Annual Report and Accounts 2025-26 - Devolved Taxes Accounts

Revenue Scotland's Annual Report and Accounts, covering the period 1 April 2025 to 31 March 2026.



1 Foreword

Welcome to the Revenue Scotland Annual Report and Accounts for the Devolved Taxes for 2025–26.

Revenue Scotland is responsible for the collection and management of Scotland's devolved taxes: currently Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT) and as of 1 April 2026, Scottish Aggregates Tax (SAT). 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). It also delegates 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. Revenue Scotland provides statistical information about the taxes it collects.

This document sets out the financial information about the devolved taxes required under the terms of the Accounts Direction issued by Scottish Ministers. It also 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.

A separate document, the Annual Report and Accounts for the Resource Accounts for 2025–26, provides detailed commentary on the performance of Revenue Scotland in delivering its statutory functions.

1.1 Summary of devolved tax revenue

	2025–26 Tax, Penalties & interest receivable Total £000	**2025–26 Budget Act Estimates* Total £000**	**2024–25 Tax, Penalties & interest receivable Total £000**
Land & Buildings Transaction Tax	952,039	1,018,531	899,162
Scottish Landfill Tax	55,478	40,353	55,938
Penalties & interest	5,492	0	6,457
Total	**1,013,009**	**1,058,883**	**961,557**

*December 2024 SFC forecasts

The values in the table above are for tax returns and amendments submitted during 2025–26 and for LBTT and SLfT returns received during April and May 2026 which relate to the period up to 31 March 2026. The returns submitted during 2025–26 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 2025–26 is dependent on the performance of both residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2025–26 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 2025–26. The Budget (Scotland) Act 2025–26 estimates were included in Scotland's Economic and Fiscal Forecasts published in December 2024. The SFC's Forecast Evaluation Reports detail the reasons for where forecasts differed from tax outturns.

2 Accountability Report

2.1 Statement of the Accountable Officer's Responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Scottish Ministers have directed Revenue Scotland to prepare for each financial year a statement of accounts in the form and on 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 income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts I, as the Accountable Officer, am required to comply with the requirements of the Government Financial Reporting Manual (FReM) and to:

- observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable. The Accountable Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding our assets, are set out in the Scottish Public Finance Manual.

The Accountable Officer may consult with the Scottish Government 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 they consider is inconsistent with their duties on financial, regulatory or propriety grounds and specifically where they seek 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.

As the Accountable Officer, I confirm that 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 I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

2.2 Governance Statement and Framework

Revenue Scotland is responsible for the collection and management of Scotland's 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 accountable to the Board of Revenue Scotland for the day-to-day running of the organisation and its operational performance. In this role, I seek assurance that appropriate controls are in place across the organisation, and in respect of the partners whom we rely on to support us in delivering our objectives. I can confirm that these have been in operation during 2025-26 and to the date of signing these accounts. 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 members of SLT are the Chief Executive, the Head of Tax, the Head of Corporate Functions and the Head of Legal Services.

2.3 Operation of the 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. It does 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, corporate performance, tax compliance, staff, health, safety and wellbeing, changes in the devolved taxes, progress on the introduction of new taxes
- scrutiny of the Annual Reports and Accounts
- reports from the Audit and Risk Committee and Staffing and Equalities Committee
- strategic engagement with key partners and service users.

During the year the Board reviewed the effectiveness of Revenue Scotland's risk management and internal control arrangements. Based on the work of the Audit and Risk Committee, internal audit, external audit, senior leadership assurance, and management reporting, the Accountable Officer is satisfied that systems operated effectively throughout the year and up to the date of approval of these accounts. Where areas for improvement were identified, appropriate actions have been agreed and monitored through the Audit and Risk Committee.

Revenue Scotland's governance, assurance and risk management arrangements comply with the relevant requirements of the Scottish Public Finance Manual, the principles of the UK Corporate Governance Code as applicable to public bodies, and the Scottish Government's Risk Management Guide (Orange Book). No significant departures occurred during the year. Further details about the Board and its statutory functions can be found on our website.

The Board is supported by two Board sub-committees; the Audit and Risk Committee (ARC) and the Staffing and Equalities Committee (SEC).

Audit and Risk Committee

The Audit and Risk Committee supports the Board and the Accountable Officer by reviewing the comprehensiveness, reliability and integrity of the assurances that underpin the Annual Report and Accounts. The Committee's remit, as set out in its published terms of reference within our Board Standing Orders, includes oversight of risk management, financial reporting, internal control and audit activity.

The work of the Committee and its membership can be found on our website.

Staffing and Equalities Committee

The Staffing and Equalities Committee supports the Board in ensuring that Revenue Scotland maintains effective arrangements for workforce planning, organisational capability, staff wellbeing, equality, diversity and inclusion, and compliance with relevant employment policies and statutory duties. The Committee's remit, as set out in its published terms of reference within our Board Standing Orders, includes oversight of people strategies, monitoring workforce data and trends, and providing assurance on the effectiveness of policies and practices that support staff and promote an inclusive working environment.

The work of the Committee and its membership can be found on our website.

2.4 Assurances Provided to the Accountable Officer

I have received written assurances from my Heads of Service, who have responsibility for the operation and effectiveness of internal controls within Revenue Scotland's Tax, Legal and Corporate Functions teams. No significant issues were raised with me by my Heads of Service.

The certificate prepared by the Head of Corporate Functions makes reference to the actions taken throughout the year to address financial control issues identified by Audit Scotland during 2024-25. I am pleased to report that the issues were all addressed during the year. An internal audit assurance review, conducted during the first quarter of 2026-27, has subsequently provided me with further assurance that the actions we have taken have been effective and identified three areas for further improvement that we will complete during 2026-27. I am confident our finance function and processes are stronger as a result of the work undertaken and I am extremely grateful to all staff involved in this work.

I also receive copies of the certificates of assurance provided to the Scottish Government's Director-General Corporate, produced to support the assurances she provides to the Principal Accountable Officer in respect of the Scottish Government's digital, financial, and people services. These are shared with me as some aspects of these are relevant to the services we receive from the Scottish Government as a shared service. No significant issues were raised with me.

The certificate from the Scottish Government's Director of Corporate Operations raised a number of issues in respect of controls related to the SCOTS network and the digital services provided to Revenue Scotland by the Scottish Government. Having sought assurances from my Head of Data and Digital and Head of IT, I am content that these issues are not currently impacting negatively on the services that Revenue Scotland receives. We will, however, continue to engage closely with Scottish Government and monitor this issue going forwards.

Both the certificates from the SG's Financial Management Directorate and People Directorate made reference to the implementation of the Oracle Cloud platform across SG and 32 public sector organisations. Last year's annual report and accounts reported some of the transitional issues experienced in moving to the new system. I am pleased to report that the issues previously identified have been addressed and that Oracle is now embedded within the organisation, with any ongoing operational issues being only minor in nature. We continue to work closely with the Scottish Government to support ongoing improvements to the system and to maximise the benefits of the system and ensure it meets Revenue Scotland's current and future needs.

The Accountable Officer of SEPA has provided me with assurance in respect of the statutory functions delegated to SEPA by Revenue Scotland. No significant issues were raised with me by SEPA.

No other significant matters were raised with me.

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

2.5 Reports on Personal Data Incidents

There were no data breaches during the period that required escalation to the ICO. Full details of data incidents and breaches can be found in the Freedom of Information section of the Resource Accounts.

2.6 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.

During 2025–26, Revenue Scotland was held to account by Parliament. Our Chair and CEO appeared before Parliament on 18 November 2025 to provide evidence on our performance in 2024–25 and to support scrutiny of the Scottish Building Safety Levy (SBSL).

Revenue Scotland's supporting legislation, our Corporate Plan, and this Annual Report are all publicly available documents. The Corporate Plan 2024-27, on which this document reports, was approved by Scottish Ministers and laid before the Scottish Parliament on 28 March 2024, and this report will be laid before Parliament in October 2026. Corporate plans, all annual reports and accounts, and minutes of Revenue Scotland Board meetings are available in the Corporate Documents section on our website.



2.7 Internal Audit

The Scottish Government's Directorate for Internal Audit and Assurance (DIAA) provide Revenue Scotland's internal audit service through a shared service arrangement with the Scottish Government. DIAA produce an annual audit plan which is reviewed by the Audit and Risk Committee, who provide advice on the plan to the Board and the Accountable

Officer. Regular updates on progress against the audit plan are presented by DIAA to the Audit and Risk Committee's meetings.

During the year, DIAA completed audits on the following:

Finance (Internal Processes and Controls)

This advisory review of finance controls and processes was commissioned by the Chief Executive/Accountable Officer to investigate the issues identified in the Audit Scotland Interim Management letter issued on 14 May 2025.

The review identified 16 medium priority recommendations which were addressed during the year.

This was the first phase of work of assurance work undertaken by Internal Audit. A second phase was undertaken during Q1 2026-27. This assurance review assessed whether the improvements agreed at phase one had been implemented and were operating effectively. This second review is discussed in more detail within the Assurances Provided to the Accountable Officer section above.

Debt Collection

This advisory review examined Revenue Scotland's process of reviewing debt collection and considered whether the current arrangements were efficient, effective and provided added value.

Four medium priority recommendations and four low priority recommendations were identified and are being addressed.

This was the first phase, which evaluated and reported on the controls in place to manage the risk surrounding RS debt collection arrangements. A second phase will follow in 2026-27 and will be an assurance review that will assess whether the process improvements agreed at phase one have been implemented and are operating effectively.

Tax Governance Framework

This review examined whether tax governance arrangements, project management operations and staff capability were robust and aligned with Revenue Scotland's statutory purpose of protecting and collecting tax revenues. The review provided assurance over risks around protecting the integrity of the tax system and the delivery of New Taxes.

A 'Substantial' assurance rating was awarded, recognising that risk, governance and control procedures are effective in supporting the delivery of objectives. No recommendations for further improvement were proposed in relation to this review.

The review commended the governance structures in place within RS, including the Tax Governance Framework and delegation of authority, which were well documented and provided clear accountability and effective oversight. In addition, programme and project management practices for the new taxes were seen to be robust with clear milestones and effective risk management.

Annual Assurance Opinion 2025–26

The overall annual assurance opinion provided by DIAA for 2025-26 was 'Substantial' assurance. This reflects DIAA's opinion that Revenue Scotland's risk, governance and control procedures remain effective in supporting the delivery of its objectives and that any

exposure to potential weakness is low and the materiality of any consequent risks negligible. DIAA reported that the culture within Revenue Scotland continues to be open to audit and assurance, with the RS Senior Leadership Team engaging with designated DIAA contacts on key strategic and operational matters.

2.8 External Audit

External Audit is provided by Audit Scotland. The Audit Director is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the audit of Revenue Scotland's Annual Report and Accounts. During the year, the Audit and Risk Committee scrutinised Audit Scotland's audit plan and received regular updates from them.

Read more: The Independent Auditor's Report

As part of the 2024-25 audit undertaken by Audit Scotland, there were three recommendations; for the scope for medium term financial planning arrangements to be

developed further to highlight and ensure financial sustainability: implement a process to formally document its annual impairment review of non-current assets; and ensure robust succession planning arrangements are in place for the finance team to protect the capability and capacity of this core function.

Action has been taken in 2025-26 to address these matters, including them as part of the Finance Improvement Project set up to review the recommendations of the Finance (Internal Processes and Controls) Audit.

Audit Scotland issued an interim audit management letter in June 2026, in which they summarised the audit work they had undertaken during their 2025-26 interim audit of Revenue Scotland and identified risks related to weaknesses in the design and implementation of controls. Action was taken to address the risks and was reviewed by Audit Scotland as part of the 2025-26 audit.

Assessment of Corporate Governance

Revenue Scotland has in place a system of internal controls and policies which are designed to safeguard its assets, data, and ensure the reliability of financial records in relation to operational and tax duties.

I ensure that these controls are subject to regular review by management. Our internal controls also undergo formal review by both Internal and External Audit, whose reports are made available to the Audit and Risk Committee. Having assessed our corporate governance arrangements, I confirm that they comply with generally accepted best practice principles and relevant guidance.

2.9 Risk Management

I have assessed our risk management arrangements and confirm that they are in accordance with the guidance set out in the Scottish Public Finance Manual. The year-end Certificates of Assurance include a dedicated section assessing the effectiveness of Revenue Scotland's risk management approach over the year and no significant control matters were raised. This, alongside the detailed review of the Corporate Risk Register undertaken with our Risk

owners and Audit and Risk Committee throughout the year, contributes to my overall confidence assessment offered; further confirming that robust arrangements and practices were in operation throughout 2025-26.

Signed by:

Johanna Boyd

Chief Executive Officer

09 October 2026

3 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 2026 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 UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the account as at 31 March 2026 and of the net revenue for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 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 27 May 2025. My period of appointment is three years, covering 2024/25 to 2026/27. 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.

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 account'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.

These conclusions are not intended to, nor do they, provide assurance on the account's current or future financial sustainability. However, I report on the account's arrangements

for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report 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 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 there is an intention to discontinue the account's operations.

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 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:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the account;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the account;
- inquiring of the Accountable Officer concerning the account's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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.

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. 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 in respect of irregularities explained in the audit of the financial statements section of my report, 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

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the 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 Revenue Scotland Devolved Taxes Account, 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 108 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.

Lisa Duthie

Lisa Duthie
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT
09 October 2026

4 Financial Statements

4.1 Statement of Revenue and Expenditure

For the year ended 31 March 2026

	Notes	Total 2025-26 £'000	Total 2024-25 £'000
LBTT	2.1	952,039	899,162
SLfT	2.1	55,478	55,938
Total tax		**1,007,517**	**955,100**
Penalties	2.2	4,809	5,580
Interest	2.2	683	877
Total penalties/interest		**5,492**	**6,457**
Total revenue		**1,013,009**	**961,557**
Interest paid	3.1	(2,606)	(2,548)
Impairment	3.2	(6,236)	(6,457)
Write off	3.2	(2,058)	1
Total expenditure		**(10,900)**	**(9,004)**
Net revenue for Scottish Consolidated Fund		**1,002,109**	**952,553**

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

4.2 Statement of Financial Position

For the year ended 31 March 2026

	Notes	2025-26 £'000	2024-25 £'000
Current assets			
Receivables	4.1	13,043	25,734
Accrued revenue receivable	4.1	21,819	31,374
Cash	5	54,929	116,248
Total current assets		**89,791**	**173,356**
Current liabilities			
Payables and on account balances	6	(4,929)	(6,647)
Total current liabilities		**(4,929)**	**(6,647)**
Net current assets		**84,862**	**166,709**
Total assets less current liabilities		**84,862**	**166,709**
Total net assets		**84,862**	**166,709**
Net revenue for Scottish Consolidated Fund	**7**	**84,862**	**166,709**

The Chief Executive and Accountable Officer authorised these financial statements for issue on 09 October 2026

Signed by:

Johanna Boyd

4.3 Statement of Cash Flows

For the year ended 31 March 2026

	Notes	2025-26 £'000	2024-25 £'000
Net cash flow from operating activities		1,022,637	942,525
Cash paid to Scottish Consolidated Fund	7	(1,083,956)	(882,292)
Increase/(Decrease) in cash in this period	5	(61,619)	60,233
Net revenue for Scottish Consolidated Fund	SoRE	1,002,109	952,553
Decrease/(increase) in non-cash assets	4.1	22,246	(12,820)
Increase/(decrease) in liabilities	6	(1,718)	2,792
Net cash flow from operating activities		**1,022,637**	**942,525**
Net cash flow from investing activities		-	-
Net cash flow from financing activities		-	-
Increase/(decrease) in cash		(61,319)	60,233
Net Funds 1 April		116,248	56,015
Net Funds 31 March	**5**	**54,929**	**116,248**

5 Notes to the Accounts

5.1 Statement of accounting policies

5.1.1. 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 2025-26 Government Financial Reporting Manual (FReM), issued by HM Treasury. The accounting policies contained in the FReM 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.

5.1.2. 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. 31 May has been used as the cut-off point for accrual purposes.

5.1.3. 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 Account. IFRS17 (Insurance Contracts) replaced IFRS 4 (Insurance Contracts) and was effective in 2025- 26. It did not impact on the 2025-26 Devolved Taxes Accounts.

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027. The impact of IFRS 18 on the public sector continues to be assessed and, at the reporting date, no implementation date had been confirmed for the UK public sector.

5.1.4. 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 liability represents the tax that would have been 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.

5.1.5. 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.

5.1.6. 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.

5.1.7. 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.

5.1.8. Contingent assets

IAS 37: Provisions, Contingent Liabilities and Contingent Assets, defines a Contingent Asset 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.

5.1.9. 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.

5.1.10. Receivables

Revenue Scotland determines impairments in accordance with IFRS 9: Financial Instruments. Impairments have been measured by 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.



5.2 Revenue and other income

5.2.1. Taxes

	2025-26 £'000	2024-25 £'000
Land & Buildings Transaction Tax		
Residential	522,389	485,450
Non-residential	230,732	233,972
Additional Dwelling Supplement (ADS)	293,265	257,789
Repayment of ADS	(94,347)	(78,049)
Total Land & Buildings Transaction Tax	952,039	899,162
Scottish Landfill Tax	55,478	55,938
Total	**1,007,517**	**955,100**

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 and the qualifying conditions are met. Scottish Landfill Tax is payable on disposals of waste material in Scotland made by way of landfill.

5.2.2. Penalties and interest

	Year penalty incurred	2025-26 Penalty £000	2025-26 Interest £000	2025-26 Total £000	2024-25 Penalty £000	2024-25 Interest £000	2024-25 Total £000
Land and Buildings Transaction Tax	2025-26	533	62	595			
	2024-25	195	44	239	568	70	638
	2023-24	685	31	716	57	67	124
	Pre 2023	3,042	386	3,428	4,381	489	4,870
	Total	**4,455**	**523**	**4,978**	**5,006**	**626**	**5,632**
Scottish Landfill Tax	2025-26	169	22	191			
	2024-25	185	138	323	439	79	518

	Year penalty incurred	2025-26 Penalty £000	2025-26 Interest £000	2025-26 Total £000	2024-25 Penalty £000	2024-25 Interest £000	2024-25 Total £000
	2023-24	0	0	0	135	172	307
	Pre 2023	0	0	0	0	0	0
	Total	**354**	**160**	**514**	**574**	**251**	**825**
Total penalties		**4,809**	**683**	**5,492**	**5,580**	**877**	**6,457**

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.

5.3 Expenditure

5.3.1. Interest paid

	2025-26 £'000	2024-25 £'000
Land and Buildings Transaction Tax	2,606	2,544
Scottish Landfill Tax	0	4
Total Interest paid	**2,606**	**2,548**

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

5.3.2. Revenue losses

	Debts written off Total £'000	Increase/ (decrease) in impairments Total £'000	2025-26 Total £'000	2024-25 Total £'000
Land and Buildings Transaction Tax	2,058	1,157	3,215	1,417
Scottish Landfill Tax	0	5,079	5,079	5,039
Total	**2,058**	**6,236**	**8,294**	**6,456**

Revenue losses and gains 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 or are no longer economic to collect. Impairment reflects the prospects of recovery in relation to debt recovery action.

5.4 Receivables

5.4.1 Amounts due

	Receivables £'000	**Accrued Revenue Receivable £'000**	**2025-26 Total £'000**	**2024-25 Total £'000**
Land & Buildings Transaction Tax	17,148	14,210	31,358	42,382
Scottish Landfill Tax	11,427	7,609	19,035	24,022
Totals before impairments	**28,575**	**21,819**	**50,393**	**66,404**
Less impairments (see note)	(15,532)		(15,532)	(9,296)
Total	**13,043**	**21,819**	**34,861**	**57,108**

Receivables represents taxpayer liabilities where a liability has been assessed and not paid at the date of the statement of financial position, including amounts due from those on whom financial penalties have been imposed prior to, 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 date of the Statement of Financial Position. These may include estimates made by Revenue Scotland of those activities.

5.4.2 Change to impairments

	LBTT £000	**SLFT £000**	**2025-26 Total £000**	**2024-25 Total £000**
Balance at 1 April	4,257	5,039	9,296	2,839
Change in estimated value of impairments (Note 3.2)	1,157	5,079	6,236	6,457
Balance at 31 March	**5,414**	**10,118**	**15,532**	**9,296**

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.

5.5 Cash

	2025-26 Total £000	2024-25 Total £000
Government Banking Service	47,440	65,456
Commercial Bank	7,489	50,792
Balance at 31 March	**54,929**	**116,248**

Cleared funds are paid over to the Scottish Consolidated Fund on a monthly basis in arrears. The above balances represent funds received from taxpayers which had not been paid over to the Scottish Consolidated Fund as at 31 March 2026 and which were paid over during 2026-27.

5.6 Payables and on account balances

	Revenue Repayable £'000	2025-26 Total £000	2024-25 Total £000
Land and Buildings Transaction Tax	4,928	4,928	6,482
Scottish Landfill Tax	0	0	165
	4,928	**4,928**	**6,647**

Taxes are structured in such a manner that taxpayers are entitled to amend their return within twelve months of the effective date, or in the case of SLfT, within 12 months of the filing date, of the transaction and claim a repayment of tax. 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 date of the Statement of Financial Position. It also includes any credit balances which may be repayable in the future.

5.7 Balance due to the Scottish Consolidated Fund Account

	2025-26 £'000	2024-25 £'000
Balance due to Scottish Consolidated Fund at 1 April	166,709	96,448
Net revenue for the Scottish Consolidated Fund	1,002,109	952,553
Less amount paid to Scottish Consolidated Fund	(1,083,956)	(882,292)
Balance due to the Scottish Consolidated Fund as at 31 March	**84,862**	**166,709**

Only cleared funds are paid over to the Scottish Consolidated Fund. The balance represents accrued income and amounts that remain outstanding or funds which are still to paid over to the Scottish Consolidated Fund at the date of the Statement of Financial Position.

5.8 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.

5.8.1 Deferred payments of LBTT

LBTT Deferrals	2025-26 Total £000	2024-25 Total £000
At 1 April	**7,305**	**6,607**
Additions	2,290	1,054
Amounts not materialising	(470)	(33)
Amounts materialised	(290)	(323)
At 31 March	**8,835**	**7,305**

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.

Where a deferral has been granted, the amount of tax due is not recognised within the financial statements until the chargeable consideration materialises. After a review of the deferrals cases, we have restated the 2024-25 total tax deferred and the number of cases in order to present a more accurate position of the deferred tax at that time.

The estimated timings are:

Deferral estimated timings	**2025-26 No**	**2025-26 £'000**	**2024-25 No**	**2024-25 £'000**
Due within 1 year	90	6,355	116	3,943
Due within 2-5 years	72	1,820	71	1,196
Due in more than 5 years	46	660	56	2,166
Total	**208**	**8,835**	**243**	**7,305**

5.8.2. Tribunal cases

Taxpayers who disagree with 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 Statement of Revenue and Expenditure or Statement of Financial Position but are disclosed as contingent assets due to the uncertainty of the outcome.

	2025-26 Total £'000	**2024-25 Total £000**
At 1 April	**1,343**	**1,168**
Additions	553	242
Recognised in year	(161)	(67)
De-recognised in year	0	0
At 31 March	**1,735**	**1,343**

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.

5.8.3. Enquiries

Revenue Scotland has a statutory 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.

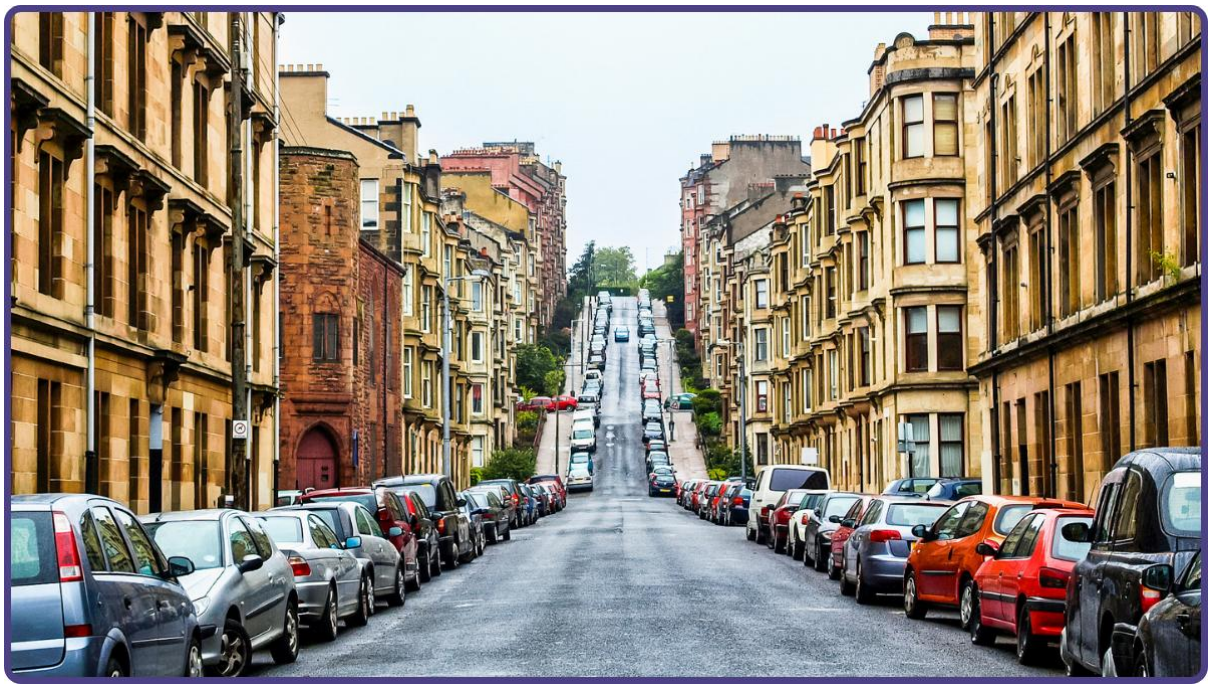
The enquiry has to be closed within three years of the filing date of the tax return where the filing date for LBTT is 30 days after the effective date of the transaction and for SLfT is 44 days after the end of the relevant quarter.

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 may not yet be possible to assess with certainty the amount of tax subject to the enquiry;
- To disclose values of 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.



5.9 Contingent liabilities

5.9.1. 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. When they submit a claim, 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, then the potential repayment is disclosed as a contingent liability.

For 2025-26 all such amounts of ADS are estimated as £83m (2024-25: £60m). It should be noted that this is an indicative figure, based on the information received from taxpayers in their tax return.

5.9.2. 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 may not yet be possible to assess with certainty the amount of tax subject to the enquiry;
- To disclose values of possible 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.

5.9.3. Disputes

There is a possibility that Revenue Scotland may be required, as a result of tax disputes, to repay tax, penalties and/or interest which has been recognised in these or prior year financial statements. As with all disputes there will be uncertainty as to the outcome. There are no individual cases where the amounts involved are estimated to be material.

5.10 Related Party Transactions

There were no related party transactions requiring disclosure under IAS 24 for 2025/26 or 2024/25.

5.11 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 (FReM) 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

J McAllister

Chief Financial Officer
27th October 2021