

DEVOLVED TAXES ACCOUNT



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Revenue Scotland  
**Annual Report and Accounts**  
for the year ended  
31 March 2021



Revenue Scotland is a non-ministerial office of the Scottish Administration.

Laid before the Scottish Parliament by Revenue Scotland in pursuance of the Revenue Scotland and Tax Powers Act 2014 in December 2021.

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# Foreword

Welcome to the Revenue Scotland *Annual Report and Accounts for the Devolved Taxes for 2020-21*. This is the sixth reporting year since the organisation began its operational activity in April 2015, and also the third reporting period of Revenue Scotland's 2018-21 corporate planning period.

Revenue Scotland is responsible for the collection and management of Scotland's devolved taxes – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). Amounts received from the collection of the devolved taxes, less any permitted deductions, are paid into the Scottish Consolidated Fund in accordance with the [Revenue Scotland and Tax Powers Act 2014 \(RSTPA\)](#).

Revenue Scotland was established by the RSTPA which also sets out the legislative framework for the wholly devolved taxes in Scotland.

As a Non-Ministerial Office, Revenue Scotland is part of the Scottish Administration but is directly accountable to the Scottish Parliament to ensure the administration of tax is independent, fair and impartial.

Revenue Scotland delegates some of its legislative functions for the collection of SLfT to the Scottish Environment Protection Agency (SEPA). This includes the regulatory functions of [the Scottish Landfill Communities Fund \(SLCF\)](#) – a tax credit scheme available to landfill operators.

The Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenues in line with the Fiscal Framework.<sup>1</sup> Revenue Scotland provides statistical information about the taxes it collects.<sup>2</sup>

This document sets out the financial information about the devolved taxes required under the terms of the [Accounts Direction](#) issued by Scottish Ministers (see page 42).

A separate document, *The Annual Report and Accounts for the Resource Accounts for 2020-21*<sup>3</sup> provides detailed commentary on the performance of Revenue Scotland in delivering its statutory functions.

This document includes Revenue Scotland's corporate governance arrangements and reporting for the Devolved Taxes Account, audit and risk arrangements, the Independent Auditor's report and the Financial Statements for the Devolved Taxes Account.

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1 The Scottish Government Fiscal Framework governs how the Scottish Government is funded by the powers set out in the Scotland Act 2016 – <http://www.gov.scot/Topics/Government/Finance/fiscal-framework>

2 <https://www.revenue.scot/about-us/publications/statistics>

3 <https://www.revenue.scot/about-us/publications/corporate-documents>

# Foreword

## Summary of Devolved Tax Revenue

These financial statements report income of £624m (2019-20: £717m).

Revenue net of repayments, excluding interest payable and revenue losses	2020-21 Tax, penalties & interest receivable Total £'000	2020-21 Budget Act Estimates Total £'000	2019-20 Tax, penalties & interest receivable Total £'000
Land & Buildings Transaction Tax	517,354	641,000	597,368
Scottish Landfill Tax	106,528	116,000	118,959
Penalties & interest	138	0	735
<b>Total</b>	<b>624,020</b>	<b>757,000</b>	<b>717,062</b>

The values in the table above are for tax returns and amendments submitted during 2020-21 and for LBTT and SLfT returns received during April and May 2021 which relate to the period up to 31 March 2021. The returns submitted during 2020-21 may include adjustments to returns originally submitted in earlier years. However, unless these adjustments were accrued into the financial statements of the relevant year, these are accounted for in the year of receipt.

The LBTT tax revenue raised in 2020-21 is dependent on the performance of both the residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2020-21 is dependent on categories and tonnage of waste deposited in landfill sites in Scotland.

Revenue Scotland is not responsible for the forecasting of expected tax revenues. The Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenue and provided the forecast for the Budget (Scotland) Act 2020-21. The Budget (Scotland) Act 2020-21 estimates were published in Scotland's Economic and Fiscal Forecasts published in February 2020.

# Accountability Report 2020-21

## Corporate Governance Report

### Statement of the Accountable Officer's responsibilities

Under section 19(4) of the [Public Finance and Accountability \(Scotland\) Act 2000](#), the Scottish Ministers have directed Revenue Scotland to prepare, for each financial year, a statement of accounts in the form and the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Revenue Scotland and of its revenue and expenditure, statement of financial position and cash flows for the financial year.

The Chief Executive of Revenue Scotland is designated as the Accountable Officer for Revenue Scotland by the Permanent Secretary of the Scottish Government (SG), who is the Principal Accountable Officer for the Scottish Administration, in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

In preparing the accounts the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM) and has:

- ▲ observed the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ▲ made judgements and estimates on a reasonable basis;

- ▲ stated whether applicable accounting standards as set out in the FRoM have been followed and disclose and explain any material departures in the financial statements; and
- ▲ prepared the accounts on a going concern basis.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding Revenue Scotland's assets, are set out in the [Scottish Public Financial Manual](#).

The Accountable Officer may consult with the SG Chief Financial Officer (CFO) on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the CFO on any action which she considers is inconsistent with her duties on financial, regulatory or propriety grounds, and specifically where she seeks written authority from the Scottish Ministers or a direction from the Board of Revenue Scotland. In practice, the Chief Executive will delegate authority widely to other employees of Revenue Scotland but cannot, on that account, disclaim responsibility. The Chief Executive is responsible for informing the Principal Accountable Officer about any complaints about Revenue Scotland accepted by the Scottish Public Services Ombudsman (SPSO) for investigation and about the response to any subsequent recommendations from the SPSO.

# Accountability Report 2020-21

## Corporate Governance Report

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Revenue Scotland's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

### Governance Statement

In the paragraphs below, I report on the governance arrangements in place within Revenue Scotland.

### Governance Framework

Revenue Scotland is responsible for the administration and collection of Scotland's wholly devolved taxes. The relevant powers and duties of Revenue Scotland, and of the Scottish Ministers are set out in the Revenue Scotland and Tax Powers Act 2014.

Scottish Ministers are responsible for appointing the Board of Revenue Scotland following a public appointment exercise, regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Ministers must not direct, or otherwise seek to control Revenue Scotland in the exercise of its functions but they may give guidance. This guidance must be published and laid before the Scottish Parliament unless Ministers consider that to do so would prejudice the effective exercise by Revenue Scotland of its functions. Scottish Ministers are responsible for setting rates, bands and thresholds relating to the devolved taxes, subject to the approval of the Scottish Parliament.

The Board of Revenue Scotland is collectively responsible for the leadership and direction of the organisation and for ensuring that it carries out its statutory functions effectively and efficiently. It may delegate any of its functions to an individual Board member, a committee of the Board, the Chief Executive, or any other staff member, but it will retain its responsibility for carrying out its function.

As the Chief Executive of Revenue Scotland, I am employed by, and accountable to, the Board of Revenue Scotland for the day-to-day running of the organisation and its operational performance.

I am supported by the Senior Leadership Team (SLT), who oversee the day-to-day business of Revenue Scotland, with each member taking responsibility for a specific area. The SLT is made up of the Chief Executive, the Head of Tax, the Head of Corporate Functions and the Head of Legal Services.

# Accountability Report 2020-21

## Corporate Governance Report

### Operation of the Governance Board and Committees

The Board is responsible for the functions and powers of Revenue Scotland and delegates authority to staff through a [Scheme of Internal Delegation](#). The Board sets the strategic direction for the organisation, oversees Revenue Scotland's work and monitors performance including the design and operation of risk and governance frameworks. They do this through scrutiny (and where appropriate) approval of:

- ▲ Corporate Plans and Business Plans;
- ▲ key strategies and policies;
- ▲ regular reports, including reports relating to risk management, performance, tax compliance, business continuity, staffing and health and safety, and changes in the devolved taxes;
- ▲ scrutiny of the Annual Reports and Accounts;
- ▲ reports from the Audit and Risk and Staffing and Equality Committees; and
- ▲ strategic engagement with key partners and customers.

I can report that in the course of the year, the Board met on eight occasions (2019-20: ten) . During this time, the Board scrutinised a number of specific matters, including:

- ▲ making a number of significant decisions on LBTT and SLfT cases (in line with the Scheme of Internal Delegation);
- ▲ oversight of the implementation of the changes to LBTT rates;
- ▲ oversight of litigation cases and the implications for the organisation following the outcome;
- ▲ oversight of the significant changes to the organisation's operating model in response to the COVID-19 pandemic – such as the suspension of penalties and debt pursuit, opening systems like SETS and contact management system to remote working, changes to policy on the acceptability of paper returns and payment by cheques, and the creation of an operations hub at St Andrew's House etc;
- ▲ how best to support the SEPA staff working with Revenue Scotland following the cyber-attack of December 2020; and
- ▲ strategic oversight of the Futures programme to establish a new way of working for the organisation in light of the experience of working remotely as a result of the COVID-19 pandemic.

I can also report that, during 2020-21, in line with best practice, the Board and its Committees have reviewed their effectiveness and the Chair has conducted individual Board appraisals.

# Accountability Report 2020-21

## Corporate Governance Report

### Audit and Risk Committee

The purpose of the Audit and Risk Committee is to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability, and integrity of the assurances produced in support of financial reports. The terms of reference for the Committee are published on Revenue Scotland's [website](#) within the Board Standing Orders.

The Committee fulfils its role through:

- ▲ scrutiny of risk management arrangements;
- ▲ regular liaison with internal and external audit, and scrutiny of their plans and reports;
- ▲ considering and monitoring of responses to recommendations from internal and external auditors and other bodies;
- ▲ review of the certificates of assurance produced by management as part of the financial reporting process, and the Chief Executive's Governance Statement; and
- ▲ overseeing the financial reporting process.

Members of the committee in 2020-21 were Lynn Bradley (Chair), John Whiting (until May 2021), Martin McEwen and Simon Cunningham.

Simon Cunningham, who initially joined the ARC in November 2019 as a co-optee, was appointed as a member of the Board on 1 January 2021.

The Committee is also attended by the Chief Executive, Head of Corporate Functions, Head of Tax, Head of Governance, Chief Accountant, and representatives of internal and external audit as well as other staff members as required.

I can report that the committee met five times in 2020-21 (including a Special ARC to scrutinise the Annual Reports and Accounts) (2019-20: five).

The Committee reviewed its effectiveness using the checklist set out in the Scottish Government's Audit Committee Handbook and found no issues of concern which could affect its normal function.

In the course of the year, I can report that the Committee actively engaged in a number of relevant matters, including:

- ▲ Internal and External Audit;
- ▲ Review of the Corporate Risk Register; and
- ▲ 2020-21 Annual Report and Accounts.

Whilst the approved Internal Audit Plan for 2020-21 was not completed fully as a result of COVID-19, the Plan was substantially completed with some advisory audit work being paused.

# Accountability Report 2020-21

## Corporate Governance Report

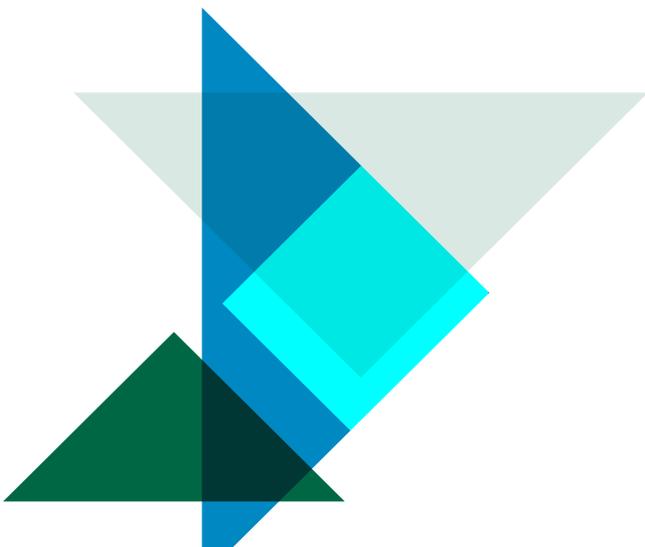
### Staffing and Equalities Committee

The Staffing and Equalities Committee's primary purpose is to provide assurance to the Revenue Scotland Board on the establishment and maintenance of an effective framework and systems for the remuneration, performance, evaluation and welfare of staff, including equality and diversity. The terms of reference for the Committee are published on Revenue Scotland's [website](#) within the Board's Standing Orders document.

The Committee comprised of three Board members (Jane Ryder, John Whiting and Jean Lindsay) until 31 December 2020 when Jane Ryder (Chair) completed her appointment. It is now comprised of two Board members - Jean Lindsay (Chair) and John Whiting. Staff attendees comprise the Chief Executive, Head of Corporate Functions, the Head of Tax, the Head of Legal Services who leads the Equalities group, the Head of People Services, and the Head of Governance who has responsibility for Health, Safety and Wellbeing. Further staff members attend as required.

I can report that the Committee met three times during 2020-21 (2019-20: four) and engaged in a number of relevant matters including scrutiny of:

- ▲ People Strategy 2020-21 Action Plan;
- ▲ Development of the 2021-2024 People Strategy;
- ▲ 2019 People Survey Action Plan;
- ▲ Workforce Planning;
- ▲ Health and Safety and Wellbeing (including the provision of accredited H&S training for the Board and SLT); and
- ▲ Development and delivery of the STEP programme.
- ▲ Equality and diversity
- ▲ HR resource



# Accountability Report 2020-21

## Corporate Governance Report

### Assurances provided to the Chief Executive

I have received written assurances from members of my Heads of Service who have responsibility for the operation and effectiveness of internal controls within the Tax, Legal, and Corporate Functions teams.

The assurances from Heads of Service continue to recognise the progress being made around the establishment of an appropriate and effective Health and Safety system for Revenue Scotland. Whilst the 2019-20 annual report correctly highlighted the push toward complete compliance relating to all Health and Safety matters, I am confident that this has now been achieved in the period since last year's report and that regular reports on performance and continued progress are now made to the SEC, Board and Senior Leadership Team (SLT). Progress in this area has been further cemented through the NEBOSH accredited training on H&S that was provided for the Board and SLT. A wider training and awareness programme is being developed by the Committee.

In a similar vein, the assurance statements received also highlight the progress made around embedding equalities policy and practice throughout the organisation, an important aspect of how we work and led by the Head of Legal Services as SLT sponsor.

I have also received specific assurance from the Head of Tax to confirm that internal controls around tax activities and decisions are working well, and through the support of the Tax Assurance Group (TAG) oversight of issues as they arise have been strengthened.

For those services which Revenue Scotland receives from the Scottish Government, I have received assurance from the Scottish Government's Chief Financial Officer in respect of the financial systems, from the Scottish Government's Director for People in respect of the human resources (HR) services and payroll systems shared with Revenue Scotland and from Scottish Government's Director of Digital in respect of digital corporate services shared with Revenue Scotland. No issues of significance were raised with me as part of these.

I am satisfied that the progress made around the specific assurances sought in 2019-20 from the Director for People concerning the need for progress on concluding revised arrangements with Revenue Scotland that reflect our status as a separate employer have been progressed. Work in this area will be concluded in 2021-22. The SG is now investing significantly in this area and so as a client, we expect to benefit from this investment.

# Accountability Report 2020-21

## Corporate Governance Report

I have also received assurance from the Accountable Officer of the Scottish Environment Protection Agency in respect of the statutory functions delegated to them by Revenue Scotland. As a result of the cyber-attack on SEPA in December 2020, only limited assurances could be provided on the effectiveness of shared data controls, and the impact to SEPA (as regulator) of the Scottish Landfill Communities Fund (SLCF). Details of the actions taken and additional assurance requests made are set out in the Revenue Scotland Annual Report for the Resource Accounts. No further issues of concern were raised by them.

These arrangements have been in operation throughout 2020-21, up to, and including the date of authorisation of these accounts.

In conclusion, I can confirm that, based on the aforementioned written assurances received, there were no other significant control weaknesses identified in the period under review.

### Report on Personal Data Incidents

Revenue Scotland manages, maintains and protects all information according to the requirements of relevant legislation, its own information policies and best practice.

Revenue Scotland has an Information Assurance governance structure which prioritises and manages information risks. The governance structure:

- ▲ protects the organisation, its staff and our customers from information risks where the likelihood of occurrence and the consequences are significant;
- ▲ ensures adherence with statutory duties; and
- ▲ assists in safeguarding Revenue Scotland's information assets.

Revenue Scotland has a Senior Information Risk Owner (SIRO) and a number of Information Asset Owners (IAOs), who provide assurance to the SIRO that proper controls are in place. The SIRO role is to ensure information security policies and procedures are fit for purpose and are reviewed and implemented across all of Revenue Scotland's business functions.

The IAOs are tasked with ensuring compliance with statutory duties, knowing what information assets they 'own' and what information they handle, along with the relevant security requirements, sensitivity, importance and protocols for sharing of information assets.



# Accountability Report 2020-21

## Corporate Governance Report

In addition, all staff are aware that they need to report any data breaches immediately to Revenue Scotland's IAO and SIRO. They are required to undertake regular training and information sessions. A refresh of the training sessions was completed mid-year and a schedule of workshops was held with each team on assuring our data.

During the year, there was one incident that was notified to the Information Commissioner's Office (ICO). The incident related to one taxpayer and a number of minor actions were agreed and implemented to reduce the risk of a re-occurrence.

In January 2021, Revenue Scotland stood up an Incident Management Group, which included the SIRO, in response to the cyber-attack on SEPA. It was established that there was no known direct impact on personal data held by Revenue Scotland. However it is understood that data relating to the Scottish Landfill Communities Fund was lost in the attack (although it has been possible to reconstitute some of the data that was lost). The Group focused on supporting SEPA colleagues impacted by the attack.

Further to the information provided above, Revenue Scotland also received two Subject Access Requests (SAR), seven Freedom of Information (FoI) requests, and one Environmental Information Request (EIR). The EIR was later challenged and following a formal review, the initial response was upheld.

### Risk Management

I have assessed our risk management arrangements and confirm that they accord with the guidance set out in the SPFM. In addition, as part of the year end Certificates of Assurance process the assessment of risk throughout the year contributes to the overall confidence assessment offered, further confirming that robust arrangements and practices were in operation throughout the year 2020-21.

### Parliamentary scrutiny

As a Non-Ministerial Office, Revenue Scotland is accountable to the Scottish Parliament and, as such, can be called to appear before parliamentary committees to provide updates on operational matters, give evidence on tax-related matters or provide written statements.

Revenue Scotland's Corporate Plan, supporting legislation and this annual report are published documents. The Corporate Plan 2018-21, on which this document reports, was approved by Scottish Ministers and laid before the Scottish Parliament in April 2018, and this report will be laid before Parliament in December 2021.

Corporate Plans, all annual reports and accounts and minutes of the Revenue Scotland Board meetings are available to download on our [website](#).

# Accountability Report 2020-21

## Corporate Governance Report

### Internal Audit

The Internal Audit service is provided by the Scottish Government's Directorate for Internal Audit and Assurance (DIAA). The Audit and Risk Committee reviewed and approved the audit plan produced by DIAA who present regular updates on progress of this plan to the Committee meetings.

During the year, DIAA completed audits on the following:

- ▲ Governance and Compliance Review; and
- ▲ Review of Operational Changes Made as a Result of COVID-19.

In terms of the overall assessment for each audit, "substantial" assurance was awarded to the audit on governance and compliance and to the audit on operational changes made as a result of COVID-19.

A follow-up audit was completed on:

- ▲ 2020-21 Cheque and Repayments Processes Review.

Progress was made on the implementation of recommendations from this report meaning that controls in this area improved during the year.

Whilst the approved Audit Plan for 2020-21 was not completed fully as a result of COVID-19, the Plan was substantially completed with some advisory audit work being paused.

DIAA's overall annual assessment of Revenue Scotland's internal controls is 'substantial'. This means that DIAA views Revenue Scotland's risk, governance and control procedures to be effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible. This indicates an improvement from the 'reasonable' assessment received last year. Progress on implementing Internal Audit recommendations has been steady but slower than expected. Most recommendations however, have been implemented during the year. The Audit and Risk Committee views the assessment as a fair reflection of Revenue Scotland's position based on the evidence reviewed by DIAA.

# Accountability Report 2020-21

## Corporate Governance Report

### External Audit

External Audit is provided by Audit Scotland. Mark Taylor, Audit Director is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Revenue Scotland. During the year, the Audit and Risk Committee scrutinised Audit Scotland's audit plan and received regular updates from them. The Independent Auditor's Report can be found on page 18.

As part of the 2019-20 audit undertaken by Audit Scotland of Revenue Scotland, five matters were highlighted for attention; namely:

Issue	Risk	Action
Working Papers	The audit is delayed and opinion may be impacted	Management reviewed and improved audit working papers for 2020-21
Devolved Tax Accounts: Contingent Assets - deferral review dates passed and not updated	Risk of overstatement	Management ensured all deferrals review dates are met prior to year end
Devolved Tax Accounts: Compliance Activity - behind schedule	Risk that compliance work is not effective and target yield not achieved	Compliance targets not achieved for 2020-21. Management continuing to review.
Resource Accounts: Long Term Financial Plan for Revenue Scotland	Business decisions may be taken without a clear understanding of their financial implications	Financial plans included within Corporate Plan 2021-24
Impact of COVID-19 on internal controls	Risk of control weaknesses developing associated with new ways of working	Management regularly review controls and particular attention was paid to any issues arising from remote working

Audit Scotland has reviewed these during their audit of 2020-21 and reported its conclusions in its Annual Audit Report 2020-21. Audit Scotland reported on internal controls in 2020-21 in its management report to the ARC in May 2021. Work is ongoing to address these recommendations.

## Assessment of Corporate Governance

Revenue Scotland has developed a system of internal controls and policies which have been designed to safeguard its assets, data and ensure the reliability of financial records in relation to operational and tax duties. These controls are subject to review by management on a regular basis and undergo formal review by both Internal and External Audit, whose reports are made available to the Audit and Risk Committee.

I have assessed our corporate governance arrangements and confirm that they comply with generally accepted best practice principles and relevant guidance.

## Risk Management

I can report that a number of issues arose during the year, and during the period before signing of the Accounts.

- ▲ **Responding to the COVID-19 pandemic to ensure continuity of business** – the biggest challenge of 2020-21 was the need from March 2020 to respond proactively to the COVID-19 pandemic in order to maintain the successful delivery of our services to taxpayers and their agents. Revenue Scotland rapidly transitioned to a remote working model at this time, where the majority of staff successfully worked from home to deliver those functions that could be performed well in a remote environment. Although decision making had to be largely reactive and responsive due to the exceptional circumstances, Revenue Scotland continued to prioritise staff welfare and wellbeing in every decision made, to sustain delivery of our statutory functions, and to maintain excellent customer services throughout
- ▲ **Delivering Legislative Change** – increased pressure on our resources from legislative change was identified as an issue. A number of legislative changes were successfully delivered however, during 2020-21.

- ▲ **Litigation** – in 2020-21, the progress of litigation cases was significantly affected by the COVID-19 pandemic and the national lockdown periods. Following a brief initial pause, Tribunal and court arrangements were quickly in place to enable electronic lodging of documents, and procedural and full hearings of cases to take place virtually.
- ▲ **Cyber-security** – cyber-security continues to be a high priority for Revenue Scotland, as the related risks develop continuously. Revenue Scotland fully complies with the Scottish Government Cyber Essentials Plus framework to maintain continued accreditation. SEPA was the subject of a cyber-attack on 24 December 2020. In response to this, Revenue Scotland set up an incident management group to support SEPA colleagues and ensure continuity of business in the Scottish Landfill Tax function. Regrettably, data relating to the Scottish Landfill Communities Fund (SLCF) was lost in the cyber-attack. This has restricted our ability to report on the SLCF in this report. It was confirmed that some Revenue Scotland data had been lost during the attack, but the assessments indicated that the risks associated with this loss were low. Following a detailed systems check and information security risk assessment, assurance was provided that none of Revenue Scotland's systems were affected by the cyber-attack.

This past year has been incredibly challenging for Revenue Scotland as we responded to the developing health crisis and continued pressure on our resources. However, in spite of these challenges, Revenue Scotland continued to successfully deliver all of our statutory functions and deliver another strong performance against our KPIs and objectives. I am confident that as issues have arisen they have been appropriately dealt with. However, this has had an impact on the resources available for some of the priorities set out at the beginning of the year.

**Elaine Lorimer**

**Chief Executive of Revenue Scotland  
and Accountable Officer**

# Independent Auditor's Report

## Independent Auditor's Report to the Auditor General for Scotland and the Scottish Parliament

### Reporting on the audit of the financial statements

#### Opinion on financial statements

I have audited the financial statements in the Revenue Scotland Devolved Taxes Account for the year ended 31 March 2021 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- ▲ give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of affairs of the account as at 31 March 2021 and of the net revenue for the year then ended;
- ▲ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and

- ▲ have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 9 March 2015. The period of total uninterrupted appointment is six years. I am independent of the account in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the account. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Independent Auditor's Report

## Independent Auditor's Report to the Auditor General for Scotland and the Scottish Parliament

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- ▲ obtaining an understanding of the applicable legal and regulatory framework and how the account is complying with that framework;
- ▲ identifying which laws and regulations are significant in the context of the account;
- ▲ assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- ▲ considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

# Independent Auditor's Report

## Independent Auditor's Report to the Auditor General for Scotland and the Scottish Parliament

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the account's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Statutory other information

The Accountable Officer is responsible for the statutory other information in the Revenue Scotland Devolved Taxes Account. The statutory other information comprises the Foreword and the Accountability Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

# Independent Auditor's Report

## Independent Auditor's Report to the Auditor General for Scotland and the Scottish Parliament

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Foreword and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### Opinions prescribed by the Auditor General for Scotland on the Foreword and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- ▲ the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- ▲ the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- ▲ adequate accounting records have not been kept; or
- ▲ the financial statements are not in agreement with the accounting records; or

- ▲ I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Mark Taylor, CPFA

Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

# Devolved Taxes Account 2020-21: Financial Statements

## Statement of Revenue and Expenditure

For the Year Ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
<b>Revenue</b>			
<b>Taxes</b>			
Land and Buildings Transaction tax	2.1	517,354	597,368
Scottish Landfill tax	2.1	106,528	118,959
<b>Total taxes</b>		623,882	716,327
<b>Penalties and Interest</b>			
Penalties	2.2	109	491
Interest	2.2	29	244
<b>Total penalties and interest</b>		138	735
<b>Total Revenue</b>		<b>624,020</b>	<b>717,062</b>
<b>Expenditure</b>			
Interest paid	3.1	(188)	(171)
Revenue losses	3.2	(2,436)	(406)
<b>Total expenditure</b>		(2,624)	(577)
<b>Net revenue for the Scottish Consolidated Fund</b>		<b>621,396</b>	<b>716,485</b>

There were no recognised gains or losses accounted for outside the above Statement of Revenue and Expenditure.

The notes on pages 25-41 form part of these financial statements.

# Devolved Taxes Account 2020-21: Financial Statements

## Statement of Financial Position

as at 31 March 2021

	Note	2020-21 £000	2019-20 £000
<b>Current assets</b>			
Receivables	4.1	16,886	7,316
Accrued revenue receivable	4.1	37,993	32,113
Cash	5	6,763	6,869
<b>Total current assets</b>		61,642	46,298
<b>Current liabilities</b>			
Payables and on account balances	6	(5,673)	(4,955)
Deferred revenue	6	0	0
<b>Total current liabilities</b>		(5,673)	(4,955)
<b>Net current assets</b>		55,969	41,343
<b>Total assets less current liabilities</b>		55,969	41,343
<b>Total net assets</b>		55,969	41,343
Represented by:			
<b>Balance due to the Scottish Consolidated Fund</b>	7	55,969	41,343

The notes on pages 25-41 form part of these financial statements.

The Chief Executive of Revenue Scotland and Accountable Officer authorised these financial statements for issue on 24 November 2021

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**

# Devolved Taxes Account 2020-21: Financial Statements

## Statement of Cash Flows

### For the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Net cash flow from operating activities	A below	606,664	726,644
Cash paid to Scottish Consolidated Fund		(606,770)	(724,588)
<b>Increase/(Decrease) in cash in this period</b>	B below	(106)	2,056
<b>Notes to the Statement of Cash Flows</b>			
<b>A Reconciliation of net cash flow to movement in net funds</b>			
Net revenue for the Scottish Consolidated Fund	7	621,396	716,485
Decrease/(Increase) in non cash assets		(15,450)	11,506
Increase/(Decrease) in liabilities		718	(1,347)
<b>Net cash flow from operating activities</b>		606,664	726,644
<b>B Analysis of changes in net funds</b>			
Increase/(Decrease) in cash in this period		(106)	2,056
Net funds at 1 April		6,869	4,813
Net funds at 31 March	5	6,763	6,869

The notes on pages 25-41 form part of these financial statements

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 1. Statement of accounting policies

#### 1.1 Basis of accounting

In accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FRoM), issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained within these statements are those flows of funds which Revenue Scotland handles on behalf of the Scottish Consolidated Fund and where it is acting as agent rather than principal.

The Devolved Taxes Accounts have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

#### 1.2 Accounting convention

The Devolved Taxes Accounts have been prepared in accordance with the historical cost convention. Taxes (including repayments) are accounted for on an accruals basis and where necessary,

estimation techniques have been selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying accounting policies. For the Devolved Taxes Accounts the significant assumptions and estimates are set out in the accounting policies and/or notes to the accounts. The 31st May has been used as the cut-off point for accruals purposes.

#### 1.3 New Accounting Standards

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, changes to International Financial Reporting Standards (IFRS) that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. There are no updates to the standards that are considered to be relevant to Revenue Scotland's Devolved Taxes Accounts.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 1.4 The tax gap

The tax gap is not recognised in the Devolved Taxes Account. The tax gap is the difference between the amount of tax that should, in theory, be collected by Revenue Scotland (the theoretical liability), against what is actually collected. The theoretical tax liability represents the tax that would be paid if all individuals and companies complied with both the letter of the law and Revenue Scotland's interpretation of the intention of the Scottish Parliament in setting law (referred to as the spirit of the law). Revenue Scotland undertakes compliance work in order to limit the tax gap.

### 1.5 Financial instruments

Revenue Scotland collects tax revenue on behalf of the Scottish Ministers for the Scottish Consolidated Fund, therefore financial instruments play a limited role in creating and managing risk. The only financial instruments within the accounts are financial assets in the form of receivables, and financial liabilities in the form of payables.

### 1.6 Revenue recognition – Taxation

Taxes are measured in accordance with IFRS 15: Revenue from Contracts with Customers. They are measured at the fair value of amounts received or receivable, net of repayments. Revenue is recognised when:

- ▲ a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Scottish

Consolidated Fund. A taxable event therefore occurs when a liability arises to pay a tax.

Repayments of Additional Dwelling Supplement are recognised when the taxpayer or agent submits a claim for repayment creating an obligating event, and the sale of the previous main residence falls within the reported financial year or earlier.

### 1.7 Revenue recognition – Penalties and Interest

Penalties and interest are measured in accordance with IFRS 15. They are measured at the fair value of amounts received or receivable. Revenue is recognised when:

- ▲ a penalty or interest charge is validly imposed and an obligation to pay arises.

Penalty and interest revenue is de-recognised:

- ▲ when a penalty is cancelled following the correction of a tax return arising from a minor error by the taxpayer or agent;
- ▲ where a penalty is cancelled following a review by Revenue Scotland; and
- ▲ where a taxpayer's appeal against the penalty is upheld by the Scottish Tribunals.

Where penalty and interest revenue has been previously recognised and is later deemed uncollectable for reasons other than those shown above, this is recorded as an expense at the date of the decision.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 1.8 Contingent Assets

IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* defines Contingent Assets as a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. Contingent Assets often cannot be reliably quantified; where values can be determined these have been provided.

Contingent Assets are not recognised within the Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as notes within Revenue Scotland's accounts.

### 1.9 Contingent Liabilities

IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, defines a Contingent Liability as a possible liability, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. Contingent Liabilities often cannot be reliably quantified; where values can be determined these have been provided.

Contingent Liabilities are not recognised within the Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as notes within Revenue Scotland's accounts.

### 1.10 Receivables

The FReM does not require Revenue Scotland to determine impairments in accordance with IFRS 9: Financial Instruments, as the standard relates to financial instruments. Taxes arise from statute and not a contract; however, impairments have been measured applying the credit loss model set out in IFRS 9. The impairment model in IFRS 9 is based on the premise of providing for expected losses utilising available information and considering the probability of collection.



# Devolved Taxes Account 2020-21

## Notes to the Accounts

## 2. Revenue and other income

### 2.1 Taxes

	2020-21 £000	2019-20 £000
Land & Buildings Transaction Tax		
Residential	259,632	286,908
Non-residential	142,618	190,234
Additional Dwelling Supplement (ADS)	158,729	159,001
Repayment of ADS	(43,625)	(38,775)
Total Land & Buildings Transaction Tax	517,354	597,368
Scottish Landfill Tax	106,528	118,959
	<b>623,882</b>	<b>716,327</b>

Land and Buildings Transaction Tax is payable on the acquisition of a chargeable interest in, or over, land in Scotland.

Additional Dwelling Supplement (ADS) is payable on the purchase of additional residential properties in Scotland. It is repayable where the taxpayer's previous main residence is sold within 18 months of the purchase of the additional property. Under the Coronavirus (Scotland) (No.2) Act 2020, for buyers that entered into transactions with effective dates between 24 September 2018 and 24 March 2020, the 18 month period in which some buyers can dispose of a previous main residence and still be eligible for a repayment of the ADS has been increased to 36 months rather than 18 months.

Scottish Landfill Tax is payable on disposals of waste material in Scotland made by way of landfill.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 2. Revenue and other income

#### 2.2 Penalties and interest

	Year of Offence	Penalty £000	2020-21 Interest £000	Total £000	Penalty £000	2019-20 Interest £000	Total £000
Land and Buildings Transaction Tax	2020-21	9	31	40	0	0	0
	2019-20	(20)	(3)	(23)	332	16	348
	2018-19	23	0	23	128	35	163
	2017-18	(1)	0	(1)	0	8	8
	2016-17	50	0	50	25	9	34
	2015-16	48	0	48	36	17	53
	Total	109	28	137	521	85	606
Scottish Landfill Tax	2020-21	0	1	1	0	0	0
	2019-20	0	0	0	110	3	113
	2018-19	0	0	0	(2)	24	22
	2017-18	0	0	0	7	0	7
	2016-17	0	0	0	(26)	92	66
	2015-16	0	0	0	(119)	40	(79)
	Total	0	1	1	(30)	159	129
<b>Total penalties &amp; interest</b>		<b>109</b>	<b>29</b>	<b>138</b>	<b>491</b>	<b>244</b>	<b>735</b>

Penalties are charged on the late receipt of tax returns, late payments or other reasons permitted under the RSTPA. Penalties are recognised when a penalty notice has been issued to the taxpayer. Interest is charged on the late payment of tax returns or penalties. The issuing of all tax penalties was paused in March 2020 following a decision by the Board of Revenue Scotland as one of the measures put in place in response to the COVID-19 global pandemic. The decision to pause was in part to recognise that the national 'lockdown' would have a significant impact on taxpayers and in part due to curtailment of Revenue Scotland's operational ability to deal with inbound and outbound mail and calls, whilst maintaining the health and wellbeing of staff. The issuing of penalties resumed in November 2020.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 3. Expenditure

#### 3.1 Interest paid

	2020-21 £000	2019-20 £000
Land & Buildings Transaction Tax	185	169
Scottish Landfill Tax	3	2
<b>Total Interest paid</b>	<b>188</b>	<b>171</b>

Interest is payable by Revenue Scotland on the repayment of any tax or penalties.

#### 3.2 Revenue losses

	Debts written off £000	Increase/ (decrease) in impairments £000	2020-21 Total £000	2019-20 Total £000
Land & Buildings Transaction Tax	96	2,379	2,475	393
Scottish Landfill Tax	10,314	(10,353)	(39)	13
<b>Total</b>	<b>10,410</b>	<b>(7,974)</b>	<b>2,436</b>	<b>406</b>

Revenue losses are made up of revenue write-offs and the movement in the impairment of receivables (further information can be found in Note [4.2 Change to impairments](#)).

Debts written off are amounts that, after all reasonable action has been taken and following careful appraisal, have been considered to be irrecoverable.

Impairment reflects the prospects of recovery in relation to debt recovery action.

SLFT debts previously impaired in the 2018-19 financial statements have been written off during 2020-21 as the debts are not recoverable.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 4. Receivables

#### 4.1 Amounts due:

	Receivables £000	Accrued Revenue Receivable £000	2020-21 Total £000	2019-20 Total £000
Land & Buildings Transaction Tax	19,700	12,524	32,224	13,317
Scottish Landfill Tax	72	25,469	25,541	36,972
Totals before impairments	19,772	37,993	57,765	50,289
Less impairments (see note 4.2)	(2,886)	0	(2,886)	(10,860)
<b>Total</b>	<b>16,886</b>	<b>37,993</b>	<b>54,879</b>	<b>39,429</b>

Receivables represents taxpayer liabilities where a liability has been assessed and not paid at the balance sheet date, including amounts due from those on whom financial penalties have been imposed prior to the balance sheet date, but not paid at that date.

Accrued Revenue Receivable represents taxpayer liabilities which relate to the financial year but for which the liability had not been assessed as at the balance sheet date. These may include estimates made by Revenue Scotland of those activities.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 4. Receivables

#### 4.2 Change to impairments

	LBTT £000	SLFT £000	2020-21 Total £000	2019-20 Total £000
Balance at 1 April	493	10,367	10,860	10,454
Change in estimated value of impairments (Note 3.2)	2,379	(10,353)	(7,974)	406
<b>Balance at 31 March</b>	<b>2,872</b>	<b>14</b>	<b>2,886</b>	<b>10,860</b>

Impairments are debts which are currently being pursued but which are considered likely to be irrecoverable in the longer term. Receivables in the Statement of Financial Position are reported after the deduction of the estimated value of impairments. The estimate is based on a number of factors including where legal action has been initiated.

The SLFT impairment reversal of £10,353,000 includes amounts written off during the year as the debts were not recoverable.



# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 5. Cash

	2020-21 Total £000	2019-20 Total £000
Government Banking Service	6,216	5,988
Commercial Bank	547	881
<b>Balance at 31 March</b>	<b>6,763</b>	<b>6,869</b>

Cleared funds are paid over to the Scottish Consolidated Fund on a monthly basis. The above balances represent funds received from taxpayers which had not cleared as at 31 March 2021 and which were paid over during 2021-22.



# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 6. Payables and on account balances

	Revenue Repayable £000	Deferred Revenue £000	2020-21 Total £000	2019-20 Total £000
Land & Buildings Transaction Tax	3,371	0	3,371	2,911
Scottish Landfill Tax	2,302	0	2,302	2,044
	<b>5,673</b>	<b>0</b>	<b>5,673</b>	<b>4,955</b>

Taxes are structured in such a manner that taxpayers are entitled to amend their return within twelve months of the effective date of the transaction and claim a repayment.

Revenue Repayable relates to outstanding repayments of tax or penalties, including claims for repayment of Additional Dwelling Supplement, where the amount has been established at the balance sheet date. It also includes any credit balances which may be repayable in the future.

Deferred Revenue includes tax received in the current year that relates to future financial periods.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 7. Balance due to the Scottish Consolidated Fund Account

	2020-21 £000	2019-20 £000
<b>Balance due to Scottish Consolidated Fund Account at 1 April</b>	41,343	49,446
Net revenue for the Scottish Consolidated Fund	621,396	716,485
Less amount paid to Scottish Consolidated Fund	(606,770)	(724,588)
<b>Balance due to the Scottish Consolidated Fund Account as at 31 March</b>	<b>55,969</b>	<b>41,343</b>

Only cleared funds are paid over to the Scottish Consolidated Fund. The balance represents accrued income and amounts that remain outstanding or are uncleared funds at the balance sheet date.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 8. Contingent assets

Contingent assets can arise as a result of a deferral being granted by Revenue Scotland, or as a result of appeals to the Scottish Tax Tribunals or as a result of an enquiry into tax returns received.

#### Deferrals

Property buyers can make applications to Revenue Scotland to defer the LBTT payable on a land transaction where:

- ▲ the whole or part of the chargeable consideration is contingent or uncertain; and
- ▲ the chargeable consideration becomes payable more than six months after the effective date of the transaction.

This could include, for example, a situation where additional consideration is payable by the buyer if planning permission is obtained after the sale.



# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 8. Contingent assets

Where a deferral has been granted, the amount of tax due is not recognised within the financial statements until the chargeable consideration materialises. The estimated timings are:

LBTT Deferrals	2020-21 Total £000	2019-20 Total £000
<b>At 1 April</b>	4,292	3,399
Additions	76	948
Amounts not materialising	(39)	(29)
Amounts materialised	(321)	(26)
<b>At 31 March</b>	<b>4,008</b>	<b>4,292</b>

Deferral estimated timings	2020-21		2019-20	
	No	£000	No	£000
Due within 1 year	69	1,954	32	1,439
Due within 2-5 years	39	240	26	937
Due in more than 5 years	62	1,814	43	1,916
	<b>170</b>	<b>4,008</b>	<b>101</b>	<b>4,292</b>

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 8. Contingent assets

#### Tribunal cases

As reported in the Annual Report and Financial Statements of the Resource Accounts for 2020-21, those aggrieved by an appealable decision made by Revenue Scotland may dispute that decision by requesting that Revenue Scotland carry out a review and/or by making an appeal to the Tax Chamber of the First-Tier Tribunal for Scotland (FTTS). Mediation may also be entered into at any time.

Where appeals have been made to either the FTTS or Upper Tribunal, the tax revenue and any associated penalties and interest are not recognised in the Statements of Revenue and Expenditure or Statement of Financial Position but are disclosed as contingent assets due to the uncertainty of the outcome.

	2020-21 Total £000	2019-20 Total £000
<b>At 1 April</b>	113,002	113,719
Additions	0	523
Recognised in year	(9)	(803)
De-recognised in year	(115)	(437)
<b>At 31 March</b>	<b>112,878</b>	<b>113,002</b>

Further information on the nature and value of these contingent assets cannot be disclosed as to do so may result in the disclosure of protected taxpayer information.

# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 8. Contingent assets

#### Enquiries

Revenue Scotland has the power to open an enquiry which can cover anything contained, or required to be contained, in a tax return relating to:

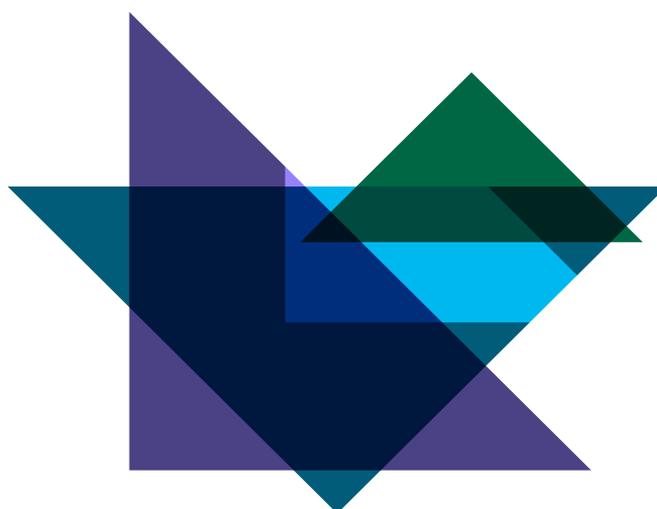
- ▲ whether the taxpayer is liable to pay tax; and
- ▲ the amount of tax due.

The enquiry has to be closed within three years of the filing date of the tax return where the filing date for LBTT is 30 days after the effective date of the transaction and for SLfT is 44 days after the end of the relevant quarter. At the conclusion of the enquiry Revenue Scotland will advise the taxpayer of the outcome and whether an amendment to the tax return and/or the tax due is required. When the enquiry is completed and a closure notice issued, any additional tax or reduction in tax is recognised in the financial statements at the date of closure.

Revenue Scotland has a number of open enquiries into LBTT and SLfT tax returns but management are of the opinion that:

- ▲ some of these enquiries are at an early stage and it is not yet possible to assess with certainty the possible amount of additional tax that may be due;
- ▲ to disclose values of possible additional tax in these circumstances may prejudice the outcome of those enquiries.

For these reasons a value for contingent assets relating to enquiries has not been disclosed in these financial statements.



# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 9. Contingent liabilities

#### Additional Dwelling Supplement

Property buyers who have included ADS in their LBTT tax return are entitled to seek a repayment of the supplement if they meet certain criteria, including selling their previous main residence within 18 months of the purchase of their new property. When they submit a claim then this is recognised in the accounts in accordance with our accounting policy.

However where no such claim has been received there is not an “obligating event” in terms of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and as a result any amounts that may be due to taxpayers are treated as a contingent liability.

Taxpayers are invited to indicate their intention to sell their previous main residence and seek repayment of ADS when submitting their tax return. Where taxpayers have indicated in their tax return that it is their intention to sell their previous main residence but have not done so by the end of the financial year and submitted a claim, then the potential refund is disclosed as a contingent liability. For 2020-21 all such amounts of ADS, are estimated as £48m (2019-20: £36m). It should be noted that this is an indicative figure, based on the information received from taxpayers in their tax return.

Under the Coronavirus (Scotland) (No.2) Act 2020, for buyers that entered into transactions with effective dates between 24 September 2018 and 24 March 2020, the 18 month period in which some buyers can dispose of a previous main residence and still be eligible for a repayment of the ADS has been increased to 36 months rather than 18 months. It is estimated that £14m of the total £48m estimated ADS contingent liability is related to the Coronavirus (Scotland) (No.2) Act 2020.

#### Enquiries

As outlined in Note 8 Revenue Scotland has a number of open enquiries into LBTT and SLfT tax returns which may, or may not, result in additional tax or a reduction in tax liabilities.

Management are of the opinion that:

- ▲ some of these enquiries are at an early stage and it is not yet possible to assess with certainty the possible amount of additional tax that may be due;
- ▲ to disclose values of possible additional tax in these circumstances may prejudice the outcome of those enquiries.

For these reasons a value for contingent liability relating to enquiries has not been disclosed in these financial statements.

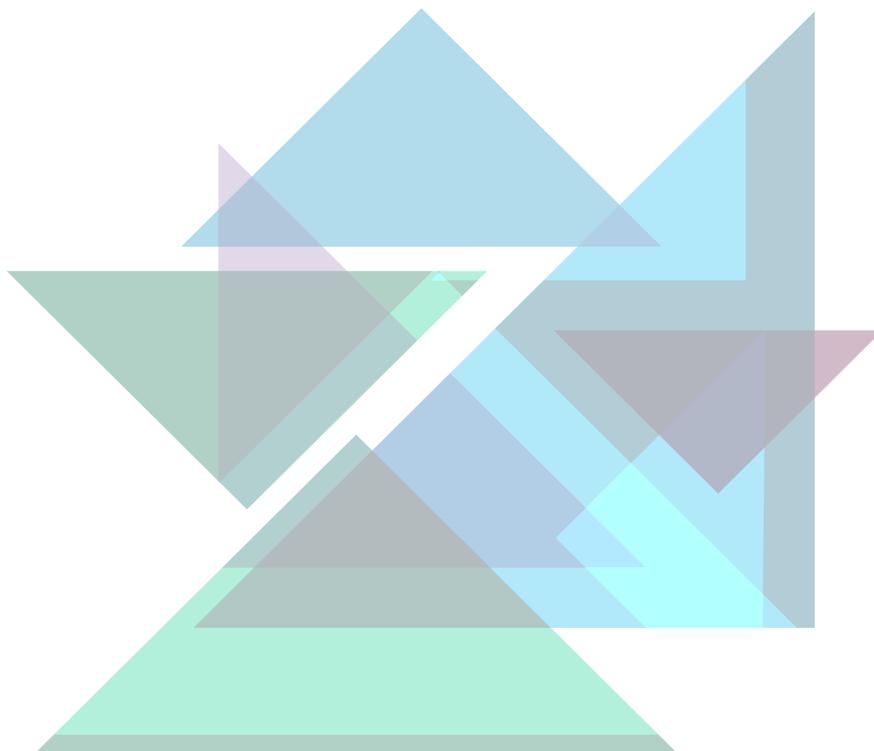
# Devolved Taxes Account 2020-21

## Notes to the Accounts

### 10. Events after the reporting period

A decision of the First-tier Tribunal for Scotland in relation to LBTT was received after the end of the reporting period. The case related to whether the residential or non-residential tax rate applied. Income that had previously been reported as a contingent assets (note 8) has been adjusted in these financial statements to reflect the decision as it has been treated as an adjusting post balance sheet event.

A decision of the First-tier Tribunal for Scotland in relation to SLfT was received after the end of the reporting period. The case related to whether material was disposed of as waste or not. The potential income continues to be treated as a contingent asset (note 8) in these financial statements as the decision has been treated as a non-adjusting post balance sheet event.



# Accounts Direction



Scottish Government  
Riaghaltas na h-Alba  
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## REVENUE SCOTLAND

### DEVOLVED TAXES ACCOUNT

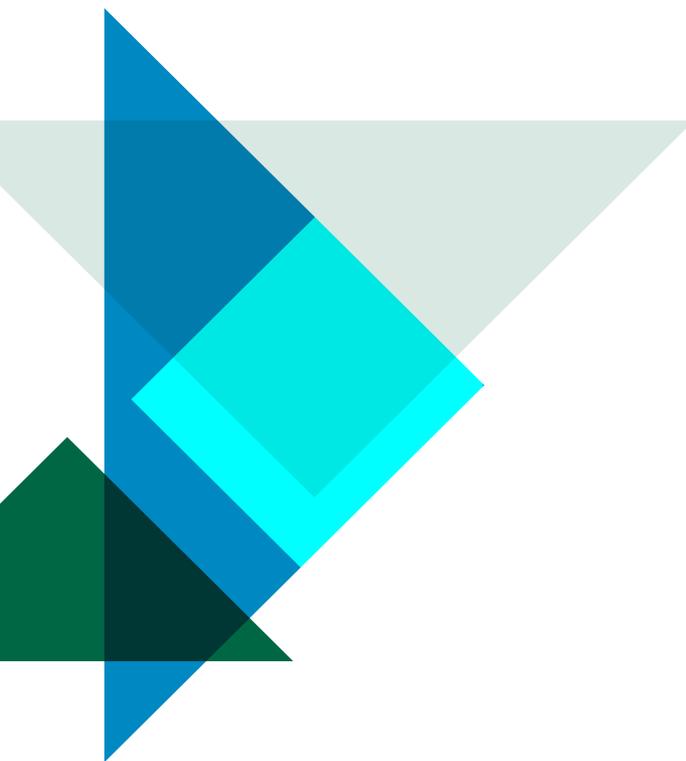
#### DIRECTION BY THE SCOTTISH MINISTERS

In accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, The Scottish Ministers hereby give the following direction:

1. Revenue Scotland will prepare, for the financial year ended 31 March 2021, and subsequent years, an account of the devolved taxes collected by Revenue Scotland in the exercise of its functions. The account shall show the amounts receivable from the collection of taxes, any deductions permitted and amounts paid to the Scottish Consolidated Fund in accordance with the Revenue Scotland and Tax Powers Act 2014.
2. The account shall comply with the relevant accounting principles and disclosure requirements, as specified in the Government Financial Reporting Manual (FRM) which is in force for the year for which the account is prepared.
3. The account shall comprise:
  - A Foreword - explaining the statutory background and respective responsibilities of Scottish Ministers, Revenue Scotland etc. in relation to the Devolved Taxes.
  - An Accountability report:
    - a statement of the Accountable Officer's responsibilities in relation to the account
    - a Governance Statement setting out the framework for the Devolved Taxes as this relates to their payment into the Scottish Consolidated Fund. This may link to, but need not repeat, Revenue Scotland's Governance statement dealing with the wider operation of the systems for the taxes.
  - Financial Statements:
    - A statement of revenue and related expenditure
    - A Statement of Financial Position
    - A Statement of Cash Flows
    - And such notes to the account as may be necessary.
4. The account shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the accounts. The previous Accounts Direction dated 24 April 2018 is hereby revoked

Signed by the authority of the Scottish Ministers

Chief Financial Officer  
27<sup>th</sup> October 2021



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