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Public Audit Committee  
The Scottish Parliament  
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29 May 2024

Dear Mr. Leonard,

### **Administration of Scottish Income Tax 2022-2023**

My thanks to you and members of the Public Audit Committee for the level of engagement at the session on Thursday 25 April to discuss the administration of Scottish Income Tax.

During the session I agreed to provide further information to the Committee on the following two points:

- 1) Whether the Scottish Government could legislate to make it a legal requirement for taxpayers to inform HMRC about a change in their address.
- 2) Details of the joint compliance working group between HMRC and Scottish Government officials, including its terms of reference and membership, and the areas of work the group will prioritise.

Regarding the first point, I have taken legal advice from the Scottish Government Legal Directorate. I can confirm that the fiscal reservation in Schedule 5 of the Scotland Act 1998 would prevent the Scottish Parliament from legislating on this matter.

Regarding the joint Compliance Working Group, please find attached a copy of the terms of reference and membership. The first meeting of this group was held on 7 May 2024 and the group is expected to meet quarterly as per the agreed terms of reference.

The purpose of the group is to:

- Improve the understanding of the compliance picture of risk in Scotland, given the increase in divergence between Scottish and rest of the UK income tax rates.
- Provide a robust risk assessment of Scottish Income Tax non-compliance each year in relation to Scottish residency.

- Consider what further Scottish specific activity may be necessary to address any material risks relating to Scottish Income Tax compliance.

I trust this information is helpful to the committee's work.

Yours sincerely,

**Alyson Stafford**  
**DG Scottish Exchequer**



## Scottish Income Tax Compliance Working Group

### Terms of Reference

#### Background

The Scottish Income Tax (SIT) Board agreed in January 2024 to set up a compliance working group to oversee HMRC's work on Scottish Income Tax (SIT) compliance.

#### Purpose

The group aims to improve the understanding of the compliance picture of risk in Scotland, given the increase in divergence between Scottish and UK income tax rates. It will provide a robust risk assessment of SIT non-compliance each year in relation to Scottish residency.

The group will report to the SIT Board and give the board a better understanding of HMRC's compliance processes, the current picture in relation to SIT compliance risk, and assess what further activity may be necessary to understand and address the risk.

#### Frequency

The group will meet quarterly to discuss SIT compliance. It will meet at least 2 weeks prior to the SIT Board to allow updates to be provided to the board.

#### Co-Chair

The chairing of the group will alternate between Philip Batchelor, Deputy Director, Income Tax Policy (HMRC), and Diana West, Deputy Director, Compliance Strategy Delivery (HMRC).

#### Membership

Membership of the board is primarily officials in HMRC and SG, although the board may invite external stakeholders to attend the board where appropriate. The current membership of the board is as follows, although other individuals may join as and when they are needed:

- Philip Batchelor - Deputy Director, Income Tax Policy (HMRC)
- Diana West – Deputy Director, Compliance Strategy Delivery (HMRC)
- Lorraine King – Deputy Director, Tax Strategy, Engagement and Performance (Scottish Government)

- Head of Compliance Strategy Delivery (HMRC)
- Head of Tax Strategy and Income Tax (Scottish Government)
- Economic Advisor (Scottish Government)
- Income Tax Senior Policy Officer (Scottish Government)
- Income Tax Team Lead (Scottish Government)
- Head of Income Tax Structure, Strategy, and Devolution (HMRC)
- Senior Policy Advisor, Devolved Income Tax (HMRC)
- Head of Inheritance, International, and Devolved Analysis (HMRC)
- Senior Policy and Strategy Advisor, Strategy and Compliance (HMRC)
- Policy and Strategy, Individuals and Small Business Compliance (HMRC)
- Wealthy Compliance Lead, Wealthy and Mid-sized Business Compliance (HMRC)
- Head of Strategic Picture of Risk, Risk and Intelligence Service (HMRC)

### **Secretariat**

HMRC will be responsible for the secretariat of the group.