30 Monck Street
London
SW1P 2AP

T: 020 7340 0551
E: info@att.org.uk
W: www.att.org.uk

CALL FOR VIEWS: PRE-BUDGET SCRUTINY 2027-28: THE AFFORDABILITY AND SUSTAINABILITY OF SCOTLAND'S TAX AND SPENDING PLANS

Response by Association of Taxation Technicians

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the Scottish Parliament Finance and Public Administration Committee's Call for Views on 'Pre-budget scrutiny 2027-28: the affordability and sustainability of Scotland's tax and spending plans' ('the Call for Views') issued on 29 June 2026[1].

1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

1.3 Although our head office address is in London, we do however represent members and students based in Scotland, as well as throughout the UK. We have a particular interest in the taxes devolved to the Scottish Parliament and have two Technical Officers based in Scotland, enabling us to expand our technical work in this area.

1.4 Please note that we have only responded to questions relevant to our remit as a tax professional body.

1.5 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 3.

[1] https://yourviews.parliament.scot/338/pre-budget-scrutiny-2027-28-the-affordability-and/consult_view/

2 Question responses

2.1 Question 3: Does the 2025 Medium-Term Financial Strategy (MTFS) recognise and clearly set out the scale of the fiscal challenges facing the Scottish budget, and are the actions identified in the Fiscal Sustainability Delivery Plan (FSDP) likely to address the forecast shortfall?

2.2 Whilst we will restrict our comments to the taxation aspects of the MTFS, we feel that these recognise the fiscal challenges facing the Scottish budget.

With particular reference to Pillar Two of the 2025 MTFS, we note that the Scottish Government sets out its desire to pursue economic policies *"with the greatest potential to grow Scotland's economy, expand and broaden the tax base to fund public services"*[2] and the need for *"ensuring a strategic approach to tax revenues"* is considered at Pillar Three.

The FSDP recognises the need for increased business activity, employment levels and wage growth to help bring about fiscal sustainability through Income Tax. It goes on to give examples on how the Scottish Government might go about achieving the desired increases in each area.

There is also recognition in the FSDP of the need for the Scottish Government to collaborate with both HMRC and Revenue Scotland to ensure that there are efficient tax collection mechanisms in place, in addition to ensuring that Revenue Scotland can implement a single end-to-end digital journey for taxpayers and agents. This modernisation of the Scottish devolved taxes administration was explored by Revenue Scotland in a recent consultation. The ATT supported, in principle, this move to digital first, in our consultation response[3], whilst highlighting that any long-term efficiency gains of digital communications must not come at the expense of fairness, reliability, security or usability.

The FSDP also considers the need to review the operation of existing taxes and consider the potential impact of future tax reform, with particular reference to Council Tax. Beyond the Scottish Government's current consultation on introducing additional Council Tax bands for high-value properties in Scotland[4], we feel that there needs to be consensus across the political parties in the Scottish Parliament to deliver effective Council Tax reform in Scotland.

2.3 Question 4: What do the next MTFS and update to the FSDP need to include to show that the Scottish Government is on track?

2.4 As well as considering Income Tax and Land and Buildings Transaction Tax, the next MTFS and updated FSDP need to take account of any changes to the anticipated revenues from Scottish Aggregates Tax, Air Departure Tax (including the proposed additional charge for private jets) and the Scottish Building Safety Levy. This should reflect any divergence from equivalent taxes in the rest of the UK, including any measures introduced by the Scottish Government in response to tax changes announced elsewhere in the UK.

The next MTFS could give the Scottish Government the opportunity to commit to more timely reviews of the impact of tax divergence from the rest of the UK, enabling any evidence gathered to be built into the decision-making process.

---

[2] https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-3/pages/7/
[3] https://www.att.org.uk/technical/submissions/consultation-response-modernising-revenue-scotlands-tax-administration
[4] https://www.gov.scot/publications/consultation-council-tax-high-value-property-bands-mansion-tax/

An area of particular upcoming relevance is whether the Scottish Government will use its updated Scotland Act 1998 powers[5] to set new tax rates on property income, following the UK Government's decision to introduce new tax rates for the rest of the UK[6].

The scope of the MTFS and FSDP needs to take account of any decisions taken on Council Tax reform. We believe that the Finance and Public Administration Committee has an important role to play in bringing about the necessary consensus needed to achieve meaningful reform, rather than simply introducing additional Council Tax bands or making minor adjustments to the existing system.

Consideration also needs to be given to whether the potential future priorities noted in the 2026/27 Scottish Budget[7], including introduction of a Carbon Land Tax and some form of wealth taxation, will be taken forward. It is unclear whether either tax would be within the legislative competence of the Scottish Parliament. The alternative is to introduce these taxes within the local government remit.

We also note with concern the Scottish Government's recent decision to disband the Tax Advisory Group, a key part of the MTFS. The reasons for doing so are unclear, however there would appear to be value in having such an advisory group with new devolved taxes in the pipeline. The next MTFS would provide the opportunity for the Scottish Government to consider the merits of a successor group to the Tax Advisory Group.

2.5 Question 5: What actions should the Scottish Government take to grow the tax base and increase labour market participation, productivity, and Scotland's economic growth?

2.6 As noted in our recent paper on priorities for the next Scottish Parliament[8], published jointly with the Chartered Institute of Taxation and the Low Incomes Tax Reform Group, whilst we do not comment on the merits of a particular tax rate, we feel there needs to be a greater understanding of the impact of Income Tax divergence to ascertain if changes to Income Tax in recent years are impacting Scotland's appeal as a place to live, work and do business. Expanding the evidence base for Scottish Income Tax (as referred to in the FSDP) will be useful in terms of allowing the Scottish Government to analyse how its tax decisions affect the competitiveness of the Scottish economy.

The interaction with areas of Income Tax policy which are not devolved needs to be considered. For example, should the UK Government increase the Personal Allowance (currently £12,570 and expected to be frozen until April 2031), this would have an impact on the Scottish Budget. As a result, there may be a need to revisit Income Tax rate decisions for taxpayers previously based on an expectation that the Personal Allowance would remain at the current £12,570 until April 2031.

2.7 Question 7: What are the main risks to revenues from devolved taxes?

2.8 The key risks to revenues from devolved taxes include compliance and increased complexity with the relevant tax legislation and ensuring that individuals and organisations are paying the correct tax in a timely manner.

With particular reference to Land and Buildings Transaction Tax, we would suggest that the Finance and Public Administration Committee takes the opportunity to consider the areas for potential review identified by the Land and Buildings Transaction Tax working group[9], on which the ATT was represented.

---

[5] Section 80C Scotland Act 1998, updated by Schedule 2 Finance Act 2026
[6] Section 7 Finance Act 2026
[7] https://www.gov.scot/publications/scottish-budget-2026-2027/pages/4/
[8] https://www.att.org.uk/technical/news/att-sets-out-priorities-next-scottish-parliament
[9] https://www.gov.scot/publications/review-land-buildings-transaction-tax-scottish-government-policy-evaluation-2025-2026/

Feedback from stakeholders indicates that there is a lack of understanding of the three-yearly review process for lease returns, a unique requirement in Scotland. Where there is unnecessary complexity, this can result in unintentional non-compliance, which in the case of three-yearly lease returns has resulted in penalties being issued by Revenue Scotland where no additional tax is payable.

More generally, we feel that there is a need for better awareness and understanding of the Scottish Parliament's devolved tax powers. Data in the public attitudes to tax data published alongside the 2026/27 Scottish Budget[10] and a separate report commissioned by the Chartered Institute of Taxation[11] indicate low levels of public awareness. We believe that improving public awareness could improve the levels of compliance with devolved taxes.

As more devolved taxes become operational, we also believe that there is a need to ensure sufficient parliamentary scrutiny in the Scottish Parliament, as well as a need for the Scottish Government to provide opportunities to improve the taxpayer experience through greater simplification, clearer guidance and better coordination of tax administration. A key part of achieving this could be through the Scottish Government introducing a regular Scottish Tax Bill allowing the Scottish Parliament to update tax laws more efficiently, give greater opportunity for scrutiny, fix anomalies and respond more flexibly to UK tax changes.

In addition, to help support with ensuring sufficient scrutiny and clarity in future devolved taxes legislation, we feel that it would be advantageous to reconvene and revisit the work of the Devolved Taxes Legislation Working Group, which has not met for several years. With two Technical Officers based in Scotland, the ATT would be pleased to support the work of any such reconstituted group.

3 Contact details

3.1 We would be pleased to join in any discussion or contribute any further evidence relating to this Call for Views or any related matter. Should you wish to discuss any aspect of this response, please contact us at atttechnical@att.org.uk.

The Association of Taxation Technicians

4 Note

4.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

[10] https://www.gov.scot/publications/scottish-budget-2026-2027-public-attitudes-tax/
[11] https://www.tax.org.uk/new-poll-underscores-case-for-better-scottish-tax-awareness