

## Finance Committee

### Scottish Rate of Income Tax

#### Submission from HM Revenue and Customs

##### Response

HMRC has committed to assist the Scottish Parliament in its enquiries about tax devolution in Scotland, but will not normally respond to calls for evidence relating to tax policy. We are therefore only responding to the final question in the call for evidence: has the introduction of SRIT been sufficiently well publicised to employers and taxpayers?

##### **Background**

As HMRC is implementing, and will operate, the Scottish rate of Income Tax from April 2016, communicating its introduction is a key activity for the Department and is directly relevant to its successful delivery. HMRC welcomes this opportunity to set out its approach to communicating the Scottish rate which will be part of the wider UK Income Tax system, with changes being made to the PAYE and Self Assessment systems to accommodate it. The implementation work is being carried out by an experienced delivery team and Scottish Government are represented on the Project Board overseeing this activity.

##### **Communicating about the Scottish rate - Approach**

HMRC activity is designed to ensure that those affected by the introduction of the Scottish rate have the information they need at the appropriate time.

**Customer groups** - HMRC has identified customer groups and their different information needs alongside consideration about the timing of providing information. For example, companies and employers maintaining payroll software need to make technical changes early to ensure their systems can apply the correct deductions for Scottish taxpayers from April 2016. However, individuals who will be liable to pay tax at the Scottish rate need to know what the changes mean for them and what they should do if their status as a Scottish taxpayer has been incorrectly assigned – this information needs to be communicated nearer to the time of implementation as individual personal circumstances may change.

**Research** - HMRC commissioned Ipsos MORI to undertake external research with individuals, employers, pension providers and payroll agents on how best to communicate information about the Scottish rate. The research explored communication options and preferences and potential customer reaction to contact. The research highlighted the importance of notification letters as the most appropriate method of communicating the introduction of the Scottish rate to individuals. Employers, pension providers and payroll agents expressed an interest in receiving general and technical information sooner than individuals to enable them to put changes in place and provide information for their customers. Participants considered that a range of communication channels should be used, primarily HMRC

pages on the Government internet site GOV.UK, supported by general publicity and specific points of contact for technical enquiries.

The research will be published in the autumn.

**How we communicate with employers and software providers** - HMRC has a number of existing forums and experience of different communication channels to advise and raise awareness of changes and has already been using these methods to raise awareness of the Scottish rate, a process of increasing activity building on shared knowledge and using trusted advocates in the coming months. For example, our online Employer Bulletin is a recognised channel to reach employers and intermediaries all of whom need to be aware of the changes. Information about the Scottish rate has been included in the Employer Bulletin, most recently in the June 2015 edition. We have also spoken to Public Sector employers in Scotland and the Devolved Tax Collaborative, Revenue Scotland's forum for consultation about tax matters. In June 2015 HMRC published technical specifications and guidance for software developers to allow them to make these changes.

HMRC is increasing the frequency of engagement with groups representing employers, pension providers, software developers and the tax industry (including the Employment and Payroll Group and intermediaries such as the Association of British Insurers), through direct presentations at events and through publications including a new page on the GOV.UK internet site, which will guide our customers to particular information as this is added.

**How we communicate with professional advisers**

HMRC has consulted representatives of the legal and accountancy professions on the details of the legislation which determines the application of the Scottish rate during the development of the Scottish rate. Draft technical guidance on the rules which will determine Scottish taxpayer status were published for consultation in June 2015 and comments on this were invited by the end of July. Face to face events have been held in Edinburgh and London with representatives from groups including the Institute of Chartered Accountants of Scotland and the Law Society of Scotland, to provide additional opportunities to discuss the guidance.

**Communicating about Scottish taxpayer status**

The main activity to inform individual taxpayers about the Scottish rate is expected to take place in December 2015. This is timed to ensure that the most up to date information is available to inform the issue of PAYE codes for the 2016-17 tax year. There will be direct contact by letter from HMRC about the introduction of the Scottish rate to taxpayers living in Scotland (around 2.6m). If the individual has been correctly identified as a Scottish taxpayer they need take no action – the communication will contain background information. This direct contact will be supplemented by a publicity campaign including advice on what individuals should do if they believe they are Scottish taxpayers and have not received such a letter. The content of the individual notification has been tested with customers and developed by HMRC in discussion with the Scottish Government and supported by external research undertaken by Ipsos MORI.

Correctly identifying Scottish taxpayers is key to ensuring that the Scottish rate is applied appropriately. The project team implementing the Scottish rate have developed a clear strategy for achieving this, centred around the mailshot referred to above, but also including contacting taxpayers who could have their main place of residence in Scotland, despite not having a Scottish address on HMRC systems.

As Scottish taxpayer status is determined by main place of residence in the UK, HMRC will use postcode information on its system as a basis for this. For the first time a UK tax requires location as a factor to determine the rate of tax that will apply. To ensure that HMRC's information is up to date, individuals will be encouraged to make HMRC aware of changes of address.

As no definitive list of Scottish taxpayers exists HMRC has been (and will continue) checking its address data against third party information to check accuracy, including, for example, the Scottish Electoral Register. As part of its compliance activity HMRC will continue to monitor taxpayer information and available address data to ensure the Scottish rate is applied correctly to Scottish taxpayers.

HMRC will use its existing communication routes to encourage individuals to update their HMRC records and will explore additional methods to reinforce this message.

**Learning from experience** - The successful joint working with the Scottish Government to support the establishment of Revenue Scotland and the introduction of the devolved taxes in April 2015 provides us with helpful experience of joint and integrated communications and HMRC is in regular contact with the Scottish Government to maintain a clear understanding of communication needs. HMRC's focus is on communicating the operational aspects of the Scottish rate and what this will mean for those who are Scottish taxpayers, and this will be linked to the Scottish Government's communication of decisions on the level of the Scottish rate in the Scottish Budget.

**HM Revenue and Customs  
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