

DEVOLVED TAXES ACCOUNT



Revenue Scotland
Annual Report and Accounts

for the year ended
31 March 2019



Revenue Scotland is a Non-Ministerial Department of the Scottish Administration

Laid before the Scottish Parliament by Revenue Scotland in pursuance of the Revenue Scotland and Tax Powers Act 2014 on 2 October 2019

Annual accounts authorised for issue on 19 September 2019

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Contents

Foreword	4
Accountability Report 2018-19	6
Statement of the Accountable Officer's Responsibilities	6
Governance Statement	7
Independent Auditor's Report	14
Independent auditor's report to Revenue Scotland, the Auditor General for Scotland and the Scottish Parliament	14
Devolved Taxes Account 2018-19: Financial Statements	18
Statement of Revenue and Expenditure	18
Statement of Financial Position	19
Statement of Cash Flows	20
Notes to the Accounts	21
Accounts Direction	37

Foreword

Welcome to the Revenue Scotland *Annual Report and Accounts for the Devolved Taxes for 2018-19*. This is the fourth reporting year since the organisation began its operational activity in April 2015, and also the first 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 Department, 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. Some functions in relation to LBTT are delegated to Registers of Scotland (RoS) to enable the processing of paper-based tax returns.

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

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 37).

A separate document, *The Annual Report and Accounts for the Resource Accounts for 2018-19*³ 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.

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 £706m (2017-18: £707m).

Revenue net of repayments, excluding interest payable and revenue losses	2018-19 Tax, penalties & interest receivable Total £'000	2018-19 Budget Act Estimates Total £'000	2017-18 Tax, penalties & interest receivable Total £'000
Land & Buildings Transaction Tax	554,185	588,000	557,267
Scottish Landfill Tax	148,517	106,000	147,984
Penalties & interest	3,135	0	1,754
Total	705,837	694,000	707,005

The values in the table above are for tax returns and amendments submitted during 2018-19, and for LBTT and SLfT returns received during April and May 2019 which relate to the period up to 31 March 2019. The returns submitted during 2018-19 may include adjustments to returns originally submitted in earlier years. However, unless these adjustments were received in April or May 2016, 2017 or 2018 respectively, and were therefore accrued into the financial statements of the relevant year, these are accounted for in the year of receipt.

The LBTT tax revenue raised in 2018-19 is dependent on the performance of both the residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2018-19 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 Act 2018-19. The Budget Act Estimates were published in Scotland's Economic and Fiscal Forecasts December 2017.

Accountability Report 2018-19

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 revenue and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRoM), and in particular 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 FRoM have been followed and disclose and explain any material departures in the financial statements;
- ▲ prepare the accounts on a going concern basis; and
- ▲ confirm that the Annual Report and Accounts 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.

The Chief Executive of Revenue Scotland is designated as the Accountable Officer for Revenue Scotland by the Permanent Secretary of the Scottish Government, 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.

As Accountable Officer, the Chief Executive is personally responsible for safeguarding the public funds for which she has responsibility. She is expected to ensure propriety and regularity in the handling of those public funds. The Accountable Officer has a duty to ensure that effective governance and operational arrangements are in place to secure internal control and risk management.

As Accountable Officer, the Chief Executive is personally responsible for ensuring that Revenue Scotland complies with the requirements of the [Scottish Public Finance Manual \(SPFM\)](#). The Chief Executive should act and take steps necessary to ensure that Revenue Scotland corporately acts, in accordance with the principles of the SPFM and the terms of relevant guidance in the SPFM and other financial instructions and guidance issued by the Scottish Ministers.

Accountability Report 2018-19

Statement of the Accountable Officer's Responsibilities

The Accountable Officer may consult with the Scottish Government's Chief Financial Officer on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the Chief Financial Officer 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 Revenue Scotland's response to any subsequent recommendations from the SPSO.

The accounts have been examined and scrutinised by the auditor appointed by the Auditor General for Scotland. In my role as the Accountable Officer, I am confident that the auditor has been made aware of all relevant information. I have taken all steps required to make myself and the auditor aware of any relevant audit information. Further, I confirm that these annual report and accounts are fair, balanced and understandable, and that I take personal responsibility for them. I also take personal responsibility for any judgements that have been made in their preparation and confirm that these are appropriate.

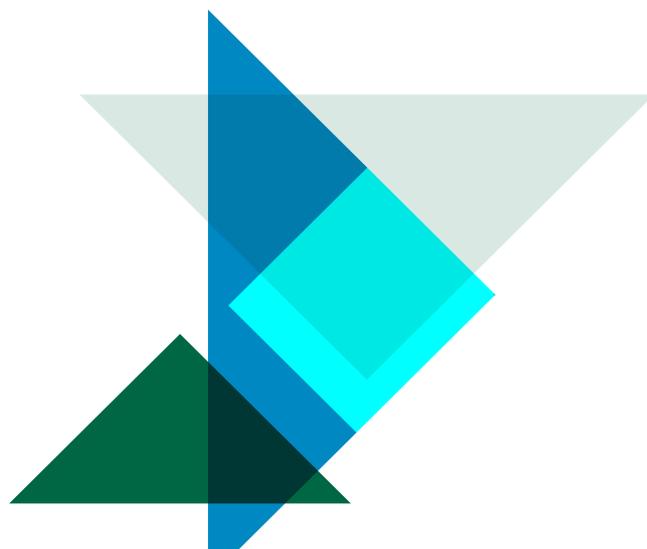
Governance Statement

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

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 formal 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.



Accountability Report 2018-19

Governance Statement

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. The Board's work includes, but is not confined to:

- ▲ considering the Annual Business Plan and Corporate Plan;
- ▲ receiving reports from the Chief Executive on progress around performance against established targets;
- ▲ receiving quarterly reports on the financial performance of Revenue Scotland;
- ▲ receiving reports from the Audit and Risk, and Staffing and Equalities Committees;
- ▲ considering reports in relation to the operation of tax compliance;
- ▲ reviewing action on risk management;
- ▲ planning for new taxes and changes to existing taxes;
- ▲ reviewing the performance of key business partners; and
- ▲ strategy development.

In the course of the year, I can report that the Board actively engaged in a number of relevant 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 legislation;

- ▲ approving key strategies and policies for the organisation such as the Records Management Plan and Tax Compliance Strategy;
- ▲ commissioning a comprehensive review of risk management at the recommendation of the Audit and Risk Committee;
- ▲ oversight of the review of delegated functions to SEPA and RoS;
- ▲ oversight of the organisation's response to the SPSO complaint and action taken thereafter;
- ▲ scrutinising performance of the Scottish Landfill Communities Fund;
- ▲ strategic oversight of the Leading, Enabling, Ambition, Performance (LEAP) programme to replace the Scottish Electronic Tax System (SETS); and
- ▲ strategic engagement with key partners and customers.

The Board aims to set an example of good practice in terms of learning and development, and benefits from presentations from and discussions with external presenters. In accordance with good practice, I can report that the Board reviewed its own effectiveness and the Chair has conducted individual Board appraisals.

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

Accountability Report 2018-19

Governance Statement

Audit and Risk Committee

The Board established an Audit and Risk Committee in March 2015 with a purpose to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability, and integrity of the assurances produced in support of financial reports. The Committee fulfils its role through:

- ▲ scrutiny of Revenue Scotland's arrangements for risk management;
- ▲ regular liaison with internal and external audit, including scrutiny of their plans and reports;
- ▲ considering and monitoring of responses to recommendations from internal and external auditors and other bodies;
- ▲ review of the governance statements produced by management as part of the financial reporting process; and
- ▲ overseeing the financial reporting process.

The terms of reference for the Committee are published on Revenue Scotland's website within the Board Standing Orders⁴ document.

Members of the Committee are Lynn Bradley (Chair) and John Whiting. The Committee also has a co-opted member, Steve Bruce. Co-opted members do not form part of quorum and therefore do not have the same rights as Board members who are members of the Committee. The Committee is also attended by the Chief Executive, Head of Strategy and Corporate Functions, the Head of Tax, the Chief Accountant and representatives of internal and external audit as well as other staff members as required.

The Committee met five times in 2018-19 (2017-18: four).

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.

The Committee has overseen the continuing development of a robust risk management system, leading to a comprehensive review of risk management being proposed to the Board in light of the changes to the Scottish Government's risk management approach. The Committee reviews the full corporate risk register at every meeting, monitors the action plan on risk management and provides feedback to operational management.

The current risk register includes identified high-level risks relating to the impact of legislative changes, organisational capability, learning and development, the replacement of SETS, governance and internal controls, and data quality and management, business continuity, ICT infrastructure, and cyber security.

Within the year 2018-19, significant work focused on:

- ▲ **Addressing people capacity and capability issues** with considerable activity focused on recruitment of staff and development and retention of a knowledgeable and skilled workforce who are engaged and motivated to deliver the functions of Revenue Scotland to the highest standards of professionalism and integrity. A key platform for this work is the organisation wide People Strategy, and more recently the development of a bespoke

⁴ <https://www.revenue.scot/sites/default/files/Revenue%20Scotland%20-%20Standing%20Orders%20Review%20-%20Revised%20May%202018.pdf>

Accountability Report 2018-19

Governance Statement

Learning and Development plan. Linked to this has been the promotion of a positive organisational culture to create a supportive and positive working environment.

- ▲ **Improving data management and cyber resilience** with work focused on strengthening policies, process and practice and maintaining overall resilience and security.
- ▲ **Improving Corporate Governance and internal controls** by ensuring that key governance and internal control processes were in place and being implemented effectively to deliver compliance with our legal duties and the expectations of a public body.
- ▲ **Delivery of new Scottish tax management system (SETS)** to ensure the seamless transition from the existing system to the new platform within agreed timeframes.

I have assessed our risk management arrangements and confirm that they accord with the guidance set out in the SPFM. I can report that the overall assessment of our performance has been assessed as “defined” against the Risk Maturity Model provided for in the Revenue Scotland Risk Management Framework. This means that good risk governance is in place across the organisation, recognising the considerable improvements introduced during 2018-19 in terms of embedding a sound risk management culture, but that further work is required to continue to develop this work.

Staffing and Equalities Committee

The Board of Revenue Scotland established a Staffing and Equalities Committee in June 2015. The Committee comprises two Board members, Jane Ryder (Chair) and John Whiting, with staff membership comprising the Chief Executive, Head of Strategy and Corporate Functions, the Head of Tax and the Head of Organisational Development. More information about the work of the Staffing and Equalities Committee can be found in the separate *Revenue Scotland Annual Report and Accounts – Resource Accounts*.

Report on personal data incidents

Revenue Scotland manages, maintains and protects all information according to the requirements of the Data Protection Act and other legislation, notably the RSTPA. The organisation also adheres to its own information policies and government best practice.

In line with the [HM Government Security Framework](#) requirements for appropriate security governance structure, Revenue Scotland has introduced an Information Assurance governance structure. The aim is to provide the structured means to consistently identify, prioritise, and manage the risks involved in all business activities. It drives a balance between the cost of managing and treating information risks, and the anticipated benefits that will be derived.

The objectives are to:

- ▲ protect the organisation, its staff and our customers from information risks where the likelihood of occurrence and the consequences are significant;
- ▲ meet legal, or statutory requirements; and

Accountability Report 2018-19

Governance Statement

- ▲ assist in safeguarding Revenue Scotland's information assets.

Revenue Scotland has a Senior Information Risk Owner (SIRO) and a number of Information Asset Owners (IAOs), all of whom 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. These policies and procedures aim to ensure that the requirements of confidentiality, integrity and availability are maintained.

The IAOs manage information assets to ensure compliance with statutory obligations (such as [Freedom of Information \(Scotland\) Act 2002](#), [Environmental Information \(Scotland\) Regulations 2004](#), the General Data Protection Regulation (GDPR) and [Data Protection Act 2018](#), the [Re-use of Public Sector Information Regulations 2015](#)) and our own duties under Part 3 of RSTPA on protected tax payer information. The IAOs are tasked with ensuring they know what information assets they own and what information they handle along with the relative security requirements, sensitivity and importance of each set of information and who we may need to share data with and any protection measures.

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.

During the year, there were no Information Commissioner's Office (ICO) Notifiable Incidents. However, a Protected Taxpayer Information (PTI) breach was identified in February 2019. The incident was reviewed by the Information Assurance Group and assessment by Data Protection Officer (DPO) and SIRO, and a number of actions were agreed and implemented to reduce the risk of a re-occurrence.

Internal Audit

The Internal Audit service is provided by the Scottish Government Internal Audit Directorate (SGIAD). The Audit and Risk Committee reviewed and approved the audit plan produced by SGIAD. Regular updates on progress of this plan were presented by SGIAD at Audit and Risk Committee meetings during the reporting period.

During 2018-19, SGIAD completed the following audits:

- ▲ Protecting Taxpayer Information; and
- ▲ Enquiries and Penalties.

In terms of the overall assessment, a "reasonable" assurance was given to the audit on PTI and a "substantial" assurance was awarded to the audit on enquiries and penalties.

Follow-up audits were completed on:

- ▲ Performance reporting;
- ▲ Scottish Landfill Tax Compliance; and
- ▲ Management of Shared Services.

No matters of concern were raised.

Accountability Report 2018-19

Governance Statement

The SGIAD annual report for 2018-19 rated assurance as “substantial”. This is the highest possible rating out of four internal audit assurance categories. This means that SGIAD has provided assurance that Revenue Scotland’s controls are robust and well managed.

External Audit

External Audit is provided by Audit Scotland. Mark Taylor, Director of Audit 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.

Internal Controls

Revenue Scotland has developed a system of internal controls and policies which have been designed to safeguard its assets and 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.

Audit Scotland reviewed the controls operating within Revenue Scotland and the controls on systems operated on behalf of Revenue Scotland by the Scottish Government. No significant control weaknesses were identified. The review identified improvements in the framework of controls in place and actions have been agreed to address the matters raised. The review also referred to the good progress made in key areas of activity such as compliance.

However, it was recognised that compliance activity is still at an early stage and that this will be further progressed in 2019-20.

External scrutiny

As a Non-Ministerial Department, 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 the reporting period, Revenue Scotland submitted evidence⁵ to the Finance and Constitution Committee for its scrutiny of the LBTT (Relief from Additional Amount) (Scotland) Bill. It also provided a written response to the Committee’s Stage 1 report⁶ on the Bill and an update on preparations for Air Departure Tax (ADT).

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.

Both Corporate Plans, all annual reports and accounts and minutes of the Revenue Scotland Board meetings are available to download at:

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

⁵ https://www.parliament.scot/S5_Finance/General%20Documents/Revenue_Scotland_LBTT.pdf

⁶ <https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/107150.aspx>

Accountability Report 2018-19

Governance Statement

Assurances provided to the Chief Executive

I have received written assurances from members of my Senior Leadership Team who have responsibility for the operation and effectiveness of internal controls within the Tax, Legal, Strategy, Change and Corporate Functions teams.

Additionally, for those services which Revenue Scotland receives from the Scottish Government (SG), I have received written 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-Digital in respect of digital corporate services shared with Revenue Scotland.

I sought further information from the Chief Financial Officer regarding the audit work undertaken by Audit Scotland and Internal Audit into the systems on which Revenue Scotland relies and I am satisfied with the assurances provided by them. However, the ongoing lack of a Memorandum of Understanding between this part of Scottish Government and Revenue Scotland means that there is no formal arrangement upon which Revenue Scotland can rely for raising and solving issues. I have raised this with the Chief Financial Officer and will continue to pursue this as a matter of priority.

In relation to the HR services which Revenue Scotland receives, work has proceeded over the course of the year to establish a revised Memorandum of Understanding for the transactional and advisory services we receive and also a Data Protection Agreement. I have asked the Director for People that these are concluded as soon as possible.

I also understand that SGIAD will undertake further work on the shared services provided by SG at the request of the SG Audit Committee. I will look to the outcomes of this work to progress these matters.

I have also received assurance from the Accountable Officers of Registers of Scotland and the Scottish Environment Protection Agency in respect of the statutory functions delegated to them by Revenue Scotland. No issues of concern were raised by them.

These arrangements have been in operation throughout 2018-19, up to and including the date of authorisation of these accounts.

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

Further information

More information on the governance arrangements of Revenue Scotland, its Board and sub-committees, can be found on the Revenue Scotland website

(<https://www.revenue.scot/about-us/publications/corporate-documents>) and in the *Annual Report and Financial Statements of the Resource Accounts for 2018-19*.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

September 2019

Independent Auditor's Report

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Revenue Scotland (Devolved Taxes Account) for the year ended 31 March 2019 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 four 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- ▲ the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▲ the account has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions 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.

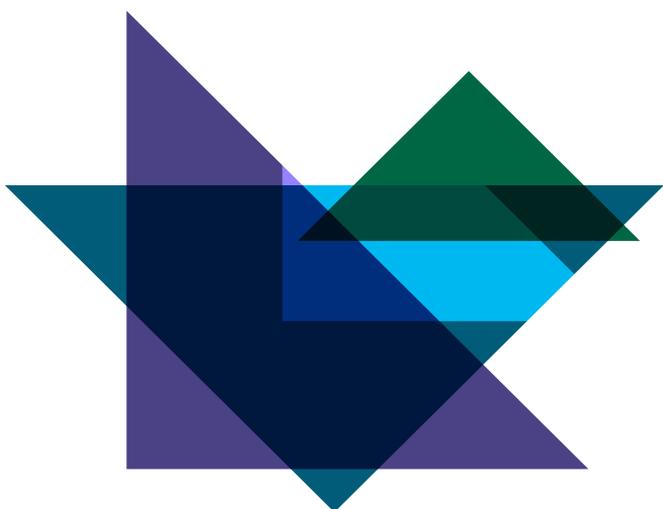
In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.



Independent Auditor's Report

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

Other information in the Revenue Scotland Devolved Taxes Account

The Accountable Officer is responsible for the other information in the Revenue Scotland Devolved Taxes Account. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the Revenue Scotland Devolved Taxes Account and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report 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. 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.

Independent Auditor's Report

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

September 2019

Devolved Taxes Account 2018-19: Financial Statements

Statement of Revenue and Expenditure

For the Year Ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Revenue			
Taxes			
Land & Buildings Transaction Tax	2.1	554,185	557,267
Scottish Landfill Tax	2.1	148,517	147,984
Total taxes		702,702	705,251
Penalties and interest			
Penalties	2.2	2,646	1,582
Interest	2.2	489	172
Total Penalties and interest		3,135	1,754
Total revenue		705,837	707,005
Expenditure			
Interest paid	3.1	(111)	(80)
Revenue losses	3.2	(9,850)	(561)
Total expenditure		(9,961)	(641)
Net revenue for the Scottish Consolidated Fund	7	695,876	706,364

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

The notes on pages 21 to 36 form part of these financial statements.

Devolved Taxes Account 2018-19: Financial Statements

Statement of Financial Position

as at 31 March 2019

	Note	2018-19 £000	2017-18 £000
Current assets			
Receivables	4.1	9,102	10,491
Accrued revenue receivable	4.1	41,833	49,912
Cash	5	4,813	10,473
Total current assets		55,748	70,876
Current liabilities			
Payables and on account balances	6	6,302	2,606
Deferred revenue	6	0	0
Total current liabilities		6,302	2,606
Net current assets		49,446	68,270
Total assets less current liabilities		49,446	68,270
Total net assets		49,446	68,270
Represented by:			
Balance due to the Scottish Consolidated Fund	7	49,446	68,270

The notes on pages 21 to 36 form part of these financial statements.

The Chief Executive of Revenue Scotland and Accountable Officer authorised these financial statements for issue on 28 September 2019.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

Devolved Taxes Account 2018-19: Financial Statements

Statement of Cash Flows

For the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Net cash flow from operating activities	A below	709,040	700,100
Cash paid to Scottish Consolidated Fund		(714,700)	(697,337)
(Decrease)/Increase in cash in this period	B below	(5,660)	2,763
Notes to the Statement of Cash Flows			
A Reconciliation of net cash flow to movement in net funds			
Net revenue for the Scottish Consolidated Fund	7	695,876	706,364
Decrease/(increase) in non cash assets		9,468	(6,639)
Increase/(decrease) in liabilities		3,696	375
Net cash flow from operating activities		709,040	700,100
B Analysis of changes in net funds			
(Decrease)/Increase in cash in this period		(5,660)	2,763
Net funds at 1 April		10,473	7,710
Net funds at 31 March	5	4,813	10,473

The notes on pages 21 to 36 form part of these financial statements.

Devolved Taxes Account 2018-19

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 2018-19 Government Financial Reporting Manual (FRoM), Section 8.2, 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 account is 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 Account has been prepared in accordance with the historical cost convention. Taxes (including repayments) are accounted for on an accruals basis. Where firm figures are not available, 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 tax accounts the significant assumptions and estimates are set out in the accounting policies and/or notes to the accounts. The cut off point for accruals purposes used is 31 May 2019.

1.3 New Accounting Standards

In accordance with IAS 8, 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. The standards that are considered relevant to Revenue Scotland and the anticipated impact on the accounts are as follows:

IFRS 16 – Leases

This standard will come into effect for accounting periods beginning after 1 April 2020 when the distinction between finance and operating leases is removed and all leases become “on balance sheet”. The FRoM interprets and adapts IFRS 16 for the public sector context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. The full impact has not yet been determined. These assets will be included on the statement of financial position from 1 April 2020, in accordance with the transition arrangements set out in IFRS 16 application guidance issued by HM Treasury in April 2019.

Devolved Taxes Account 2018-19

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. 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.

Devolved Taxes Account 2018-19

Notes to the Accounts

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.

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.

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 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.



Devolved Taxes Account 2018-19

Notes to the Accounts

2. Revenue and other income

2.1 Taxes

	2018-19 £000	2017-18 £000
Land & Buildings Transaction Tax		
Residential	262,336	258,386
Non-residential	192,638	204,236
Additional Dwelling Supplement (ADS)	131,615	124,592
Repayment of ADS	(32,404)	(29,947)
Total Land & Buildings Transaction Tax	554,185	557,267
Scottish Landfill Tax	148,517	147,984
	702,702	705,251

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.

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

Devolved Taxes Account 2018-19

Notes to the Accounts

2. Revenue and other income

2.2 Penalties and interest

	Year of Offence	2018-19			2017-18		
		Penalty £000	Interest £000	Total £000	Penalty £000	Interest £000	Total £000
Land & Buildings Transaction Tax	2018-19	515	18	533	0	0	0
	2017-18	490	31	521	376	17	393
	2016-17	101	19	120	531	42	573
	2015-16	89	(11)	78	176	0	176
	Total	1,195	57	1,252	1,083	59	1,142
Scottish Landfill Tax	2018-19	16	1	17	0	0	0
	2017-18	485	52	537	121	20	141
	2016-17	506	197	703	3	93	96
	2015-16	444	182	626	375	0	375
	Total	1,451	432	1,883	499	113	612
Total penalties and interest		2,646	489	3,135	1,582	172	1,754

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.

Devolved Taxes Account 2018-19

Notes to the Accounts

3. Expenditure

3.1 Interest paid

	2018-19 £000	2017-18 £000
Land & Buildings Transaction Tax	111	77
Scottish Landfill Tax	0	3
Total Interest paid	111	80

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

3.2 Revenue losses

	Debts written off £000	Increase in impairments £000	2018-19 Total £000	2017-18 Total £000
Land & Buildings Transaction Tax	0	36	36	21
Scottish Landfill Tax	0	9,814	9,814	540
Total	0	9,850	9,850	561

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](#)).

Write-offs are debts that, after all reasonable action has been taken and following careful appraisal, have been considered to be irrecoverable.

The impairment reflects the prospects of recovery in relation to debt recovery action.

Devolved Taxes Account 2018-19

Notes to the Accounts

4. Receivables

4.1 Amounts due:

	Receivables £000	Accrued Revenue Receivable £000	2018-19 Total £000	2017-18 Total £000
Land & Buildings Transaction Tax	9,500	13,733	23,233	21,890
Scottish Landfill Tax	10,056	28,100	38,156	39,117
Totals before impairments	19,556	41,833	61,389	61,007
Less impairments (see note 4.2)	(10,454)	0	(10,454)	(604)
Total	9,102	41,833	50,935	60,403

Receivables represents taxpayer liabilities where a liability has been assessed and not paid for 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 2018-19

Notes to the Accounts

4 Receivables

4.2 Change to impairments

	LBTT £000	SLFT £000	2018-19 Total £000	2017-18 Total £000
Balance at 1 April	64	540	604	43
Change in estimated value of impairments (Note 3.2)	36	9,814	9,850	561
Balance at 31 March	100	10,354	10,454	604

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.



Devolved Taxes Account 2018-19

Notes to the Accounts

5. Cash

	2018-19 Total £000	2017-18 Total £000
Government Banking Service	3,277	6,960
Commercial Bank	1,536	3,513
Balance at 31 March	4,813	10,473

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 2019 and which were paid over during 2019-20.



Devolved Taxes Account 2018-19

Notes to the Accounts

6. Payables and on account balances

	Revenue Repayable £000	Deferred Revenue £000	2018-19 Total £000	2017-18 Total £000
Land & Buildings Transaction Tax	3,965	0	3,965	2,500
Scottish Landfill Tax	2,337	0	2,337	106
	6,302	0	6,302	2,606

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 2018-19

Notes to the Accounts

7. Balance due to the Scottish Consolidated Fund Account

	2018-19 £000	2017-18 £000
Balance due to Scottish Consolidated Fund Account at 1 April	68,270	59,243
Net Revenue for the Scottish Consolidated Fund	695,876	706,364
Less amount paid to Scottish Consolidated Fund	(714,700)	(697,337)
Balance due to the Scottish Consolidated Fund Account as at 31 March	49,446	68,270

Only cleared funds are paid over to the Scottish Consolidated Fund. The balance represents accrued income and amounts that remain outstanding or are un-cleared funds at the year end.

Devolved Taxes Account 2018-19

Notes to the Accounts

8. Contingent assets

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

	2018-19		Restated 2017-18	
	LBTT Deferrals £000	Total £000	LBTT Deferrals £000	Total £000
At 1 April	1,844	1,844	1,449	1,449
Additions	2,122	2,122	626	626
Amounts not materialising	(429)	(429)	0	0
Amounts materialised	(138)	(138)	(231)	(231)
At 31 March	3,399	3,399	1,844	1,844

Devolved Taxes Account 2018-19

Notes to the Accounts

8. Contingent assets

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.

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

	2018-19		Restated 2017-18	
	No	£000	No	£000
Due within 1 year	34	973	25	530
Due within 2-5 years	44	524	41	655
Due in more than 5 years	43	1,902	35	659
	121	3,399	101	1,844

Prior year figures above have been restated to reflect income which actually materialised in 2017-18, which had been omitted in error.

Devolved Taxes Account 2018-19

Notes to the Accounts

8. Contingent assets

Tribunal Cases

As reported in the Annual Report and Accounts for the Resource Accounts for 2018-19, 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.

	2018-19 Total £000	2017-18 Total £000
At 1 April	0	0
Additions	113,719	0
Recognised in year	0	0
De-recognised in year	0	0
At 31 March	113,719	0

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 2018-19

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:

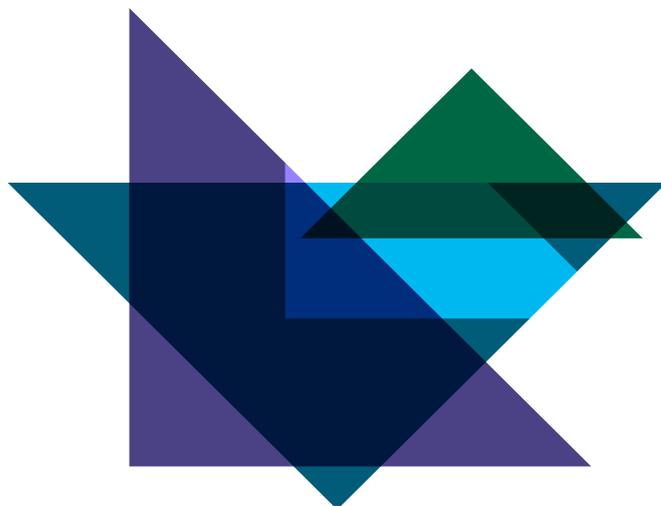
- ▲ whether the taxpayer is liable to pay tax; and
- ▲ the amount of tax due.

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 is recognised in the accounts 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 accounts.



Devolved Taxes Account 2018-19

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 total potential refund is disclosed as a contingent liability. For 2018-19, all such amounts of ADS, as adjusted by claims received in April and May 2019 where the sale of the previous main residence took place in 2018-19, total £29m (2017-18: £29m). It should be noted that this is an indicative figure, based on the information received from taxpayers in their tax return.

10. Events after the Reporting Period

Between the end of the financial year and the date of signing these accounts, the Upper Tier Tribunal for Scotland issued a decision which has implications in relation to penalties previously issued. Revenue Scotland has considered the outcome and has concluded that this has no financial impact on the results reported within these accounts.

Accounts Direction



Scottish Government
Riaghaltas na h-Alba
gov.scot

REVENUE SCOTLAND

DEVOLVED TAXES ACCOUNT

DIRECTION BY THE SCOTTISH MINISTERS

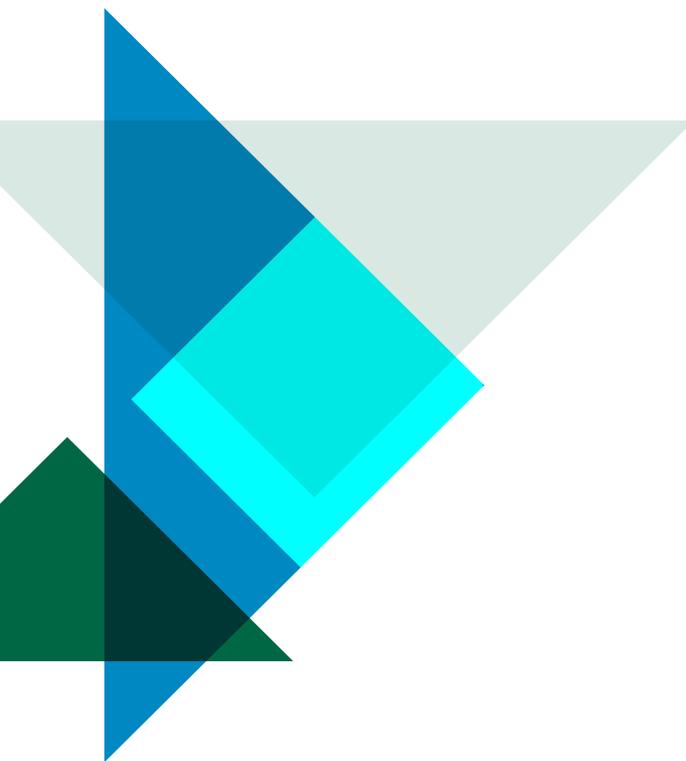
In accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, The Scottish Ministers hereby give the following direction:

1. Revenue Scotland will prepare, for the financial year ended 31 March 2018, 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 chapter 8.2 of 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.

Signed by the authority of the Scottish Ministers

Chief Financial Officer

Dated 24 April 2018



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