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Ms B Davies
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17 April 2015

Dear Ms Davies

REVENUE SCOTLAND: IMPLEMENTATION OF THE DEVOLVED TAXES

I am pleased to give evidence to the Finance Committee's inquiry into the collection of devolved taxes in Wales.

As the then Head of Revenue Scotland within the Scottish Government and, since 1 January 2015, as the Chief Executive of Revenue Scotland, I have submitted six-monthly progress reports to the Scottish Parliament's Finance Committee on the preparations for the implementation of the devolved taxes in Scotland.

I attach for the Committee's information the last of these reports which was submitted to both the Scottish Parliament's Finance and Public Audit Committees in February 2015 and the amended Table of Costs (Annex B) that I provided to them in March.

On 1 April, as anticipated in the report, Revenue Scotland became fully operational and started collecting the Land and Buildings Transaction Tax (LBTT) which replaced the UK Stamp Duty Land Tax in Scotland on that date. Users had been able to sign up to our electronic tax system since 16 February. Over 2800 users have now done so and between 1 April and 16 April, 3478 LBTT returns have been submitted, of which just over one per cent have been submitted on paper.

Further development of our systems and processes continues in collaboration with stakeholders and includes the facility for the electronic submission of the first returns for the Scottish Landfill Tax (SLfT) this summer. [26 landfill operators have registered for SLfT since registration opened on 16 February.]

Copies of my previous reports of March and October 2014, and letters to the Committees following my appearances in December 2014 and March 2015, can be found on the Scottish Parliament's website at:

- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/March_2014\(1\).pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/March_2014(1).pdf)
- http://www.scottish.parliament.uk/S4_PublicAuditCommittee/General%20Documents/17_October_2014.pdf
- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Update from Revenue Scotland to the Finance Committee dated 8 January 2015.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Update_from_Revenue_Scotland_to_the_Finance_Committee_dated_8_January_2015.pdf)
- [http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Revenue Scotland to the Finance Committee.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Revenue_Scotland_to_the_Finance_Committee.pdf)

I hope this information is helpful to the Committee. Dr Keith Nicholson, the Chair of Revenue Scotland, and I are due to appear before the Committee at their evidence session on 29 April 2015 when we will be happy to answer any questions the Committee may have.

Yours sincerely



ELEANOR EMBERSON

Enclosures:

Update Report on the Implementation of Devolved Taxes (incl. Annexes A, C and D), 270214
Annex B to the Update Report, as amended, 090315

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27 February 2015

Dear Clerks

IMPLEMENTATION OF THE DEVOLVED TAXES – JOINT UPDATE FROM REVENUE SCOTLAND, REGISTERS OF SCOTLAND AND THE SCOTTISH ENVIRONMENT PROTECTION AGENCY

1. This letter provides the joint 6 monthly update from Revenue Scotland (RS), Registers of Scotland (RoS) and the Scottish Environment Protection Agency (SEPA) on progress on the implementation of the devolved taxes. It also addresses the issues raised by your respective Committees following my oral evidence sessions on 17 December 2014.

Policy Development, Consultation and Legislation

2. The Scottish Government and UK Government agreed that the arrangements for the disapplication of the two UK taxes would be set out in an exchange of Ministerial letters. You received a copy of the Deputy First Minister's letter to the Financial Secretary to the Treasury on 27 January confirming Revenue Scotland's readiness to collect and manage the two devolved taxes from 1 April 2015. You will also have received a copy of Mr Gauke's reply dated 9 February to confirm that HMRC has made the necessary arrangements to disapply Stamp Duty Land Tax (SDLT) and UK Landfill Tax in Scotland from 1 April, and that the Treasury Orders to disapply the UK taxes will be laid in good time before the dissolution of the UK Parliament in the spring. The Treasury Orders will pave the way for the laying of commencement orders to bring the devolved taxes legislation into force on 1 April.

3. Following public consultation, the Scottish Government has brought forward a package of secondary legislation which in total will comprise over 40 Scottish Statutory Instruments (SSI) to implement the Land and Buildings Transaction Tax (Scotland) Act 2013, the Landfill Tax (Scotland) Act 2014 and the Revenue Scotland and Tax Powers Act 2014.

4. Almost all of the SSIs have already been laid before Parliament. Subject to Parliamentary approval, all 3 Acts - together with the associated secondary legislation - will be commenced in full on 1 April 2015. The tables set out at **Annex A** provide links to each of the SSIs which have been laid before Parliament, together with the accompanying explanatory and policy notes and proposed laying dates for the final instruments.

Revenue Scotland Board and Statutory Positions

5. The appointment of the 5 Board members, including the Chair, of Revenue Scotland concluded in December 2014.

6. Revenue Scotland itself was brought into being as a body corporate and an office-holder in the Scottish Administration on 1 January 2015, on which date its Chair, Chief Executive and members took up post. Under section paragraph 8(3) of schedule 1 to the Revenue Scotland and Tax Powers Act, I was appointed by the Scottish Ministers as the first Chief Executive of Revenue Scotland. I have also been appointed as Accountable Officer. After this initial, transitional arrangement, the responsibility for appointing the Chief Executive will rest with the Revenue Scotland Board (the Board).

7. The Board completed their initial induction training in January and have met on two further occasions in January and February. Dates for further meetings throughout 2015 are agreed and the Board has taken steps to put in place key elements of governance, including reviewing a draft Framework Document to be submitted to Scottish Ministers, approving Standing Orders and agreeing the terms of reference for its Audit and Risk Committee.

Tax Administration Programme

8. The Tax Administration Programme is at an advanced stage of delivery. The programme comprises three major projects – Organisational Functions, Tax Processes, and IT Implementation – and three smaller projects – RoS's Land and Buildings Transaction Tax Project, SEPA's Scottish Landfill Tax Project, and the establishment of the Scottish Landfill Communities Fund. Communications activity underpins all of these projects.

9. 16 February 2015 was a major milestone for the Programme, with the opening of registration for SLfT and sign-up to the Scottish Electronic Tax System (SETS) for both SLfT and LBTT. This coincided with the publication of a significant volume of guidance – covering all

three pieces of primary legislation relating to the devolved taxes, as well as guidance on signing up to SETS. The Revenue Scotland support desk also opened on the same day.

Governance and Scrutiny

10. The Tax Administration Programme continues to follow approved programme and project methodology, and an integrated assurance plan sets out the range of quality management and assurance measures in place at product, project and programme level.

11. The Programme underwent a third Gateway Review in November 2014. The delivery confidence assessment was Amber/Green. Recommendations focused on maintaining progress toward the transition to live operations and are being followed up.

12. The Committees are aware that Audit Scotland published a report in December 2014 on preparations for the implementation of the Scotland Act 2012. This found that clear structures had been established for managing the set-up of Revenue Scotland, and that there were well-developed project plans in place for implementing the devolved taxes. Audit Scotland, however, considered that there was a risk that the IT system would not be fully operational by 1 April 2015, and that Revenue Scotland may not have the expertise to manage the devolved taxes effectively from 1 April 2015.

13. As I discussed with both Committees in December, our project plans set out clearly how we would ensure that both the IT and operational staffing would be in place. I can confirm that work has progressed as planned and I am confident that we will deliver the IT system, operational staffing and all the other elements that need to be in place for the collection and management of the two taxes for 1 April.

14. The Board has reviewed the Programme and is satisfied with its progress and the assurance processes in place.

IT Implementation

15. Following a Gateway Review of the Project in summer 2014, the IT Implementation project focused first on the development of the internal case management system, the online form and the necessary links with the Scottish Government accounting system (SEAS). The next step was the development of the online portal for external users. The external portal was opened on 16 February to allow registration for Scottish Landfill Tax (SLfT) and sign up for use of SETS for both SLfT and Land and Buildings Transaction Tax (LBTT).

16. The opening of registration and sign-up was a major milestone for the IT Implementation Project. This allows external users – principally solicitors and landfill site operators – to set up accounts on SETS so that, from 1 April, they will be able to submit tax returns online. External user feedback during testing and since the portal opened has been overwhelmingly positive.

17. Now that the external portal is available, all of the main elements of SETS required for 1 April are now in place, and the registration and sign up elements are currently live. As with any IT implementation project, the focus in the remaining time is on testing and sign-off of the end-to-end system. Since January, external users have been involved in the testing of the system and they will continue to have a key role in this last stage. We will also be continuing to refine the case management system to ensure that it supports the internal work of Revenue Scotland, RoS and SEPA as effectively as possible. In mid-March, the system will be opened for external users to practice carrying out electronic transactions in order to become familiar with the system functionality. This early access may reveal additional bugs or issues. Resolution of any such issues will be prioritised and factored into the regular cycle of maintenance for the system, and some may be resolved post go-live. There are some additional elements of SETS required for collection of SLfT from the end of June 2015. These are on track to be completed and tested in good time.

Contingency Planning

18. As with any major change programme, we of course have contingency plans in place to cover possible risks to delivery. The main contingency plan discussed with the Committees in December covered the possibility of using paper returns if our online tax collection system (SETS) was not ready on time. I can confirm to the Committees that our IT system will be delivered as planned and it has not, therefore, been necessary to invoke the contingency plan.

Revenue Scotland Staffing

19. In addition to the appointment of the Chief Executive, the detailed planning and preparation for the recruitment of the other 40 staff required for the first year of operation for Revenue Scotland has been completed. The first phase of recruitment has been concluded and the second main phase is drawing to a close. Following this intense period of recruitment activity, 31 of the 40 posts have now been filled. Recruitment is well advanced for the remaining posts, not all of which are required for 1 April.

20. Essential posts for the senior management team, tax specialists, legal, finance, IT and corporate services have been filled which means that Revenue Scotland will go fully live on 1 April with the required breadth of expertise and experience to collect and manage the devolved taxes.

21. We have also developed a training programme for all staff which is being delivered as operational staff are recruited in preparation for the administration of LBTT and SLfT.

Roles and responsibilities of RS, RoS and SEPA

22. We have continued to work well with RoS and SEPA to define the relative roles and responsibilities of each organisation in light of delegation of functions and have set out the detail of these relationships in Memoranda of Understanding (MoUs). This includes making it clear that Revenue Scotland remains statutorily responsible for all the functions delegated to RoS and SEPA.

23. The MoUs have been developed by RS, RoS and SEPA officials and were reviewed by the Board at their meeting on 25 February 2015. These will shortly be submitted to RoS and SEPA for their agreement and the final versions will then be shared with the Finance Committee.

24. The MoUs are living documents, and Revenue Scotland will of course continue to work with RoS and SEPA to ensure that they reflect roles and responsibilities accurately. We are planning a formal review of each MoU after three months of operation but it will be open to Revenue Scotland, RoS and SEPA to review the MoUs at any stage, if necessary.

25. The delegation of statutory duties from Revenue Scotland to RoS and SEPA will formally be given effect by Schedules of Delegation. These will be laid in Parliament prior to 31 March 2015. The Memoranda of Understanding set out the approach to carrying out the delegated functions and the way the relationship between Revenue Scotland and RoS or SEPA will be managed on a day-to-day basis.

System Sign-up and SLfT Registration

26. Following the opening of the external portal on 16 February, the numbers signed up for use of SETS and SLfT registration as of 26 February are as follows:

| | |
|---|--------------------|
| Number of users signed up to use SETS | 483 from 116 firms |
| Number of users in the process of signing up for SETS | 52 |
| Landfill operators registration underway | 8 |

27. We will continue to work with landfill operators to get them all registered and to promote to solicitors the need to sign up for our online system in good time ahead of 1 April. The Law Society of Scotland, the Chartered Institute of Taxation and other professional bodies have continued to support us and are helping us ensure that the appropriate messages reach their members.

Taxpayer Contact

28. Alongside the opening of the external portal, Monday 16 February also saw the opening of the Revenue Scotland support desk, with a telephony system in place to ensure that calls are routed correctly. To ensure that taxpayers and agents have access to the support they require, we have trained a pool of staff to work on the support desk which we can scale up or down as demand requires. Support desk staff are trained to answer questions about the registration and sign-up process, and to pass on more complicated system queries to dedicated IT staff. Dedicated mailboxes for technical queries about tax guidance have also been set up. Up to 26 February, the support desk has been handling an average of 33 calls per day, with steady progress in sign-up numbers. We will continue to monitor call volumes closely and will scale up the support desk as required, particularly around the end of March and early April.

Business Continuity Planning

29. As with all public services, a key element of maintaining consistent performance for Revenue Scotland is robust business continuity planning. The Board will be reviewing Revenue Scotland's Business Continuity Plan at its March meeting.

Costs

30. Cost estimates for LBTT and SLfT have since 2012 been prepared on the basis of the cost of set-up plus five years of operation, and have been compared to the original estimate given by HMRC for the cost of setting up and operating for five years two devolved taxes on a like-for-like basis with Stamp Duty Land Tax and UK Landfill Tax. The HMRC estimate was £22.3m in 2012. On that basis, my current estimate of the costs for LBTT and SLfT is £21.2m, which is unchanged from the estimate I reported to the Finance Committee in October 2014. Individual items within that estimate have changed, however, so I attach at **Annex B** a table showing the latest estimates broken down by the same categories as I previously reported to the Finance Committee. The change to the costs of IT procurement and maintenance is due to clarification that VAT will not be recoverable rather than an increase in the cost of the contracts. As noted in SEPA's progress report at **Annex D**, Revenue Scotland is also still in discussion with SEPA about costs associated with holding and managing Scottish Landfill Tax intelligence.

31. As the Committee will be aware, there are limitations with this approach to estimating the costs and the comparison with the original HMRC estimate is becoming increasingly strained for several reasons:

- The HMRC estimate was based on 2012 prices and so made no allowance for pay increases or inflation. My estimate above is based on current prices, but we will at some point need to take into account pay and general inflation for future years.
- The HMRC estimate was based on taxes designed on a like-for-like basis with their UK equivalents. LBTT and SLfT legislation has established features of these taxes to suit circumstances in Scotland, which have introduced some changes in scope to the implementation work. It is not clear how equivalent scope changes would have changed HMRC's costs.
- The estimates have focused on cash budgets and so omit the non-cash depreciation charge.
- Focusing entirely on the cost of collection does not allow the Committee to take into account the relationship between the amount spent on compliance work and the amount of revenue raised.

32. The Board is considering these issues and seeking to establish a way of presenting Revenue Scotland costs for scrutiny that will be more meaningful. One option would be to monitor operating costs as a percentage of revenue raised, averaged over a number of years to allow for changing economic circumstances. This option could usefully support the Finance Committee in considering Revenue Scotland's budget in future years. It could also allow for international benchmarking, as figures are published on a similar basis for other jurisdictions, and form a part of a set of indicators to provide a full and transparent view of Revenue Scotland's performance as discussed below.

Performance Measures and Indicators

33. We are grateful for the performance measure questions from the Public Audit Committee and the recommendation from the Finance Committee in its report on the Draft Budget 2015-6 which have helped inform the development of our performance framework.

34. We are designing the framework of performance indicators and data around the four principles of a good taxation system articulated by Adam Smith in *The Wealth of Nations*: certainty, convenience, efficiency and proportionality to the ability to pay. We have reflected on the areas that the Committees asked about and we will attempt to cover all of these, although in order to give information on the outcome that we believe is of interest we may have to do so using a slightly different metric.

35. There are some points worth noting:

- As these are self-assessed taxes, we can measure our collection rate of the amounts that taxpayers have self-assessed but that is likely to be high and it may be of rather less interest than the amount of tax that we eventually take in after further compliance work.
- Compliance activity itself will have both direct and indirect consequences, so we need to look not only at assessments and determinations made by Revenue Scotland and enquiries carried out but also taxpayer amendments which may be prompted by changes in attitude or understanding.
- Another important aspect of compliance is how successfully we create a culture where people expect to pay and where it is easy for them to get their tax return right first time. The legislation passed by Parliament is clear on the principles and Revenue Scotland is designing its systems and communications to make payment as easy as possible. These factors should reduce the amount of tax that has to be collected later through direct compliance activity.
- As a small organisation, Revenue Scotland's primary focus will be on administering the devolved taxes. As such, staff will be working in a broad range of areas across both taxes so any costs for collection of each tax or each area of work can only be based on estimates of staff time. The one exception will be the activity of the three specialist 'additional compliance staff', which will be tracked so that we can provide an accurate view of the amount of additional tax collected or in process of being pursued through the work of that group.

36. The Board considered some proposals for Key Performance Indicators (KPIs) and data for publication at its meeting on 25 February. There is more work to be completed and the Board will consider further proposals again at their meeting next month. Subsequently, these proposals will be shared with the Committees and the KPIs will eventually form part of our Corporate Plan which has to be agreed with the Scottish Ministers.

37. The Committees may also wish to note that we plan to make key information about tax yield available on the Revenue Scotland website monthly for Land and Buildings Transaction Tax and quarterly for Scottish Landfill Tax. These regular within-year publications will report the number of tax returns received, the value of liabilities reported, and the value of associated receipts.

Stakeholder engagement and communications

38. Since the last update to the committee on 17 October, there has been an increase in the intensity of our engagement with key stakeholders and communication activities in general. An important milestone for the programme as a whole came with the launch of the website, www.revenue.scot in November, which includes tax calculators, FAQs and the recently published guidance for the taxes.

39. Activities and messages continue to be coordinated across the communication teams of Revenue Scotland, Scottish Government, HMRC, RoS and SEPA to try to make changes as simple as possible for taxpayers and their agents. Our Devolved Tax Collaborative met again in mid-November, and there was a clear message from attendees that Revenue Scotland should continue to provide such a forum for engagement beyond the launch of the taxes on 1 April. We are currently considering the creation of two subgroups, one for LBTT and one for SLfT, which would focus on detailed issues on the operation of each tax and keep technical guidance under review.

40. We have received particularly strong feedback for our engagement with end users in the previewing and testing of our IT portal. The Committees may be aware that Isobel D’Inverno, Chair of the Law Society’s Tax Committee, commented publicly in January on a demonstration of the system:

‘The LBTT online system is user friendly and intuitive, with a very modern look and feel, and the returns themselves are much shorter, and do not require so much of the non-tax related information which has to be included in SDLT returns’.

41. End users have also played an important part in the review process for our draft technical guidance for the devolved taxes, which has included bilateral discussions as well as, for example, a workshop for Landfill Operators. We ran a series of LBTT roadshow events across Scotland in February, designed to give key information to solicitors and those in their offices who will be involved in submitting tax returns, and a demonstration of completing the online form. These events were attended by over 600 solicitors and tax professionals and a live online seminar was held this week for the benefit of those who had been unable to attend.

42. Following a preliminary consultation with stakeholders such as The Law Society of Scotland, ICAS, CIOT and environmental membership groups, a draft Charter of Standards and Values has been drafted and a public consultation on this was launched at the end of January, running until 6 March.

43. I would like to take the opportunity of this report to thank publicly all of the end users who have given us their time to comment on guidance, to carry out system testing and to support our communications. Revenue Scotland has benefitted substantially from their

experience and expertise, and the result will be tax collection systems that are practical and minimise administrative burdens.

Registers of Scotland progress

44. RoS have provided a supplementary progress report on Land and Buildings Transaction Tax implementation for the Committees at **Annex C**.

SEPA progress

45. SEPA have provided a supplementary progress report on Landfill Tax implementation for the Committees at **Annex D**.

Conclusion

I hope that this update is useful to the Committee and I would be happy to answer any further questions.

Yours sincerely



ELEANOR EMBERSON

ANNEX A: Devolved Taxes Secondary Legislation (As at 240215)

LBTT Legislation

| Instruments | | Procedure | No of pages / laying date |
|-------------|--|-------------|---------------------------|
| 1. | LAND AND BUILDINGS TRANSACTION TAX (SCOTLAND) ACT 2013 | | 133 |
| 2. | LBTT: The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 1) Order 2014 | None | 4 |
| 3. | LBTT: The Land and Buildings Transaction Tax (Definition of Charity) (Relevant Territories) (Scotland) Regulations 2014 | Negative | 2 |
| 4. | LBTT: The Land and Buildings Transaction Tax (Prescribed Proportions) (Scotland) Order 2014 | Negative | 2 |
| 5. | LBTT: The Land and Buildings Transaction Tax (Qualifying Public or Educational Bodies) (Scotland) Amendment Order 2014 | Negative | 2 |
| 6. | LBTT: The Land and Buildings Transaction Tax (Addition and Modification of Reliefs) (Scotland) Order 2015 | Affirmative | 8 |
| 7. | LBTT: The Land and Buildings Transaction Tax (Administration) (Scotland) Regulations 2014 | Negative | 8 |
| 8. | LBTT: The Land and Buildings Transaction Tax (Ancillary Provision) (Scotland) Order 2014 | Negative | 2 |
| 9. | LBTT: The Land and Buildings Transaction Tax (Transitional Provisions) (Scotland) Order 2014 | Negative | 8 |
| 10. | LBTT: The Land and Buildings Transaction Tax (Sub-sale Development Relief and Multiple Dwellings Relief) (Scotland) Order 2015 | Affirmative | 8 |
| 11. | LBTT: The Land and Buildings Transaction Tax (Tax rates and bands) (Scotland) Order 2015 | Affirmative | 4 |
| 12. | LBTT: The Land and Buildings Transaction Tax (Transitional Provisions) (Amendment) (Scotland) Order 2015 | Negative | 3 March |
| 13. | LBTT: The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 2) Order 2015 | None | 20 March 2015 |

Total pages (items 1-11): 181

Scottish Landfill Tax Legislation

| Instruments | | Procedure | No of pages / laying date |
|-------------|--|----------------------------|---------------------------|
| 1. | LANDFILL TAX (SCOTLAND) ACT 2014 | | 32 |
| 2. | SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 1) Order 2014 | None | 4 |
| 3. | SLfT: The Scottish Landfill Tax (Prescribed Landfill Site Activities) Order 2014 | Provisional Affirmative | 4 |
| 4. | SLfT: The Scottish Landfill Tax (Administration) Regulations 2015 | Negative | 28 |
| 5. | SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 2) Order 2015 | None | 3 |
| 6. | SLfT: The Scottish Landfill Tax (Qualifying Material) Order 2015 | Provisional Affirmative | 5 |
| 7. | SLfT: The Scottish Landfill Tax (Standard Rate and Lower Rate) Order 2015 | Affirmative | 2 |
| 8. | SLfT: The Scottish Landfill Tax (Administration) (Amendment) Regulations 2015 | Affirmative | 11 February |
| 9. | SLfT: The Scottish Landfill Tax (Exemptions Certificates) Order 2015 | Affirmative | 24 February |
| 10. | SLfT: The Landfill Tax (Scotland) Act 2014 (Commencement No. 3) Order 2015 | None | 20 March |

Total pages (items 1-7): 78

RSTPA Legislation

| Instruments | Procedure | No of pages / laying date |
|--|-------------|---------------------------|
| 1. REVENUE SCOTLAND AND TAX POWERS ACT 2014 | | 154 |
| 2. The Public Appointments and Public Bodies etc. (Scotland) Act 2003: (Treatment of Revenue Scotland as a Specified Authority) Order 2014 | Affirmative | 2 |
| 3. RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 1) Order 2014 | None | 4 |
| 4. RSTPA: The Scottish Tax Tribunals (Eligibility for Appointment) Regulations 2014 | Negative | 4 |
| 5. RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 2) Order 2014 | None | 8 |
| 6. RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 3) Order 2015 | None | 8 |
| 7. RSTPA: The Revenue Scotland (First Planning Period) Order 2015 | Negative | 2 |
| 8. RSTPA: The Revenue Scotland and Tax Powers Act (Fees for Payment) Regulations 2015 | Negative | 4 |
| 9. RSTPA: The Revenue Scotland and Tax Powers Act (Involved Third Party) Order 2015 | Negative | 2 |
| 10. RSTPA: The Revenue Scotland and Tax Powers Act (Postponement of Tax Pending a Review or Appeal) Regulations 2015 | Affirmative | 4 |
| 11. RSTPA: The Revenue Scotland and Tax Powers Act (Privileged Communications) Regulations 2015 | Negative | 8 |
| 12. RSTPA: The Scottish Tax Tribunals (Voting and Offences etc.) Regulations 2015 | Affirmative | 4 |
| 13. RSTPA: The Proceeds of Crime Act 2002 (Disclosure of Information to and by Lord Advocate and Scottish Ministers) Amendment Order 2015 | Affirmative | 4 |
| 14. RSTPA: The Revenue Scotland and Tax Powers Act (Interest on Unpaid Tax and Interest Rates in General) Regulations 2015 | Affirmative | 18 February |
| 15. RSTPA: The Revenue Scotland and Tax Powers Act (Reimbursement Arrangements) Regulations 2015 | Affirmative | 18 February |
| 16. RSTPA: The Revenue Scotland and Tax Powers Act (Record Keeping) Regulations 2015 | Affirmative | 18 February |
| 17. RSTPA: The Scottish Tax Tribunals (time limits and rules of procedure) Regulations 2015 | Negative | 30 March |
| 18. RSTPA: The Scottish Tax Tribunals (Conduct and Fitness) Rules 2015 | None | 30 March |
| 19. RSTPA: The Revenue Scotland and Tax Powers Act 2014 (Commencement No. 4) Order 2015 | None | 20 March |

Total pages (items 1-6): 224

Annex C: Progress report: Registers of Scotland



ros.gov.uk

Registers of Scotland: Progress Report on Land and Buildings Transaction Tax Implementation

1. RoS continues to work closely with colleagues from Revenue Scotland, HMRC and SEPA in implementing Scotland's new tax collection system. RoS has its own internal LBTT Project and is represented on the Tax Admin Programme Board, the Revenue Scotland IT Implementation Project and the Revenue Scotland Tax. The overall Tax Administration Programme Board is reporting a status of green for launch of the new tax on 1 April. The RoS LBTT Project is similarly reporting green.

Roles and responsibilities

2. RoS is clear as to statutory and delegated roles and responsibilities. There are 4 principal aspects to this:

- (i) We will check upon receipt of an application for registration that it complies with section 43 of the LBTT (Scotland) Act 2013; namely that a land transaction return has been made in relation to the transaction. Operational guidance for RoS staff is being drafted and appropriate training will be provided prior to the launch of LBTT.
- (ii) Acting under delegated authority, we will receive and process any paper LBTT returns and any associated payment. RoS staff will enter the information on the LBTT return directly in to the Revenue Scotland system. We have developed resource modelling assumptions around this based on a range of scenarios for rates of paper submission.
- (iii) We will support Revenue Scotland's compliance activities by providing a regular data feed of all relevant applications registered in the Land Register and the Books of Council and Session. RoS already supplies such data to HMRC.
- (iv) We will have a role to play in the event that system contingency has to be invoked.

IT readiness

3. In terms of IT we have delivered the technology to support access to our authentication server. This enables taxpayer representatives to use their pre-existing registration with RoS as a means of authenticating who they are for purposes of registration with Revenue Scotland. This was delivered to support the launch of registration on 16 February.

4. The other IT deliverable for RoS concerns desk-top access for our staff to information supplied by Revenue Scotland to enable the s43 check. This has been developed and will be available to support staff training in early March.

5. In the event that the on-line submission system cannot be deployed on 1 April we have developed, in tandem with Revenue Scotland, well developed, costed and resourced contingency plans. In essence all paper returns which accompany an application for registration will be submitted direct to RoS. The operational impact has been scoped and planned for to ensure contingency does not adversely impact on our legal obligations under the various registration statutes.

Operational readiness

6. Resource, security and process requirements have been established for both the statutory s43 role and the delegated role of processing paper returns. Training for both activities will be delivered in early March; to ensure consistency between Revenue Scotland and RoS operational tasks the training for both bodies is being delivered by a RoS trainer. Preparations are in hand to ensure that those RoS staff with delegated authority sign a declaration of confidentiality. The mechanisms for delivering information between Revenue Scotland and RoS have been agreed as has the content of that information.

Customer readiness

7. The overall customer messaging is being led by Revenue Scotland. They are currently in the midst of a series of roadshows to which we are providing input. Specific registration related guidance will be issued by RoS. As part of the implementation of the Land Registration etc. (Scotland) Act 2012 in late 2014 the standard registration application form was updated to include questions around LBTT.

Costs

8. The anticipated set-up costs for RoS, as previously reported to the Finance Committee, were estimated at £335,000. It is anticipated that the actual spend will be less than this. Final costs are being collated and will be available by the committee appearance date.

Annex D: Progress report: Scottish Environment Protection Agency



SEPA: Progress Report on Scottish Landfill Tax Implementation

1. The Scottish Landfill Tax Project in SEPA continues to make good progress. Open and productive working relationships are maintained with the now established Revenue Scotland.

Roles and responsibilities

2. SEPA is clear as regards its roles and responsibilities in supporting Revenue Scotland in the administration of Scottish Landfill Tax and regulating the Scottish landfill communities fund.

3. SEPA staff are liaising closely with their Revenue Scotland counterparts on the detail of working relationships post April 2015.

4. Revenue Scotland has requested that SEPA hold and manage Scottish Landfill Tax Intelligence on their behalf. SEPA and Revenue Scotland is looking at the operational and security requirements and costs of this.

IT Readiness

5. A data feed has been created and will transfer waste data SEPA received from landfill sites to Revenue Scotland. In addition, there is an agreed, and approved route for SEPA to interact with Revenue Scotland's case management system.

6. Decisions have also been made with respect to SEPA's landfill tax staff working within SEPA's secure network.

Operational readiness

7. SEPA's capability to undertake SLfT compliance on behalf of Revenue Scotland has progressed with recruitment of key staff within SEPA. A Unit Manager and Specialist have been recruited and are now in post and SLfT Compliance Officers and Specialists are currently being recruited as planned. Decisions have also been made with respect to the location these staff.

8. General awareness training for SEPA has been undertaken with more than 100 staff from all over Scotland attending 'webinars'. In addition, Revenue Scotland and SEPA are to provide training opportunities for each other as well as for their own employees.

10. An Equalities Impact Assessment of these new roles has been completed and a Privacy Impact Assessment is being undertaken by SEPA.

Customer readiness

10. As highlighted earlier, there has been an increase in intensity of engagement with key stakeholders. An Earnst and Young Scottish Landfill Tax seminar was attended by SEPA in Edinburgh on 16 February 2015, which offered a key opportunity to communicate to a good number of landfill operators. This was also an important day for the new tax with the opening of Revenue Scotland SLfT Registration and the release of the legislation guidance.

Costs

11. SEPA setup costs were reviewed from £620k to £380k (on the back of the revised IS model). Project spend for setup costs is projected to be within this revised budget.

Scottish Landfill Communities Fund

12. A second, but closely aligned project is also established to develop the ability for SEPA to regulate the Scottish Landfill Communities Fund. Various forms and documents have been drafted to enable bodies who distribute funds in Scotland to register with SEPA. A resourcing model has been developed and it is hoped that staff will be recruited to undertake this role over the coming weeks.

SEPA

17 February 2015

Tax Administration Programme Budget and Costs

February 2015

| | £ thousand | | | | | | | | | |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|--------------------|-----------------------|
| | Actual 2013/14 | Forecast 2014/15 | Estimate 2015/16 | Estimate 2016/17 | Estimate 2017/18 | Estimate 2018/19 | Estimate 2019/20 | Revised Total | Budget in RSTPB | Inc/(Dec) vs RSTPB |
| Revenue Scotland | | | | | | | | | | |
| Staff Set Up | 580 | 1,717 | 770 | 0 | 0 | 0 | 0 | 3,067 | 1,405 | 1,662 |
| Non-Staff Set Up | 31 | 634 | 10 | 0 | 0 | 0 | 0 | 675 | 455 | 220 |
| Total Set Up | 611 | 2,351 | 780 | 0 | 0 | 0 | 0 | 3,742 | 1,860 | 1,882 |
| Staff Running Costs | 0 | 472 | 1,573 | 1,498 | 1,498 | 1,498 | 1,498 | 8,037 | 6,955 | 1,082 |
| RS non-staff running costs | 0 | 31 | 668 | 663 | 663 | 663 | 663 | 3,351 | 3,700 | -349 |
| Transfer in from HMRC - operational savings | | | -275 | -275 | -275 | -275 | -275 | -1,375 | 0 | -1,375 |
| Total Running Costs | 0 | 503 | 1,966 | 1,886 | 1,886 | 1,886 | 1,886 | 10,013 | 10,655 | -642 |
| IT Investment - procurement & maintenance ⁽¹⁾ | 0 | 749 | 419 | 188 | 188 | 188 | 188 | 1,920 | 1,500 | 420 |
| IT Investment - additional staff | 0 | 253 | 93 | 0 | 0 | 0 | 0 | 346 | 0 | 346 |
| Total IT Investment | 0 | 1,002 | 512 | 188 | 188 | 188 | 188 | 2,266 | 1,500 | 766 |
| Total Revenue Scotland | 611 | 3,856 | 3,258 | 2,074 | 2,074 | 2,074 | 2,074 | 16,021 | 14,015 | 2,006 |
| Registers of Scotland | | | | | | | | | | |
| Set Up | 79 | 249 | 0 | 0 | 0 | 0 | 0 | 328 | 335 | -7 |
| Staff Running Costs | 0 | 0 | 240 | 240 | 240 | 240 | 240 | 1,200 | 1,200 | 0 |
| RoS non-staff running costs | 0 | 0 | 85 | 85 | 85 | 85 | 85 | 425 | 425 | 0 |
| Total Registers of Scotland | 79 | 249 | 325 | 325 | 325 | 325 | 325 | 1,953 | 1,960 | -7 |
| Scottish Environment Protection Agency | | | | | | | | | | |
| SEPA set-up | 131 | 269 | 0 | 0 | 0 | 0 | 0 | 400 | 625 | -225 |
| SEPA running costs | 0 | 0 | 298 | 306 | 306 | 306 | 306 | 1,522 | 1,600 | -78 |
| Collection of SLfT on Illegal Dumping | 0 | 0 | 204 | 210 | 210 | 210 | 210 | 1,044 | 1,050 | -6 |
| Total SEPA | 131 | 269 | 502 | 516 | 516 | 516 | 516 | 2,966 | 3,275 | -309 |
| Additional Compliance Activity 2015-16 only | | | 259 | | | | | 259 | 230 | 29 |
| GRAND TOTAL⁽²⁾ | 821 | 4,374 | 4,344 | 2,915 | 2,915 | 2,915 | 2,915 | 21,199 | 19,480 | 1,719 |

Notes:

(1) IT procurement costs appear higher to reflect non-recoverable VAT. No change to the cost of the contract.

(2) Set up costs for Registers of Scotland and SEPA have been reviewed to ensure consistent treatment with regard to non-recoverable VAT. Net costs for both are below initial budgets

(3) Non-cash (not included above)

| | | | | | | | | | | |
|--------------|---|---|----|----|----|----|----|----|--|--|
| Depreciation | 0 | 0 | 93 | 93 | 93 | 93 | 93 | 93 | | |
|--------------|---|---|----|----|----|----|----|----|--|--|