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## News release

Embargoed until 00:01 hours, Thursday, 11 December 2014

### More progress needed to ensure effective management of new tax powers for Scotland

**Delays in hiring staff and procuring an IT system have increased the risk that new taxes for Scotland will not be effectively managed when they come into force next year.**

Audit Scotland reports today on the Scottish Government's progress in preparing for the implementation of the Scotland Act 2012. The Act will introduce the Land and Buildings Transaction Tax (replacing the current stamp duty arrangements), Scottish Landfill Tax and other financial powers for the Scottish Government from 1 April 2015.

Caroline Gardner, Auditor General for Scotland, said: "The implementation of the Scotland Act 2012 is a large and complex task that will change the landscape for public finances in Scotland, increasing fiscal autonomy and strengthening the accountability of the Scottish Parliament.

"The Scottish Government successfully developed the legislative framework for the devolved taxes, but it must ensure that staff and systems are fully in place to manage the increased responsibilities that the Scotland Act brings."

The Scottish Government established clear structures for managing the set-up of the new tax authority, Revenue Scotland, and there are now well-developed plans for implementing the devolved taxes. However, there have been delays in putting the required staff in place to deliver the overall programme, and in procuring the IT system needed to collect and administer the taxes.

These delays have increased the risk that the IT system may not be fully functioning by 1 April 2015 and that Revenue Scotland won't have the required operational expertise in place by then. This could result in tax payments taking longer to process, and increased costs of collection.

The report recommends that Revenue Scotland closely monitors recruitment to its operational team and development of the IT system. This will allow it to decide whether to implement its contingency plans, to help ensure effective tax collection from 1 April 2015.

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#### Notes to editors

1. Revenue Scotland was set up as an administrative unit within the Scottish Government Finance Directorate in 2012. It is to begin operating as a non-ministerial department responsible for collecting and managing the devolved taxes in early 2015.
2. [Exhibit 1 of the report](#) outlines the current tax and borrowing powers of the Scottish Government, and the new financial powers in the Scotland Act 2012.
3. This report also comments on preparations for the implementation of the Scottish rate of income tax (SRIT) in April 2016 as part of the Scotland Act 2012. HMRC will administer and collect this tax,

and is responsible for the project to implement the SRIT. The Scottish Government has a responsibility to ensure that expenditure on SRIT represents value for money and to seek assurances that the new system will collect the correct amount of SRIT and is working closely with HMRC. The Scottish Government is also responsible for proposing a rate for approval by Parliament. Audit Scotland will continue to monitor the progress of the project and may carry out work on this area if considered appropriate.

4. The Scottish Government has established the Fiscal Capability 2015 programme to manage preparations for its new financial powers. It is working to incorporate the financial aspects of the new powers within its financial management arrangements. The Scottish and UK governments have still to agree the terms of the block grant adjustment in relation to the devolved taxes and use of the cash reserve. The administrative arrangements for capital borrowing are also still to be fully agreed.

5. The Smith Commission published its report detailing Heads of Agreement on further devolution of powers to the Scottish Parliament on 27 November 2014. That report is available at <https://www.smith-commission.scot/>. This will have important implications for Scotland's public finances, and Audit Scotland will continue to keep these developments under review.

6. *Developing financial reporting: a progress report* will be published by Audit Scotland in early 2015.

7. A follow-up report to Audit Scotland's August 2012 publication *Managing ICT Contracts* is planned for publication in Spring/Summer 2015, and will look at how public bodies have responded to the report, as well as key problems encountered in recent ICT projects.

8. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.