

Gordon Lindhurst MSP
Convener
Economy, Jobs and Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

Sent via email

24 November 2017

Dear Convener,

Thank you for your letter dated 9 November, and for inviting the Commission to give our views on the Economic Data inquiry.

Responses to your detailed questions are in the Annex to this letter: please do not hesitate to get in touch if the Committee would like more information.

Regards

A handwritten signature in black ink that reads "John Ireland".

John Ireland

Chief Executive

SFC’s collaborative work with HMRC was mentioned, in the context of “tax-motivated incorporation” but also behavioural responses and tax avoidance. Could you provide more details on this and on any specific recommendations in that area you may wish to make to the Committee?

SFC have been liaising with the OBR and HMRC regarding their tax-motivated incorporations modelling work. Their model aims to forecast the rising trend in incorporated owner-managers, with reference to the incentives via the tax system. These are individuals that have a genuine choice over their legal employment status, with HMRC estimating that around 60 per cent of incorporations were formerly employees and 40 per cent formerly unincorporated self-employed individuals¹. We will be using this work as part of the SFC’s income tax forecast included in the Draft Budget 2018-19.

For any potential policy changes, we will consider potential behavioural effects and adjust our forecast accordingly.

We will continue to monitor the impact of tax-motivated incorporations on our forecast and we are happy to share any insights with the Committee. However, it is not in our remit to make recommendations.

Your colleague David Wilson indicated you could provide a note on the accessibility and quality of the information from a number of organisations who provide data and with whom you have links e.g. Registers of Scotland and the Civil Aviation Authority. Could you provide a detailed list of costs for all the statistics that the SFC purchases?

The Scottish Fiscal Commission has purchased a number of datasets to support our fiscal forecasting and analysis.

The CAA passenger survey data for Manchester airport for 2013 was purchased for £9,998 + VAT. The Commission was given free access to the CAA passenger survey data already purchased by Transport Scotland for these years, purchasing the data for Manchester airport expanded the coverage of passengers flying from different districts in the UK. This data was not available from any other sources.

For LBTT forecasting our main data purchase will be from Registers of Scotland who hold information on all historical data relating to both residential and non-residential transactions. We are looking to purchase the full historical dataset to improve our understanding of the housing market. We are still establishing the final cost of purchasing this data, but we now expect to pay approximately £24,000 for the data. We are currently in discussions with Zoopla to purchase data held on asking prices to try to identifying changes in house prices in response to tax changes. We do not yet have a final cost for this purchase.

¹ OBR 2017 Fiscal Risk Report (para 5.63): http://cdn.budgetresponsibility.org.uk/July_2017_Fiscal_risks.pdf

We have also purchased an annual subscription to two sources of information. The Royal Institution of Chartered Surveyors (RICS) UK Residential Market Survey is a source of market intelligence which we use in our short term leading indicator model to forecast house prices and transactions in the next couple of quarters. We also use the survey for more general market monitoring. A year's subscription to the survey was purchased for £1060 + VAT. The Costar database tracks commercial property across the UK, we are purchasing a one year subscription to Costar at a cost of approximately £1,500 + VAT. We will be using the data to monitor the non-residential market for LBTT forecasting and to inform the Commission's work on Non-Domestic Rates.

There are also a number of data sources which we be exploring in the new year, such as the Family Resources Survey, which is a DWP survey. We are still exploring the likely cost of such data and information. If the Committee would be interested, the Commission would be happy to keep them informed of any future costs.

Mairi Spowage indicated you could provide more information on the question of the range of figures used by a number of sources to suggest the number of additional rate taxpayers in Scotland.

Information on the number of Additional rate taxpayers in Scotland up to 2017-18 can be found in HMRC's UK Income Tax Liabilities Statistics: Table 2.2:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/616452/Income_Tax_Liabilities_Statistics_May_2017.pdf

Scottish Additional Rate Taxpayers - HMRC Statistics

Year	Additional Rate Taxpayers
2010-11	11,000
2011-12	13,000
2012-13	14,000
2013-14	17,000
2014-15	18,000
2015-16*	19,000
2016-17*	18,000
2017-18*	21,000

*Projected estimates based upon the 2013-14 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2016 economic and fiscal outlook.

For the 2018-19 Draft Budget, the SFC commits to publishing the forecasted number of additional rate taxpayers up to and including 2022-23.

**Scottish Fiscal Commission
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