly for Wales
 Consultation on an inquiry into the collection of devolved taxes
 Response by the Chartered Institute of Taxation**

1	Introduction
1.1	The Chartered Institute of Taxation (CIOT) welcomes the opportunity to respond to the consultation questions forming part of the National Assembly for Wales’ Finance Committee inquiry into the collection of devolved taxes in Wales.
1.2	The CIOT responded to the Welsh Government’s White Paper on collection and management of devolved taxes in Wales. Our response (attached) covers most of the issues raised by the Committee. We refer below to the sections of our response that cover the questions posed by the Committee.
1.3	We are in the process of responding to the consultation on Land Transaction Tax following extensive informal consultation with the Welsh Government in the lead up to the issue of the formal consultation.
1.4	We would be happy to contribute oral evidence should the Committee invite us to do so.

2	Question 1: Who do you think should be responsible for the collection of Welsh taxes?
2.1	It is understood that the Welsh Government proposes that legal responsibility for collection and management of devolved taxes should



	<p>be vested in a new legally- constituted public body (the Welsh Revenue Authority) (the ‘WRA’) established as a non- ministerial department with direct accountability to the Welsh Assembly. The WRA may not necessarily be the organisation that actually carries out collection and management of taxes in Wales, that role may be delegated to another organisation(s). The CIOT is in favour of overall responsibility for management and collection lying with the WRA as a non-ministerial department thereby ensuring operational independence and the sharing of expertise across the Welsh Government and with HMRC. As we note in our response, this view is subject to there being clear lines of accountability to the Welsh Assembly with proper scrutiny. (Our comments on this aspect are set out at section 2 of our response).</p>
2.2	<p>In terms of actual collection and management of devolved taxes, the Welsh Government’s consultation on the collection and management of devolved taxes in Wales identified a range options; WRA (building in-house capacity), delegation to HMRC, delegation to other public bodies such as Natural Resources Wales or Welsh local authorities. We note that the Welsh Government is undertaking a full analysis to consider these options and the cost/other implications. Pending that evaluation exercise it is difficult to comment in detail. Our overall preference is for a single national body ideally with expertise and experience of tax collection and management (or access to such expertise) because this option provides a consistent approach (rather than the risk of variations at the local level) which can be also adopted for current and future devolved taxes. However there may be a clear rationale for an existing body to manage and collect particular devolved taxes.</p>

3	<p>Question 2: Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?</p>
3.1	<p>In accordance with section 5 of our response, we support a simple standard national approach to devolved tax collection and management with an emphasis on minimising administrative burdens for business and particularly for businesses with cross border activity. It is recognised that some collection and management arrangements will be specific to individual devolved taxes, but a generic framework is preferred offering consistency of service standards, cost-efficiencies and an element of future – proofing to accommodate any future devolved taxes. We consider that the operation of a generic framework is best achieved by collection and management operated by one organisation unless there is a clear rationale for collection by a particular existing body with an existing relationship to a specific taxpayer community and relevant expertise (such as Natural Resources Wales in the case of landfill tax).</p>

4	Question 3: How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?
4.1	As we note at section 6, adopting existing UK structure and systems where these work well has benefits in not reinventing processes for the sake of change alone and ensuring synchronisation, the latter being vital for businesses with cross- border activity.
4.2	There is also a good case for monitoring the Scottish experience in relation to the collection and management of Scottish Landfill Tax by the Scottish Environment Protection Agency.

5	Question 4: How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?
5.1	As we note above and at section 5, a simple standard national approach to collection offers a basis for future- proofing.

6	Question 5: How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?
6.1	Our response considers a taxpayers’ charter to codify the relationship between the WRA and taxpayers (please see section 5), a core set of duties for the WRA (section 3), additional safeguards (section 9) and clear consistent communication (section 11).

7	Question 6: Do you have any other comments relating to this inquiry which are not specifically addressed above?
7.1	As noted above, our response (as attached) covers most of the issues raised by the Committee.

8	The Chartered Institute of Taxation
8.1	<p>The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. 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. 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.</p> <p>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. The CIOT’s comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.</p> <p>The CIOT’s 17,000 members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.</p>

The Chartered Institute of Taxation
15 April 2015

FSB Wales

Collection and management of devolved taxes in Wales

14 April 2015





Finance Committee Inquiry into Collection and Management of Devolved Taxes in Wales FSB Wales

FSB Wales welcomes the opportunity to present its views to the Finance Committee on the Collection and Management of Devolved Taxes in Wales. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

The Collection and Management of Devolved Taxes in Wales

1.0 Introduction

1.1 In developing our response to this consultation we have drawn upon evidence from our regular surveys of members, the workshops we undertook to inform our response to Part One of the Silk Commission, and a survey we undertook specifically on tax collection and management in September 2013.

1.2 Our September 2013 survey of FSB members in Wales showed that on average our members spend between £1,001 and £3,000 per year on professional fees, software costs and staff time managing the payment of taxes. This is a significant cost to small businesses. It is crucial that the Finance Committee fully consider the implications of arrangements for the collection and management of devolved taxation for small businesses as part of its review.

1.3 We believe that the mechanisms adopted in Wales, as a result of the devolution of taxation set out in the Wales Act 2014, should not place additional reporting burdens on small businesses in Wales.

1.4 It should be recognised that many small business owners might, as an objection, highlight the need to pay taxes to two (HMRC and Welsh Revenue Authority) bodies. In shaping this response FSB Wales has been mindful of the benefits of localised taxation on the one hand and the need to address these concerns over increased administration on the other. We are also keen to ensure that the wider principles of better regulation and good governance are observed in this and in all policy areas.



2.0 Who do you think should be responsible for the collection of Welsh taxes?

- 2.1 FSB Wales supports the establishment of a Welsh Revenue Authority as a Non-Ministerial Department, as proposed by Welsh Government in its White Paper in 2014. This follows the Scottish Government's decision to set up Revenue Scotland in response to the devolution of taxes, which our colleagues in FSB Scotland have also supported. As we have previously indicated however, a Welsh Revenue Authority should only be created following a full evaluation of the likely cost and of any alternative mechanisms.
- 2.2 FSB Wales believes that the Welsh Revenue Authority should be directly accountable to the National Assembly for Wales, and that the Finance Committee is the appropriate committee to scrutinise the Authority. The Finance Committee should, if necessary, be given additional expert advice to undertake this function.
- 2.3 The Board of the Welsh Revenue Authority should include someone who has an SME perspective, as a large number of SMEs would likely come into contact with it. This appointment would help ensure that the new Authority takes strategic decisions in such a way that considers their impact on this sector.

3.0 Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?

- 3.1 FSB Wales argues that the collection and payment of taxes in Wales should be as streamlined as possible. Our September 2013 survey of members indicated that the process of the payment of taxes by small businesses, which typically do not have dedicated finance teams, is a significant time commitment.

Table 1: Amount of Time Spent by FSB Members on Complying with Obligations	
No time at all	12%
Around 1 hour each month	18%
2 to 3 hours	26%
4 to 5 hours	13%
6 to 8 hours	11%
2 days	6%
3 to 5 days	3%
6 days or more	2%
Unsure	9%

Source: September 2013 FSB Member Survey (Base 2,190)

- 3.2 The establishment of a single Welsh Revenue Authority would have noticeable benefits in limiting the administrative burden on small businesses. This relates to



both of the Welsh taxes that will replace Stamp Duty Land Tax and Landfill Tax, as well as any taxes that may subsequently be devolved.

3.3 Our 2013 survey of members on the collection and management of taxation also showed that after cash flow problems, the most significant reasons for the late payment of taxes arise from communication difficulties, such as understanding what is required and confusion of payment dates.

3.4 The collection and management of taxes in Wales, beginning with the two new Welsh taxes, by a single authority is an opportunity to limit confusion. The new Authority however, must ensure it effectively communicates with taxpayers.

4.0 How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?

4.1 It is important that Welsh Local Authorities and HMRC are fully engaged in managing the transition period for transferring responsibility for the collection of Stamp Duty Land Tax and Landfill Tax to a Welsh Revenue Authority. There is an identifiable administrative risk in the transfer from one responsible authority to another, and the impact of this can be best mitigated if existing authorities fully engage with the transition arrangements.

4.2 The FSB believes that the Welsh Revenue Authority should exist as a 'shadow authority' for a period of time prior to its taking responsibility for the two new Welsh taxes from April 2018, to enable its management and staff to work closely with existing authorities in handling the transition, to ensure any ICT problems are eliminated, and to avoid any issues that might lead to a short term confusion amongst small businesses in Wales around the payment of taxes.

5.0 *How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?*

5.1 The Welsh Revenue Authority should be established in full recognition that further taxes are likely to be devolved to Wales over the next five to ten years. The Authority should also be prepared to take responsibility for other Welsh taxes that Welsh Government may subsequently bestow upon it, such as business rates, as this could lead to a more streamlined process for the collection and management of taxes in Wales.

5.2 FSB Wales believes that the Welsh Revenue Authority should have enshrined in it at its outset a duty to conduct Tax Impact Assessments ahead of any future taxation changes. These Tax Impact Assessments can be used to inform the debate around



any future tax decisions taken by Welsh Government, particularly around the impact on the SME sector.

6.0 How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?

6.1 Our most recent survey of members specifically relating to the collection and management of taxes undertaken in September 2013 highlighted a series of concerns relating to small business taxation, and related specifically to HMRC. Our survey also asked FSB Wales members to rank their priorities for new services or service improvements. The following table highlights the findings.

Table 2: FSB Members' Priorities for New or Improved Tax Collection or Management Services	
Reduce the amount of time it takes to contact an HMRC advisor on the telephone	37%
Allow queries to be asked and resolved via email	33%
Provide one tax reference number for all of a business's taxes	22%
Improve the appearance and ease of navigation of the HMRC website	21%
Improve the clarity of information available on the HMRC website	19%
Allow ALL forms to be completed and submitted online	17%
Allow queries to be asked and resolved via online chat	16%
Provide a dedicated HMRC business phone line to assist in tax calculations	13%
Provide an HMRC operated payroll bureau service for small businesses	13%
Provide an online tool that allows tax liability to be calculated under different scenarios	12%
Increase awareness of the provision to pay taxes by monthly standing order	12%
Provide real time notification when payment is received by HMRC	10%
Provide a standard payment date for all annual taxes	9%
Other	7%
Unsure	12%

Source: September 2013 FSB Member Survey (Base 2,164)

6.2 FSB Wales believes that the Welsh Revenue Authority needs to improve on the record of HMRC in providing information, guidance and support, and in responding to individual concerns and complains. A duty to provide high levels of responsiveness should be required of the Welsh Revenue Authority from the outset.

6.3 In its 2014 White Paper the Welsh Government stated that the Welsh Revenue Authority might choose to delegate responsibilities for the collection of tax. We believe that the Welsh Revenue Authority should maintain control of the collection of taxes that it has responsibility for, as any delegation may complicate the process of payment for small businesses in Wales.

¹ FSB Wales. 2014. *Better Regulation for Wales* [Online]. Available at: <http://www.fsb.org.uk/policy/rpu/wales/images/better%20regulation%20wales.pdf>



- 6.4 Should delegation of tax collection take place, the Authority must ensure a consistency of approach across Wales. Our research on regulatory issues has highlighted consistence in approach from regulatory agencies as a key factor that impacts on the day-to-day operation of small businesses in Wales¹.
- 7.0 *Do you have any other comments relating to this inquiry which are not specifically addressed above?***
- 7.1 The majority of our members have sought external help from an accountant, tax advisor or book keeper in the payment of their taxes. Our September 2013 survey of members showed that 77% (of 2,185 respondents) had used external professional support in the payment of their taxes.
- 7.2 In developing its proposals for a Welsh Revenue Authority, we believe the Welsh Government should seek to work with the external professional advice industry to gather expert opinion on the establishment of the Authority.



Federation of Small Businesses Wales

1 Cleeve House
Lambourne Crescent
Llanishen
CARDIFF CF14 5GP

Telephone: 029 2074 7406

Email: policy.wales@fsb.org.uk

Web: www.fsb.org.uk/wales

The Federation of Small Businesses Wales

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

Lobbying

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have three active subsidiary companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601), FSB Publications Limited (company number 01222258 and Data Protection Act registration number Z7315310) and FSB Recruitment Limited. (company number 07836252 and Data Protection Act registration number Z3131666).

Finance Committee Inquiry into the Collection and Management of Devolved Taxes in Wales

Introduction

1. The WLGA welcomes the opportunity to give evidence to the Finance Committee. We will respond to the detailed questions below but, as we did when we responded to the recent White Paper, it is important that we set out our general position in respect to the new tax environment, and the importance of controlling resources close to communities, where this is best to do so. Much of our response to the Finance Committee's questions underline the expertise which Local Government brings as a local tax administrator.

WLGA's general position in the new tax environment

2. An essential part of our vision is that local government should have maximum freedom and flexibility to control the resources needed to deliver services locally to communities. The tax raising powers which local government already possesses are a key feature of the resource landscape at the local level and are a key element in our vision for greater local control of resources.
3. The WLGA would argue that in the new tax management environment, local democratic responsibility for taxation remains a key feature. Just as there is recognition in the Welsh Government's (WG) consultation proposals that the new devolved taxes should be brought together, there must equally be recognition of the link between nationally devolved taxes and their administration with the management and control of local taxation. Gerry Holtham's paper to the Institute of Welsh Affairs¹ recognised the strategic links between locally collected property taxes, newly devolved taxes and taxes that have the potential to be devolved.
4. The WLGA has welcomed invitations already made to participate in the Tax Advisory Group and our officers are contributing constructively in other fora. We believe that there is a need for Local Government to have a close relationship with the WRA and a means for high level and meaningful interaction with the new body. We will address each of the Committee's questions in turn.

¹ IWA Senedd Paper 2: Taxation in Wales, Spring 2014 (<http://www.iwa.org.uk/en/publications/view/233>)

Who do you think should be responsible for the collection of Welsh taxes?

5. In our response to the White Paper we set out a series of principles for any tax system:
 - a. Minimise leakage and avoidance
 - b. Maximise collection
 - c. Minimise burdens on businesses / taxpayers
 - d. Minimise complexity
 - e. Minimise administration costs
6. One of the main features of a new system for these taxes is that the administrative costs should be kept as low as possible so that as much of the tax receipts as possible are used to fund services. This is also linked to an ability to keep collection rates high (and improving) over time. A track record in both these areas should be a precondition of any organisation that takes up this role in the future. Processes should be automated wherever possible and there should be a single registration process for taxpayers or their agents.
7. In the initial years there should be no significant differences in cost to taxpayer between England and Wales given the porous nature of a relatively long border (this is particularly relevant to Landfill Tax). There should be minimal change from existing practice from taxpayers' experience (except where improvements can be made) to ensure smooth transition.
8. Our default position is simple: Local authorities in Wales are best placed to collect and manage devolved taxes. They already have systems in place to undertake the management and collection of taxes and/or sundry debtor accounts
9. There is no up-to-date contemporaneous cost benchmarking data. However the last time that an exercise was carried out by CIPFA in 2011, the costs of collecting CT and NNDR were significantly lower in Wales than England.
10. The track record of local authorities in Wales in collecting taxes and income due is good. Collection rates for council tax are at historic highs. Compared to unitary authorities in England and Scotland collection rates here are higher. Outstanding debt is falling and revenues practitioners are constantly striving to improve their service.

11. Unfortunately, there are a number of factors that mitigate against local authorities putting forward a proposal to undertake the management and collection of Welsh devolved taxes at the current time:

- The future shape of local government is not yet determined, but the transition process will encompass April 2018 when the Welsh devolved taxes become operational. The degree of uncertainty means that it is extremely difficult for individual authorities to commit to new responsibilities from 2018;
- Timescales have not allowed for the development of a sufficiently robust proposal with all of the consultation that this would require. Councils are focused on achieving balanced budgets for 2015-16 and implementing savings plans. The level and scale of cuts that need to be addressed means that there is not the capacity at the senior level required to give this proposition the serious consideration needed within the timescales available;
- A detailed process map would need to be developed which sets out all the steps involved, what can be provided within current systems and what needs to be developed separately;
- Discussions would need to take place at an all-Wales level at both political and officer fora to agree whether one or more authorities should seek to provide these services, and which authority(ies) this should be;
- Further work would be required with the authority(ies) to discuss the details of how this might work and to provide robust estimates of the potential costs involved.

Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?

12. There is a case for taxes being collected by different organisations so long as they are the most effective at doing so. We mentioned above that Welsh local authorities perform well in a UK context but there is inevitably a degree of variation across the 22 authorities, it may shape the type of model that is adopted, for example given the low level of transactions it could be done by one authority nationally, or by one authority in each region. What is clear is that one or more local authorities could play a significant role in the management and collection of newly devolved taxes given that they already collect £1,300m in Council Tax, £895m in NNDR and similar levels in sundry debtors.

13. Further work would be required with local authorities to discuss the details of how this might work.

How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?

14. Local authorities have experienced staff with relevant qualifications from the Institute of Revenues Rating and Valuation (IRRV) who have practical experience in all aspects of collection, minimisation of tax avoidance, revenue leakage and managing outstanding debt. Experienced staff would ensure a smooth transition and utilising existing systems would keep costs to a minimum. Obviously HMRC similarly have a vast amount of experience in these areas also.
15. There are a number of ways of harnessing this expertise as the new systems for the collection and management of devolved taxes are developed including involving these organisations and their staff in early discussions or inviting them to join project groups through to arranging secondments for key roles.

How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?

16. It is difficult to envisage in detail what future changes there may be to the tax system beyond the current proposals. The organisations, systems and processes put in place to manage and collect the taxes that are to be devolved currently need to be flexible enough to allow them to be adapted to encompass any further devolution of taxes.
17. Radical changes to the system of local property taxation have been well managed by local authorities and authorities are willing to work with Welsh Government in order to share this expertise.
18. The Council Tax revaluation in Wales in 2005 was managed extremely well by Welsh Local Authorities and the billing systems were flexible enough to cope with the significant number of dwellings that changed band.

19. Over recent years there have been numerous initiatives affecting Business Rates that have been introduced by Central Government that have required software changes as a wider variety of reliefs have become available. Recent examples in the Retail Relief Scheme, the Open for Business Scheme, the New Development Scheme and the Small Business Rate Relief Scheme.
20. In the instances above Welsh Government and Welsh Local Authorities have worked together to ensure that these Policy decisions have been successfully implemented in a timely and cost effectiveness manner.

How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?

21. As mentioned above, the minimisation of complexity, utilisation of existing expertise and automated processes will all contribute towards maintaining service standards in terms of tax collection.
22. From the taxpayer perspective, the system should be simple as possible in terms of registration, calculation and payment of tax to encourage compliance. All taxpayers should have a consistent, high quality experience that is transparent and predictable.
23. A phased approach to significant change will minimise any reduction in collection rates, as will working closely with existing providers and avoiding significant differences from the English regime, given the porous nature of the border, particularly in relation to Landfill Tax.

Do you have any other comments relating to this inquiry which are not specifically addressed above?

24. We agree that a Welsh Revenue Authority (WRA) will need to be established as these taxes are devolved. Our view is that the WRA will become a key player in our financial landscape and will have substantial powers available to it. We believe that the new body should be independent of the Welsh Government and that there is strong accountability to National Assembly. In our response to the consultation on the White Paper, we pointed out that a decision to go with the preferred approach should be fully tested against the benefit of alternative

models. We note, for example, that in some responses to a similar consultation by the Scottish Government that a Revenues Commissioner was proposed by some.

25. The devolution of these taxes does provide an opportunity for a more coherent approach to all taxation in Wales, as put forward by Gerry Holtham's paper cited above. There may be a role for the WRA, perhaps advisory in nature, to keep overview of all property taxes in Wales and in examining and developing different approaches to National Non-Domestic Rates (NNDR) and Council Tax, while recognising and retaining the local decision-making in terms of Council Tax rates is the cornerstone of local democratic accountability.
26. It is important that the size of the authority and its costs are proportionate to the scale of the taxes that are devolved to Wales, although we recognise that there is a minimum size and cost to establishing the authority. We also recognise that whatever is established needs to be suitable for the potential for devolution of further taxes.

Author: Mari Thomas (029 2046 8632)

Email: mari.thomas@wlga.gov.uk

Cleared by: Councillor Aaron Shotton, Spokesperson for Finance & Resources

Eleanor Emberson
Chief Executive
Revenue Scotland
PO BOX 24068, Victoria Quay
Edinburgh, EH6 9BR
info@revenue.scot
www.revenue.scot

Ms B Davies
Clerk to the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA
SeneddFinance@Assembly.Wales

17 April 2015

Dear Ms Davies

REVENUE SCOTLAND: IMPLEMENTATION OF THE DEVOLVED TAXES

I am pleased to give evidence to the Finance Committee's inquiry into the collection of devolved taxes in Wales.

As the then Head of Revenue Scotland within the Scottish Government and, since 1 January 2015, as the Chief Executive of Revenue Scotland, I have submitted six-monthly progress reports to the Scottish Parliament's Finance Committee on the preparations for the implementation of the devolved taxes in Scotland.

I attach for the Committee's information the last of these reports which was submitted to both the Scottish Parliament's Finance and Public Audit Committees in February 2015 and the amended Table of Costs (Annex B) that I provided to them in March.

On 1 April, as anticipated in the report, Revenue Scotland became fully operational and started collecting the Land and Buildings Transaction Tax (LBTT) which replaced the UK Stamp Duty Land Tax in Scotland on that date. Users had been able to sign up to our electronic tax system since 16 February. Over 2800 users have now done so and between 1 April and 16 April, 3478 LBTT returns have been submitted, of which just over one per cent have been submitted on paper.

Further development of our systems and processes continues in collaboration with stakeholders and includes the facility for the electronic submission of the first returns for the Scottish Landfill Tax (SLfT) this summer. [26 landfill operators have registered for SLfT since registration opened on 16 February.]

Copies of my previous reports of March and October 2014, and letters to the Committees following my appearances in December 2014 and March 2015, can be found on the Scottish Parliament's website at:

- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/March_2014\(1\).pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/March_2014(1).pdf)
- http://www.scottish.parliament.uk/S4_PublicAuditCommittee/General%20Documents/17_October_2014.pdf
- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Update from Revenue Scotland to the Finance Committee dated 8 January 2015.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Update_from_Revenue_Scotland_to_the_Finance_Committee_dated_8_January_2015.pdf)
- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Revenue Scotland to the Finance Committee.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Revenue_Scotland_to_the_Finance_Committee.pdf)

I hope this information is helpful to the Committee. Dr Keith Nicholson, the Chair of Revenue Scotland, and I are due to appear before the Committee at their evidence session on 29 April 2015 when we will be happy to answer any questions the Committee may have.

Yours sincerely



ELEANOR EMBERSON

Enclosures:

Update Report on the Implementation of Devolved Taxes (incl. Annexes A, C and D), 270214
Annex B to the Update Report, as amended, 090315

Eleanor Emberson
Chief Executive
Revenue Scotland
Victoria Quay
Edinburgh, EH6 6QQ
info@revenue.scot
www.revenue.scot

Mr J Johnston
Clerk to the Finance Committee
Room T3.60
The Scottish Parliament
Edinburgh
EH99 1SP

Ms J Williams
Clerk to the Public Audit Committee
Room T3.60
The Scottish Parliament
Edinburgh
EH99 1SP

Finance.committee@scottish.parliament.uk

pa.committee@scottish.parliament.uk

27 February 2015

Dear Clerks

IMPLEMENTATION OF THE DEVOLVED TAXES – JOINT UPDATE FROM REVENUE SCOTLAND, REGISTERS OF SCOTLAND AND THE SCOTTISH ENVIRONMENT PROTECTION AGENCY

1. This letter provides the joint 6 monthly update from Revenue Scotland (RS), Registers of Scotland (RoS) and the Scottish Environment Protection Agency (SEPA) on progress on the implementation of the devolved taxes. It also addresses the issues raised by your respective Committees following my oral evidence sessions on 17 December 2014.

Policy Development, Consultation and Legislation

2. The Scottish Government and UK Government agreed that the arrangements for the disapplication of the two UK taxes would be set out in an exchange of Ministerial letters. You received a copy of the Deputy First Minister's letter to the Financial Secretary to the Treasury on 27 January confirming Revenue Scotland's readiness to collect and manage the two devolved taxes from 1 April 2015. You will also have received a copy of Mr Gauke's reply dated 9 February to confirm that HMRC has made the necessary arrangements to disapply Stamp Duty Land Tax (SDLT) and UK Landfill Tax in Scotland from 1 April, and that the Treasury Orders to disapply the UK taxes will be laid in good time before the dissolution of the UK Parliament in the spring. The Treasury Orders will pave the way for the laying of commencement orders to bring the devolved taxes legislation into force on 1 April.

3. Following public consultation, the Scottish Government has brought forward a package of secondary legislation which in total will comprise over 40 Scottish Statutory Instruments (SSI) to implement the Land and Buildings Transaction Tax (Scotland) Act 2013, the Landfill Tax (Scotland) Act 2014 and the Revenue Scotland and Tax Powers Act 2014.

4. Almost all of the SSIs have already been laid before Parliament. Subject to Parliamentary approval, all 3 Acts - together with the associated secondary legislation - will be commenced in full on 1 April 2015. The tables set out at **Annex A** provide links to each of the SSIs which have been laid before Parliament, together with the accompanying explanatory and policy notes and proposed laying dates for the final instruments.

Revenue Scotland Board and Statutory Positions

5. The appointment of the 5 Board members, including the Chair, of Revenue Scotland concluded in December 2014.

6. Revenue Scotland itself was brought into being as a body corporate and an office-holder in the Scottish Administration on 1 January 2015, on which date its Chair, Chief Executive and members took up post. Under section paragraph 8(3) of schedule 1 to the Revenue Scotland and Tax Powers Act, I was appointed by the Scottish Ministers as the first Chief Executive of Revenue Scotland. I have also been appointed as Accountable Officer. After this initial, transitional arrangement, the responsibility for appointing the Chief Executive will rest with the Revenue Scotland Board (the Board).

7. The Board completed their initial induction training in January and have met on two further occasions in January and February. Dates for further meetings throughout 2015 are agreed and the Board has taken steps to put in place key elements of governance, including reviewing a draft Framework Document to be submitted to Scottish Ministers, approving Standing Orders and agreeing the terms of reference for its Audit and Risk Committee.

Tax Administration Programme

8. The Tax Administration Programme is at an advanced stage of delivery. The programme comprises three major projects – Organisational Functions, Tax Processes, and IT Implementation – and three smaller projects – RoS's Land and Buildings Transaction Tax Project, SEPA's Scottish Landfill Tax Project, and the establishment of the Scottish Landfill Communities Fund. Communications activity underpins all of these projects.

9. 16 February 2015 was a major milestone for the Programme, with the opening of registration for SLfT and sign-up to the Scottish Electronic Tax System (SETS) for both SLfT and LBTT. This coincided with the publication of a significant volume of guidance – covering all

three pieces of primary legislation relating to the devolved taxes, as well as guidance on signing up to SETS. The Revenue Scotland support desk also opened on the same day.

Governance and Scrutiny

10. The Tax Administration Programme continues to follow approved programme and project methodology, and an integrated assurance plan sets out the range of quality management and assurance measures in place at product, project and programme level.

11. The Programme underwent a third Gateway Review in November 2014. The delivery confidence assessment was Amber/Green. Recommendations focused on maintaining progress toward the transition to live operations and are being followed up.

12. The Committees are aware that Audit Scotland published a report in December 2014 on preparations for the implementation of the Scotland Act 2012. This found that clear structures had been established for managing the set-up of Revenue Scotland, and that there were well-developed project plans in place for implementing the devolved taxes. Audit Scotland, however, considered that there was a risk that the IT system would not be fully operational by 1 April 2015, and that Revenue Scotland may not have the expertise to manage the devolved taxes effectively from 1 April 2015.

13. As I discussed with both Committees in December, our project plans set out clearly how we would ensure that both the IT and operational staffing would be in place. I can confirm that work has progressed as planned and I am confident that we will deliver the IT system, operational staffing and all the other elements that need to be in place for the collection and management of the two taxes for 1 April.

14. The Board has reviewed the Programme and is satisfied with its progress and the assurance processes in place.

IT Implementation

15. Following a Gateway Review of the Project in summer 2014, the IT Implementation project focused first on the development of the internal case management system, the online form and the necessary links with the Scottish Government accounting system (SEAS). The next step was the development of the online portal for external users. The external portal was opened on 16 February to allow registration for Scottish Landfill Tax (SLfT) and sign up for use of SETS for both SLfT and Land and Buildings Transaction Tax (LBTT).

16. The opening of registration and sign-up was a major milestone for the IT Implementation Project. This allows external users – principally solicitors and landfill site operators – to set up accounts on SETS so that, from 1 April, they will be able to submit tax returns online. External user feedback during testing and since the portal opened has been overwhelmingly positive.

17. Now that the external portal is available, all of the main elements of SETS required for 1 April are now in place, and the registration and sign up elements are currently live. As with any IT implementation project, the focus in the remaining time is on testing and sign-off of the end-to-end system. Since January, external users have been involved in the testing of the system and they will continue to have a key role in this last stage. We will also be continuing to refine the case management system to ensure that it supports the internal work of Revenue Scotland, RoS and SEPA as effectively as possible. In mid-March, the system will be opened for external users to practice carrying out electronic transactions in order to become familiar with the system functionality. This early access may reveal additional bugs or issues. Resolution of any such issues will be prioritised and factored into the regular cycle of maintenance for the system, and some may be resolved post go-live. There are some additional elements of SETS required for collection of SLfT from the end of June 2015. These are on track to be completed and tested in good time.

Contingency Planning

18. As with any major change programme, we of course have contingency plans in place to cover possible risks to delivery. The main contingency plan discussed with the Committees in December covered the possibility of using paper returns if our online tax collection system (SETS) was not ready on time. I can confirm to the Committees that our IT system will be delivered as planned and it has not, therefore, been necessary to invoke the contingency plan.

Revenue Scotland Staffing

19. In addition to the appointment of the Chief Executive, the detailed planning and preparation for the recruitment of the other 40 staff required for the first year of operation for Revenue Scotland has been completed. The first phase of recruitment has been concluded and the second main phase is drawing to a close. Following this intense period of recruitment activity, 31 of the 40 posts have now been filled. Recruitment is well advanced for the remaining posts, not all of which are required for 1 April.

20. Essential posts for the senior management team, tax specialists, legal, finance, IT and corporate services have been filled which means that Revenue Scotland will go fully live on 1 April with the required breadth of expertise and experience to collect and manage the devolved taxes.

21. We have also developed a training programme for all staff which is being delivered as operational staff are recruited in preparation for the administration of LBTT and SLfT.

Roles and responsibilities of RS, RoS and SEPA

22. We have continued to work well with RoS and SEPA to define the relative roles and responsibilities of each organisation in light of delegation of functions and have set out the detail of these relationships in Memoranda of Understanding (MoUs). This includes making it clear that Revenue Scotland remains statutorily responsible for all the functions delegated to RoS and SEPA.

23. The MoUs have been developed by RS, RoS and SEPA officials and were reviewed by the Board at their meeting on 25 February 2015. These will shortly be submitted to RoS and SEPA for their agreement and the final versions will then be shared with the Finance Committee.

24. The MoUs are living documents, and Revenue Scotland will of course continue to work with RoS and SEPA to ensure that they reflect roles and responsibilities accurately. We are planning a formal review of each MoU after three months of operation but it will be open to Revenue Scotland, RoS and SEPA to review the MoUs at any stage, if necessary.

25. The delegation of statutory duties from Revenue Scotland to RoS and SEPA will formally be given effect by Schedules of Delegation. These will be laid in Parliament prior to 31 March 2015. The Memoranda of Understanding set out the approach to carrying out the delegated functions and the way the relationship between Revenue Scotland and RoS or SEPA will be managed on a day-to-day basis.

System Sign-up and SLfT Registration

26. Following the opening of the external portal on 16 February, the numbers signed up for use of SETS and SLfT registration as of 26 February are as follows:

Number of users signed up to use SETS	483 from 116 firms
Number of users in the process of signing up for SETS	52
Landfill operators registration underway	8

27. We will continue to work with landfill operators to get them all registered and to promote to solicitors the need to sign up for our online system in good time ahead of 1 April. The Law Society of Scotland, the Chartered Institute of Taxation and other professional bodies have continued to support us and are helping us ensure that the appropriate messages reach their members.

Taxpayer Contact

28. Alongside the opening of the external portal, Monday 16 February also saw the opening of the Revenue Scotland support desk, with a telephony system in place to ensure that calls are routed correctly. To ensure that taxpayers and agents have access to the support they require, we have trained a pool of staff to work on the support desk which we can scale up or down as demand requires. Support desk staff are trained to answer questions about the registration and sign-up process, and to pass on more complicated system queries to dedicated IT staff. Dedicated mailboxes for technical queries about tax guidance have also been set up. Up to 26 February, the support desk has been handling an average of 33 calls per day, with steady progress in sign-up numbers. We will continue to monitor call volumes closely and will scale up the support desk as required, particularly around the end of March and early April.

Business Continuity Planning

29. As with all public services, a key element of maintaining consistent performance for Revenue Scotland is robust business continuity planning. The Board will be reviewing Revenue Scotland's Business Continuity Plan at its March meeting.

Costs

30. Cost estimates for LBTT and SLfT have since 2012 been prepared on the basis of the cost of set-up plus five years of operation, and have been compared to the original estimate given by HMRC for the cost of setting up and operating for five years two devolved taxes on a like-for-like basis with Stamp Duty Land Tax and UK Landfill Tax. The HMRC estimate was £22.3m in 2012. On that basis, my current estimate of the costs for LBTT and SLfT is £21.2m, which is unchanged from the estimate I reported to the Finance Committee in October 2014. Individual items within that estimate have changed, however, so I attach at **Annex B** a table showing the latest estimates broken down by the same categories as I previously reported to the Finance Committee. The change to the costs of IT procurement and maintenance is due to clarification that VAT will not be recoverable rather than an increase in the cost of the contracts. As noted in SEPA's progress report at **Annex D**, Revenue Scotland is also still in discussion with SEPA about costs associated with holding and managing Scottish Landfill Tax intelligence.

31. As the Committee will be aware, there are limitations with this approach to estimating the costs and the comparison with the original HMRC estimate is becoming increasingly strained for several reasons:

- The HMRC estimate was based on 2012 prices and so made no allowance for pay increases or inflation. My estimate above is based on current prices, but we will at some point need to take into account pay and general inflation for future years.
- The HMRC estimate was based on taxes designed on a like-for-like basis with their UK equivalents. LBTT and SLfT legislation has established features of these taxes to suit circumstances in Scotland, which have introduced some changes in scope to the implementation work. It is not clear how equivalent scope changes would have changed HMRC's costs.
- The estimates have focused on cash budgets and so omit the non-cash depreciation charge.
- Focusing entirely on the cost of collection does not allow the Committee to take into account the relationship between the amount spent on compliance work and the amount of revenue raised.

32. The Board is considering these issues and seeking to establish a way of presenting Revenue Scotland costs for scrutiny that will be more meaningful. One option would be to monitor operating costs as a percentage of revenue raised, averaged over a number of years to allow for changing economic circumstances. This option could usefully support the Finance Committee in considering Revenue Scotland's budget in future years. It could also allow for international benchmarking, as figures are published on a similar basis for other jurisdictions, and form a part of a set of indicators to provide a full and transparent view of Revenue Scotland's performance as discussed below.

Performance Measures and Indicators

33. We are grateful for the performance measure questions from the Public Audit Committee and the recommendation from the Finance Committee in its report on the Draft Budget 2015-6 which have helped inform the development of our performance framework.

34. We are designing the framework of performance indicators and data around the four principles of a good taxation system articulated by Adam Smith in *The Wealth of Nations*: certainty, convenience, efficiency and proportionality to the ability to pay. We have reflected on the areas that the Committees asked about and we will attempt to cover all of these, although in order to give information on the outcome that we believe is of interest we may have to do so using a slightly different metric.

35. There are some points worth noting:

- As these are self-assessed taxes, we can measure our collection rate of the amounts that taxpayers have self-assessed but that is likely to be high and it may be of rather less interest than the amount of tax that we eventually take in after further compliance work.
- Compliance activity itself will have both direct and indirect consequences, so we need to look not only at assessments and determinations made by Revenue Scotland and enquiries carried out but also taxpayer amendments which may be prompted by changes in attitude or understanding.
- Another important aspect of compliance is how successfully we create a culture where people expect to pay and where it is easy for them to get their tax return right first time. The legislation passed by Parliament is clear on the principles and Revenue Scotland is designing its systems and communications to make payment as easy as possible. These factors should reduce the amount of tax that has to be collected later through direct compliance activity.
- As a small organisation, Revenue Scotland's primary focus will be on administering the devolved taxes. As such, staff will be working in a broad range of areas across both taxes so any costs for collection of each tax or each area of work can only be based on estimates of staff time. The one exception will be the activity of the three specialist 'additional compliance staff', which will be tracked so that we can provide an accurate view of the amount of additional tax collected or in process of being pursued through the work of that group.

36. The Board considered some proposals for Key Performance Indicators (KPIs) and data for publication at its meeting on 25 February. There is more work to be completed and the Board will consider further proposals again at their meeting next month. Subsequently, these proposals will be shared with the Committees and the KPIs will eventually form part of our Corporate Plan which has to be agreed with the Scottish Ministers.

37. The Committees may also wish to note that we plan to make key information about tax yield available on the Revenue Scotland website monthly for Land and Buildings Transaction Tax and quarterly for Scottish Landfill Tax. These regular within-year publications will report the number of tax returns received, the value of liabilities reported, and the value of associated receipts.

Stakeholder engagement and communications

38. Since the last update to the committee on 17 October, there has been an increase in the intensity of our engagement with key stakeholders and communication activities in general. An important milestone for the programme as a whole came with the launch of the website, www.revenue.scot in November, which includes tax calculators, FAQs and the recently published guidance for the taxes.

39. Activities and messages continue to be coordinated across the communication teams of Revenue Scotland, Scottish Government, HMRC, RoS and SEPA to try to make changes as simple as possible for taxpayers and their agents. Our Devolved Tax Collaborative met again in mid-November, and there was a clear message from attendees that Revenue Scotland should continue to provide such a forum for engagement beyond the launch of the taxes on 1 April. We are currently considering the creation of two subgroups, one for LBTT and one for SLfT, which would focus on detailed issues on the operation of each tax and keep technical guidance under review.

40. We have received particularly strong feedback for our engagement with end users in the previewing and testing of our IT portal. The Committees may be aware that Isobel D’Inverno, Chair of the Law Society’s Tax Committee, commented publicly in January on a demonstration of the system:

‘The LBTT online system is user friendly and intuitive, with a very modern look and feel, and the returns themselves are much shorter, and do not require so much of the non-tax related information which has to be included in SDLT returns’.

41. End users have also played an important part in the review process for our draft technical guidance for the devolved taxes, which has included bilateral discussions as well as, for example, a workshop for Landfill Operators. We ran a series of LBTT roadshow events across Scotland in February, designed to give key information to solicitors and those in their offices who will be involved in submitting tax returns, and a demonstration of completing the online form. These events were attended by over 600 solicitors and tax professionals and a live online seminar was held this week for the benefit of those who had been unable to attend.

42. Following a preliminary consultation with stakeholders such as The Law Society of Scotland, ICAS, CIOT and environmental membership groups, a draft Charter of Standards and Values has been drafted and a public consultation on this was launched at the end of January, running until 6 March.

43. I would like to take the opportunity of this report to thank publicly all of the end users who have given us their time to comment on guidance, to carry out system testing and to support our communications. Revenue Scotland has benefitted substantially from their

experience and expertise, and the result will be tax collection systems that are practical and minimise administrative burdens.

Registers of Scotland progress

44. RoS have provided a supplementary progress report on Land and Buildings Transaction Tax implementation for the Committees at **Annex C**.

SEPA progress

45. SEPA have provided a supplementary progress report on Landfill Tax implementation for the Committees at **Annex D**.

Conclusion

I hope that this update is useful to the Committee and I would be happy to answer any further questions.

Yours sincerely



ELEANOR EMBERSON

ANNEX A: Devolved Taxes Secondary Legislation (As at 240215)

LBTT Legislation

Instruments		Procedure	No of pages / laying date
1.	LAND AND BUILDINGS TRANSACTION TAX (SCOTLAND) ACT 2013		133
2.	LBTT: The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 1) Order 2014	None	4
3.	LBTT: The Land and Buildings Transaction Tax (Definition of Charity) (Relevant Territories) (Scotland) Regulations 2014	Negative	2
4.	LBTT: The Land and Buildings Transaction Tax (Prescribed Proportions) (Scotland) Order 2014	Negative	2
5.	LBTT: The Land and Buildings Transaction Tax (Qualifying Public or Educational Bodies) (Scotland) Amendment Order 2014	Negative	2
6.	LBTT: The Land and Buildings Transaction Tax (Addition and Modification of Reliefs) (Scotland) Order 2015	Affirmative	8
7.	LBTT: The Land and Buildings Transaction Tax (Administration) (Scotland) Regulations 2014	Negative	8
8.	LBTT: The Land and Buildings Transaction Tax (Ancillary Provision) (Scotland) Order 2014	Negative	2
9.	LBTT: The Land and Buildings Transaction Tax (Transitional Provisions) (Scotland) Order 2014	Negative	8
10.	LBTT: The Land and Buildings Transaction Tax (Sub-sale Development Relief and Multiple Dwellings Relief) (Scotland) Order 2015	Affirmative	8
11.	LBTT: The Land and Buildings Transaction Tax (Tax rates and bands) (Scotland) Order 2015	Affirmative	4
12.	LBTT: The Land and Buildings Transaction Tax (Transitional Provisions) (Amendment) (Scotland) Order 2015	Negative	3 March
13.	LBTT: The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 2) Order 2015	None	20 March 2015

Total pages (items 1-11): 181

Scottish Landfill Tax Legislation

Instruments	Procedure	No of pages / laying date
1. LANDFILL TAX (SCOTLAND) ACT 2014		32
2. SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 1) Order 2014	None	4
3. SLfT: The Scottish Landfill Tax (Prescribed Landfill Site Activities) Order 2014	Provisional Affirmative	4
4. SLfT: The Scottish Landfill Tax (Administration) Regulations 2015	Negative	28
5. SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 2) Order 2015	None	3
6. SLfT: The Scottish Landfill Tax (Qualifying Material) Order 2015	Provisional Affirmative	5
7. SLfT: The Scottish Landfill Tax (Standard Rate and Lower Rate) Order 2015	Affirmative	2
8. SLfT: The Scottish Landfill Tax (Administration) (Amendment) Regulations 2015	Affirmative	11 February
9. SLfT: The Scottish Landfill Tax (Exemptions Certificates) Order 2015	Affirmative	24 February
10. SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 3) Order 2015	None	20 March

Total pages (items 1-7): 78

RSTPA Legislation

Instruments		Procedure	No of pages / laying date
1.	REVENUE SCOTLAND AND TAX POWERS ACT 2014		154
2.	The Public Appointments and Public Bodies etc. (Scotland) Act 2003: (Treatment of Revenue Scotland as a Specified Authority) Order 2014	Affirmative	2
3.	RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 1) Order 2014	None	4
4.	RSTPA: The Scottish Tax Tribunals (Eligibility for Appointment) Regulations 2014	Negative	4
5.	RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 2) Order 2014	None	8
6.	RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 3) Order 2015	None	8
7.	RSTPA: The Revenue Scotland (First Planning Period) Order 2015	Negative	2
8.	RSTPA: The Revenue Scotland and Tax Powers Act (Fees for Payment) Regulations 2015	Negative	4
9.	RSTPA: The Revenue Scotland and Tax Powers Act (Involved Third Party) Order 2015	Negative	2
10.	RSTPA: The Revenue Scotland and Tax Powers Act (Postponement of Tax Pending a Review or Appeal) Regulations 2015	Affirmative	4
11.	RSTPA: The Revenue Scotland and Tax Powers Act (Privileged Communications) Regulations 2015	Negative	8
12.	RSTPA: The Scottish Tax Tribunals (Voting and Offences etc.) Regulations 2015	Affirmative	4
13.	RSTPA: The Proceeds of Crime Act 2002 (Disclosure of Information to and by Lord Advocate and Scottish Ministers) Amendment Order 2015	Affirmative	4
14.	RSTPA: The Revenue Scotland and Tax Powers Act (Interest on Unpaid Tax and Interest Rates in General) Regulations 2015	Affirmative	18 February
15.	RSTPA: The Revenue Scotland and Tax Powers Act (Reimbursement Arrangements) Regulations 2015	Affirmative	18 February
16.	RSTPA: The Revenue Scotland and Tax Powers Act (Record Keeping) Regulations 2015	Affirmative	18 February
17.	RSTPA: The Scottish Tax Tribunals (time limits and rules of procedure) Regulations 2015	Negative	30 March
18.	RSTPA: The Scottish Tax Tribunals (Conduct and Fitness) Rules 2015	None	30 March
19.	RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 4) Order 2015	None	20 March

Total pages (items 1-6): 224

Annex C: Progress report: Registers of Scotland



ros.gov.uk

Registers of Scotland: Progress Report on Land and Buildings Transaction Tax Implementation

1. RoS continues to work closely with colleagues from Revenue Scotland, HMRC and SEPA in implementing Scotland's new tax collection system. RoS has its own internal LBTT Project and is represented on the Tax Admin Programme Board, the Revenue Scotland IT Implementation Project and the Revenue Scotland Tax. The overall Tax Administration Programme Board is reporting a status of green for launch of the new tax on 1 April. The RoS LBTT Project is similarly reporting green.

Roles and responsibilities

2. RoS is clear as to statutory and delegated roles and responsibilities. There are 4 principal aspects to this:

- (i) We will check upon receipt of an application for registration that it complies with section 43 of the LBTT (Scotland) Act 2013; namely that a land transaction return has been made in relation to the transaction. Operational guidance for RoS staff is being drafted and appropriate training will be provided prior to the launch of LBTT.
- (ii) Acting under delegated authority, we will receive and process any paper LBTT returns and any associated payment. RoS staff will enter the information on the LBTT return directly in to the Revenue Scotland system. We have developed resource modelling assumptions around this based on a range of scenarios for rates of paper submission.
- (iii) We will support Revenue Scotland's compliance activities by providing a regular data feed of all relevant applications registered in the Land Register and the Books of Council and Session. RoS already supplies such data to HMRC.
- (iv) We will have a role to play in the event that system contingency has to be invoked.

IT readiness

3. In terms of IT we have delivered the technology to support access to our authentication server. This enables taxpayer representatives to use their pre-existing registration with RoS as a means of authenticating who they are for purposes of registration with Revenue Scotland. This was delivered to support the launch of registration on 16 February.

4. The other IT deliverable for RoS concerns desk-top access for our staff to information supplied by Revenue Scotland to enable the s43 check. This has been developed and will be available to support staff training in early March.

5. In the event that the on-line submission system cannot be deployed on 1 April we have developed, in tandem with Revenue Scotland, well developed, costed and resourced contingency plans. In essence all paper returns which accompany an application for registration will be submitted direct to RoS. The operational impact has been scoped and planned for to ensure contingency does not adversely impact on our legal obligations under the various registration statutes.

Operational readiness

6. Resource, security and process requirements have been established for both the statutory s43 role and the delegated role of processing paper returns. Training for both activities will be delivered in early March; to ensure consistency between Revenue Scotland and RoS operational tasks the training for both bodies is being delivered by a RoS trainer. Preparations are in hand to ensure that those RoS staff with delegated authority sign a declaration of confidentiality. The mechanisms for delivering information between Revenue Scotland and RoS have been agreed as has the content of that information.

Customer readiness

7. The overall customer messaging is being led by Revenue Scotland. They are currently in the midst of a series of roadshows to which we are providing input. Specific registration related guidance will be issued by RoS. As part of the implementation of the Land Registration etc. (Scotland) Act 2012 in late 2014 the standard registration application form was updated to include questions around LBTT.

Costs

8. The anticipated set-up costs for RoS, as previously reported to the Finance Committee, were estimated at £335,000. It is anticipated that the actual spend will be less than this. Final costs are being collated and will be available by the committee appearance date.

**Registers of Scotland
16 February 2014**

Annex D: Progress report: Scottish Environment Protection Agency



SEPA: Progress Report on Scottish Landfill Tax Implementation

1. The Scottish Landfill Tax Project in SEPA continues to make good progress. Open and productive working relationships are maintained with the now established Revenue Scotland.

Roles and responsibilities

2. SEPA is clear as regards its roles and responsibilities in supporting Revenue Scotland in the administration of Scottish Landfill Tax and regulating the Scottish landfill communities fund.

3. SEPA staff are liaising closely with their Revenue Scotland counterparts on the detail of working relationships post April 2015.

4. Revenue Scotland has requested that SEPA hold and manage Scottish Landfill Tax Intelligence on their behalf. SEPA and Revenue Scotland is looking at the operational and security requirements and costs of this.

IT Readiness

5. A data feed has been created and will transfer waste data SEPA received from landfill sites to Revenue Scotland. In addition, there is an agreed, and approved route for SEPA to interact with Revenue Scotland's case management system.

6. Decisions have also been made with respect to SEPA's landfill tax staff working within SEPA's secure network.

Operational readiness

7. SEPA's capability to undertake SLfT compliance on behalf of Revenue Scotland has progressed with recruitment of key staff within SEPA. A Unit Manager and Specialist have been recruited and are now in post and SLfT Compliance Officers and Specialists are currently being recruited as planned. Decisions have also been made with respect to the location these staff.

8. General awareness training for SEPA has been undertaken with more than 100 staff from all over Scotland attending 'webinars'. In addition, Revenue Scotland and SEPA are to provide training opportunities for each other as well as for their own employees.

10. An Equalities Impact Assessment of these new roles has been completed and a Privacy Impact Assessment is being undertaken by SEPA.

Customer readiness

10. As highlighted earlier, there has been an increase in intensity of engagement with key stakeholders. An Earnst and Young Scottish Landfill Tax seminar was attended by SEPA in Edinburgh on 16 February 2015, which offered a key opportunity to communicate to a good number of landfill operators. This was also an important day for the new tax with the opening of Revenue Scotland SLfT Registration and the release of the legislation guidance.

Costs

11. SEPA setup costs were reviewed from £620k to £380k (on the back of the revised IS model). Project spend for setup costs is projected to be within this revised budget.

Scottish Landfill Communities Fund

12. A second, but closely aligned project is also established to develop the ability for SEPA to regulate the Scottish Landfill Communities Fund. Various forms and documents have been drafted to enable bodies who distribute funds in Scotland to register with SEPA. A resourcing model has been developed and it is hoped that staff will be recruited to undertake this role over the coming weeks.

SEPA

17 February 2015

Tax Administration Programme Budget and Costs

February 2015

	£ thousand									
	Actual 2013/14	Forecast 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Revised Total	Budget in RSTPB	Inc/(Dec) vs RSTPB
Revenue Scotland										
Staff Set Up	580	1,717	770	0	0	0	0	3,067	1,405	1,662
Non-Staff Set Up	31	634	10	0	0	0	0	675	455	220
Total Set Up	611	2,351	780	0	0	0	0	3,742	1,860	1,882
Staff Running Costs	0	472	1,573	1,498	1,498	1,498	1,498	8,037	6,955	1,082
RS non-staff running costs	0	31	668	663	663	663	663	3,351	3,700	-349
Transfer in from HMRC - operational savings			-275	-275	-275	-275	-275	-1,375	0	-1,375
Total Running Costs	0	503	1,966	1,886	1,886	1,886	1,886	10,013	10,655	-642
IT Investment - procurement & maintenance ⁽¹⁾	0	749	419	188	188	188	188	1,920	1,500	420
IT Investment - additional staff	0	253	93	0	0	0	0	346	0	346
Total IT Investment	0	1,002	512	188	188	188	188	2,266	1,500	766
Total Revenue Scotland	611	3,856	3,258	2,074	2,074	2,074	2,074	16,021	14,015	2,006
Registers of Scotland										
Set Up	79	249	0	0	0	0	0	328	335	-7
Staff Running Costs	0	0	240	240	240	240	240	1,200	1,200	0
RoS non-staff running costs	0	0	85	85	85	85	85	425	425	0
Total Registers of Scotland	79	249	325	325	325	325	325	1,953	1,960	-7
Scottish Environment Protection Agency										
SEPA set-up	131	269	0	0	0	0	0	400	625	-225
SEPA running costs	0	0	298	306	306	306	306	1,522	1,600	-78
Collection of SLfT on Illegal Dumping	0	0	204	210	210	210	210	1,044	1,050	-6
Total SEPA	131	269	502	516	516	516	516	2,966	3,275	-309
Additional Compliance Activity 2015-16 only			259					259	230	29
GRAND TOTAL⁽²⁾	821	4,374	4,344	2,915	2,915	2,915	2,915	21,199	19,480	1,719

Notes:

(1) IT procurement costs appear higher to reflect non-recoverable VAT. No change to the cost of the contract.

(2) Set up costs for Registers of Scotland and SEPA have been reviewed to ensure consistent treatment with regard to non-recoverable VAT. Net costs for both are below initial budgets

(3) Non-cash (not included above)

Depreciation	0	0	93	93	93	93	93	93		
--------------	---	---	----	----	----	----	----	----	--	--

Y Pwyllgor Cyllid / Finance Committee
Casglu Trethi Datganoledig / Collection of Devolved Taxes
CMDT 05 – Gerald Holtham

Evidence to the Finance Committee of the National Assembly for Wales on collection and management of devolved taxes.

My understanding is that it is legally necessary to have a body responsible for the collection of devolved taxes, hence the creation of a Welsh Revenue Authority.

However, given the very small amount of revenue involved with the currently devolved taxes, it seems inefficient for the WRA to create new mechanisms to collect taxes and so far as possible they should continue to be collected by existing organisations under contract to the WRA. There is no reason then why different taxes could not be collected by different organisations.

In dealing with HMRC I would suggest the WRA gets a tight contract with performance indicators and some element of payment by results. It is important that HMRC sets up a special unit concerned with Welsh taxes so WRA has a “one-stop shop”.

At present the organisation of local authorities in Wales is in flux, as are, therefore, their tax collection agencies. It may be that if local authorities are consolidated, there could be an even greater consolidation of local authority tax collection. If there were a single or few local authority tax collection agencies, it or they might provide an alternative to HMRC for the collection of stamp duty on residential property transactions or landfill tax. That possibility would provide some potential competition for HMRC. However, that is not the case at present and it seems that HMRC is currently the best option for the minor taxes being devolved.

The existence of WRA means that contractual arrangements could be changed in future if circumstances change or new taxes are created or devolved. If income tax is devolved it would reinforce the need to get good terms from HMRC but provided these are obtained, the projected tax take would not justify creating an alternative collection agency. Many new taxes that have been proposed, such as a hotel or visitor tax or a tax on car-parking spaces are best seen as local taxes, which should be collected by a reformed local authority agency. It seems improbable that the WRA would need to expand its own tax collection capability in the foreseeable future.

Leaving tax collection agencies unchanged with clear terms of reference should enable service standards to be maintained or improved.

Gerald Holtham

20th April 2015

Y Pwyllgor Cyllid / Finance Committee

Casglu Trethi Datganoledig / Collection of Devolved Taxes

CMDT 05 – Cymdeithas y Cyfreithwyr / The Law Society



Cymdeithas y Cyfreithwyr
The Law Society

Collection and management of devolved taxes in Wales

December 2014

Introduction

1. The Law Society of England and Wales ("the Law Society") is the representative body for more than 166,000 solicitors in England and Wales. The Law Society negotiates on behalf of the profession, and lobbies regulators, government and others.
2. The Law Society plays an active role in law reform, the effective operation of legal institutions and access to justice in England and Wales. The Tax Law Committee is a specialist committee of the Law Society comprising 15 expert tax practitioners.
3. The Law Society Wales Office delivers the Law Society's aims in Wales, working with Welsh institutions; influencing and responding to the devolution of law-making; and promoting and supporting the legal community in Wales.

Overview

4. The Society welcomes this opportunity to respond to the White Paper. We see this as an important opportunity for the Welsh Government to take account of developments, positive and negative, in the UK tax system over the last few years.
5. It needs to be recognised that there are clear tensions in designing an effective tax system and yet manage to develop high quality administrative services that support tax collection. Despite a lot of adverse comment in newspapers, the UK benefits from a very high rate of voluntary compliance, perhaps encouraged by sanctions, but in general the level of compliance has not markedly increased as a result of additional penalties, etc.
6. There will be some taxpayers who do not agree with the judgement of a Welsh Revenue Authority ("the Authority") as to whether tax is due or the extent of their liability and it is important that they have an opportunity to test whether a liability exists and the amount of any liability before Tribunals or the Courts, as appropriate.
7. Further, it needs to be recognised that when there is a dispute, then until the final Tribunal or Court decision has occurred, or the parties have agreed on a settlement, it is not clear that the liability *is* owed to the Authority. Accordingly if it is thought appropriate that in these circumstances tax is collected before a matter in dispute is heard by the Tribunal or Court, the Authority needs to be adequately staffed and funded so that disputes can rapidly reach the Tribunals or Courts in order to establish whether, and if so how much, liability to tax actually exists. This is a particularly unfortunate aspect of the current taxation system in the UK that inadequate numbers of well-trained staff are available to process disputes efficiently.

Response to Questions

8. Our comments below follow the questions posed in the consultation. The question number appears following the comment. Where there is no settled opinion the question has been omitted and no response is recorded.
9. While there have been some concerns whether as a Non-ministerial Department, HM Revenue & Customs ("HMRC") is adequately accountable to Parliament whilst maintaining taxpayer confidentiality, we suspect that there would have been more difficulties faced by HMRC had it been a Ministerial Department with a Minister responsible for it and answerable before Parliament. (Question 1)

10. If fully delivered the core set of duties for the Authority would be a good starting point then, after a period of operation by the Authority, say five years, a review of the duties could be carried out. (Question 2)
11. We think that it is important that a Taxpayer's Charter is regarded as having some operational significance. So, for example, it is perceived by some UK taxpayers that, despite comments in the Charter operating in the UK, where they conduct particular lines of business they are assumed to be "dodging taxes" rather than assumed to be compliant with their obligations until demonstrated otherwise. It would certainly be helpful if non-compliance with the Charter had an adverse impact on continued employment by the Authority rather than just being seen to be aspirational.
12. We think it is very important that consultation occurs between groups representing both assisted and unassisted taxpayers (e.g. the Low Income Tax group in the UK as well as appropriate representative bodies) to consider whether the Charter's principles are being followed. (Question 4)
13. From the perspective of taxpayers, the most important factor is balancing efficiencies of the low cost of collection, without having low levels of performance (e.g. insufficient staff to respond to telephone enquiries promptly) and the perception of the Authority being distant, remote or unthinkingly "heavy-handed". We suspect that the net cost of collection will be increased if there is a variable local approach rather than a single body for Wales. (Question 5)
14. We would only add that to accompany powers and duties of the type that could be expected, in order to enable taxpayers to self-assess tax, they need to have access to an adequately staffed Authority enabling them to resolve areas of uncertainty promptly where published (presumably online) guidance does not adequately deal with these questions. (Question 8)
15. One feature that the Authority could test would be whether a *ruling system*, with an appropriate cost being born by business taxpayers seeking rulings (in appropriate circumstances), should be instituted. This would enable the taxpayer who wishes to obtain certainty by reference to a particular set of facts to provide relevant material to the Authority and obtain a ruling which would be binding on the Authority unless there is a development in law (whether in Wales or in the EU) which would render the ruling inconsistent with the law as it has been determined. In appropriate circumstances it would be necessary to provide for an adequate transitional period in which the ruling remains valid whilst the taxpayer reorganises their affairs. One of the perceptions that is widely held in relation to HMRC is that the enquiry service is inadequately staffed and funded and that HMRC seeks to "trip up" taxpayers by levying penalties where as a result of not being able to obtain binding rulings (and not being able to resolve the questions out of its own resources or with professional advisors) HMRC take a different view than that taken by the taxpayer required to pay the penalties. (Question 10)
16. Provided that there is adequate time for consultation a power to levy penalties should be provided. However, the level of penalties should not be set such as to, in practice, "encourage" a taxpayer to concede a case where there is a good argument but the risk of the level of penalties makes it impracticable to consider an appeal. (Question 11)

17. It needs to be recognised that there is currently a consultation underway about extending the data regime in the UK in a manner which is thought by some bodies to be inappropriate. Therefore if there is modelling of the data for Wales on the regime currently operating in the rest of the UK, this should start from the current scheme. (Question 12)
18. One of the reasons it is perceived that there is a significant level of avoidance is the complexity and amount of reliefs in the UK tax regime. Specific reliefs targeted at particular sectors have in practice led to significant levels of litigation (e.g. reliefs targeted on films and other forms of incentive encouraged by ministers of the day.) A further cause of avoidance is rather rushed and prescriptive legislation in response to a particular problem, opening up another opportunity to mitigate tax, arising from a particularly prescriptive form of legislation adopted by Parliamentary Draftsmen. The Authority should have the opportunity to consider the fundamentals of the taxes for which it has authority and by revisiting principles underlying them, may reduce the scope of avoidance.
19. The consultation document recognises that it is important to provide certainty to business and other taxpayers and it seems unlikely that a General Anti-Avoidance Rule, unless accompanied by an adequately funded clearance / ruling process, would provide certainty. The whole reason that the UK General Anti-Abuse Rule has adopted the “double reasonableness” test is to provide as much certainty as can be provided to taxpayers, together with guidance from the Advisory Panel with a particular status, to minimise the uncertainty of taxpayers where there is no binding clearance service. (Question 17)
20. On that basis, if there was going to be a need for a restriction, we strongly recommend it should be a narrower “Abuse” provision. (Question 18)
21. In our view the assistance of an independent panel is particularly important and without the guidance produced by, and intended publication of decisions once they have been before, the Advisory Panel there would be an unacceptable level of uncertainty. The disadvantages of an independent panel will include the possibility that panel members may find themselves facing a conflict of interest or possibly, as a result, drawn from a relatively narrow sector of the population. (Question 19)
22. Given that a significant proportion of avoidance (as it is perceived by HMRC) has taken place in relation to stamp duty land tax, rather reflecting the shortcomings in UK legislation highlighted above, then, depending on the design of a Welsh land taxation regime, there will be less need for a GAAR affecting that particular tax. (Question 20)
23. We agree with the proposed approach to use the existing Ministry of Justice administered two-tier tax tribunal system as it is important that taxpayers have access to an effective form of appeal. There are concerns regarding the accommodation of Welsh law within the current courts and tribunals service including the training of judges which must be addressed. (Question 24)
24. Where the Authority has not set out an adequate reason as to why the liability, in its view has arisen and/or its quantum, then accommodation of incidences of hardship or making time to pay arrangements are relevant. (Question 25)
25. We should be pleased to provide further comments and expand on our replies if this would assist the consideration of our submission.

Please refer any questions regarding this response to:

Kay Powell LLM Solicitor / Cyfreithiwr
Policy Adviser / Ymgynghorydd Polisi
The Law Society / Cymdeithas y Cyfreithwyr
Capital Tower / Twr y Brifddinas
Greyfriars Road / Heol Y Brodyr Llwydion
Cardiff / Caerdydd
CF10 3 AG
T 029 2064 5254 F 029 2022 5944
email: kay.powell@lawsociety.org.uk



**Consultation on an inquiry into the collection of devolved taxes
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 We would expect the Welsh Revenue Authority (WRA) to retain ultimate responsibility for the collection and management of devolved taxes even if this is delegated to an external organisation(s).
- 1.2 We acknowledge that it is difficult for the WRA to develop a tax system when it is not yet known which taxes, if any, will be devolved in the future. However, we would recommend that systems are put in place now which can be developed easily to collect and manage any future devolved taxes with the minimum of disruption to Welsh taxpayers.
- 1.3 We recommend the use of a Taxpayer's Charter to ensure a consistent standard of service by the WRA and any external organisations.

2 About Us

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (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 on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving

CHARTERED INSTITUTE OF TAXATION
1st Floor, Artillery House, 11-19 Artillery Row,
London, SW1P 1RT

REGISTERED AS A CHARITY NO 1037771

Tel: +44 (0)20 7340 0550
Fax: +44 (0)20 7340 0559
E-mail: litrg@ciot.org.uk
www.litrg.org.uk



UK REPRESENTATIVE BODY ON THE
CONFEDERATION FISCALE EUROPEENNE

the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.

- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 Introduction

- 3.1 We welcome this opportunity to respond to the Finance Committee's consultation on the collection of devolved taxes in Wales. It is important to decide the fundamental principles on how tax should be collected and managed even though it has yet to be decided which taxes will be devolved alongside Stamp Duty Land Tax and Landfill Tax.
- 3.2 Although LITRG primarily focuses on income tax, and that is currently not being devolved to Wales, we understand that the framework for the collection and management of devolved tax may include income tax if this is devolved in the future. Therefore our comments in this response focus on developing a tax system which will be fit for purpose if further taxes are devolved.

4 Who do you think should be responsible for the collection of Welsh taxes?

- 4.1 We are not in a position to recommend a particular organisation to whom the WRA could delegate responsibility for the collection of Welsh taxes. However, there are certain factors the WRA should consider when choosing an organisation, these are explained below.
- 4.2 The WRA should have ultimate responsibility for the collection and management of devolved taxes, and part of this responsibility is to ensure that third party organisations exercise compliance and operational duties effectively. Therefore, any organisation providing a service to Welsh taxpayers must adhere to the duties drawn up by WRA.
- 4.3 We recommend that the WRA should have a process of performance review and third party organisations fully comply with the requirements of the Taxpayers' Charter and WRA's duties. We would expect that upon request, a memorandum agreement of delegation between WRA and the third party organisation, will be provided.
- 4.4 Ideally, the chosen organisation(s) will have experience in dealing with the general public including vulnerable people who may require additional help. There should only be delegation to organisations with proper safeguards in place and who also provide appropriate training to staff.

- 4.5 We do not support any 'payments by results' to third parties with respect to debt collection. We understand and agree that WRA will want to collect outstanding tax which is due to the Welsh Government. However, we would recommend that any organisation responsible for the collection of Welsh taxes is paid independently of the amount they are able to collect.

5 Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?

- 5.1 As explained at 4.1 above we are not in a position to recommend a particular organisation to collect and manage devolved taxes in Wales.
- 5.2 We are concerned that changes from the existing established system may result in confusion for unrepresented and vulnerable taxpayers. If the WRA were to use different organisations for the collection of Stamp Duty Land Tax and Landfill Tax then there would be two additional organisations for taxpayers to deal with. However, if the external organisations are already involved in the property transaction or landfill processes then this may not be a particular issue. For example, it may simplify the process if a solicitor only has to deal with an organisation they already work with as part of a property transaction. However, we have concerns if further taxes are devolved in the future, that there may be additional organisations involved in the collection of these taxes who are not already connected with that particular tax or transaction.
- 5.3 Therefore, it is essential for the WRA to consider the potential number of different organisations a Welsh taxpayer may have to interact with. Overall, we recommend that the fewer organisations the taxpayer has to liaise with, the less likely it is that there will be confusion with the transition to devolved taxes.

6 How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?

- 6.1 Organisations such as Local Authorities and HMRC will have significant experience in collecting council tax, business rates and other taxes. There will be certain areas in which these organisations will be able to assist the WRA, for example, knowing which locations have poor internet coverage so taxpayers residing in these locations may have difficulties with filing returns online. Also, these organisations may have systems in place which could assist with the collection of tax, for example, HMRC have recently introduced Needs Enhanced Support (NES) to help vulnerable tax payers.
- 6.2 However, while there are advantages to using established organisations the WRA should also consider their objectives and requirements for the collection and management of the devolved taxes as these may differ from what Local Authorities and HMRC currently offer. It may be the case that to fulfil the WRA's duties these external organisations may have to improve or modify their established systems and procedures.

7 How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?

7.1 We acknowledge that it is a difficult task to plan for the collection and management of taxes when it is unknown what taxes may be devolved in the future. We would recommend that systems are put in place now which would enable any additional devolved taxes, such as income tax, to be collected efficiently with minimal confusion to Welsh taxpayers.

8 How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?

8.1 The WRA should continue to have ultimate responsibility for the collection of taxes and be held accountable for its performance to the Welsh Assembly.

8.2 In order for service standards to remain at a constant level the WRA should ensure that all external organisations understand and agree to WRA's duties and the standards expected from them. There will need to be a publically available memorandum of understanding outlining the arrangements and delegated responsibilities between the WRA and the external organisation(s). In order to achieve this, it is essential that the WRA ensures there is a Taxpayer's Charter that all third parties adopt and advocate. The Charter should have legislative backing and should contain both rights and responsibilities for WRA (and any delegated bodies) and taxpayers, giving equal recognition to taxpayers' rights and obligations and setting them out clearly and with precision.

8.3 The WRA should perform regular performance reviews to ensure that all organisations are working and adhering to the WRA's standards and the Taxpayer's Charter. We would expect the delegated bodies to be subject to the same safeguards and quality control as WRA will implement.

8.4 We would recommend an independent body should report regularly to the Welsh Government on the WRA's performance, including the success of achieving its core duties and following the Taxpayers' Charter. This would mean that the WRA is accountable to the Welsh people via the Welsh Assembly. The independent body could be similar to the National Audit Office which is then supported by a Committee of the Assembly.

9 Do you have any other comments relating to this inquiry which are not specifically addressed above?

9.1 We would recommend that there is a process where by taxpayers can complain directly to WRA if they are unhappy with how the delegated body has treated them. For example, the complaints process should be included in the Taxpayers' Charter and any complaints should originally go to the external organisations to investigate and then to WRA if they are not successfully dealt with. We recommend the use of an independent adjudicator, such as used by HMRC, in cases where a complaint is unable to be resolved easily. We would expect that

the handling of complaints would form part of a publically available annual summary or report. This would also be another method of checking that service standards are maintained.

LITRG
23 April 2015