



The Scottish Parliament
Pàrlamaid na h-Alba

Finance Committee
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12 December 2012

Dear Cabinet Secretary,

Thank you for your letter dated 15 November 2012 inviting the views of the Finance Committee on the draft Memorandum of Understanding on the Scottish Rate of Income Tax (SRIT). The Committee received a helpful briefing from your officials and a further briefing from the Budget Adviser, Professor David Bell.

In general, the Committee believes that the MoU provides a solid basis for the administration of SRIT by HMRC but would welcome a response to the following issues.

Para 2.2 The Committee would welcome further detail on how the assurance procedures will operate and what assurance of their successful operation might be provided.

Para 3.2 Has consideration been given to the potential for the self-employed, who mainly pay under the SA system, to change their incorporation status in response to differentials between Scottish and RUK rates of income tax.

Para 3.2 The Committee would welcome being kept informed of HMRC practices in relation to cases where Scottish tax paying status is not clear cut.

Para 4.1 The Committee recommends that the MoU is amended to include agreement on how HMRC costs are monitored and updates provided both to the Scottish Government and to the Scottish Parliament.

Para 4.2 Are the costs to be borne by SG as set out at paragraph 4.2 exhaustive?

Para 5.1 Whether the proposal to provide information by 30 November each year is distinct from the Resolution to be passed by 5 April each year and if so how is it proposed that this would work?

Para 5.1 What mechanisms are envisaged if the SRIT agreed by the Resolution is different from that anticipated in the information provided by 30 November?

Para 5.1 What opportunities will the SP have to influence the SRIT and what will be the timing for this?

Para 6.1 Whether the Finance Committee will be consulted on the arrangements for forecasting and payment of tax receipts?

Para 6.3 What arrangements are envisaged to ensure that the Finance Committee is kept updated on the actual tax receipts collected?

Para 6.3 What arrangements are envisaged to make revisions to the Scottish Budget to address any significant differences between the OBR forecasts and outturn receipts?

Yours sincerely



Kenneth Gibson MSP, Convener