

DEVOLVED TAXES ACCOUNT



Revenue Scotland
Annual Report and Accounts
for the year ended
31 March 2020



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

Laid before the Scottish Parliament by Revenue Scotland in pursuance of the Revenue Scotland and Tax Powers Act 2014 on 25 November 2020

Annual accounts authorised for issue on 20 November 2020

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Foreword

Welcome to the Revenue Scotland *Annual Report and Accounts for the Devolved Taxes for 2019-20*. This is the fifth reporting year since the organisation began its operational activity in April 2015, and also the second reporting period of Revenue Scotland's 2018-21 corporate planning period.

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

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

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

Revenue Scotland delegates some of its legislative functions for the collection of SLfT to the Scottish Environment Protection Agency (SEPA). This includes the regulatory functions of [the Scottish Landfill Communities Fund \(SLCF\)](#) – a tax credit scheme available to landfill operators. Some functions in relation to LBTT were delegated to Registers of Scotland (RoS) to enable the processing of paper-based tax returns. Since the introduction of SETS in July 2019, the processing of paper returns has been undertaken by Revenue Scotland.

The Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenues in line with the Fiscal Framework¹. Revenue Scotland provides statistical information about the taxes it collects².

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 39).

A separate document, *The Annual Report and Accounts for the Resource Accounts for 2019-20*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 £717m (2018-19: £706m).

| Revenue net of repayments, excluding interest payable and revenue losses | 2019-20 Tax, penalties & interest receivable Total £'000 | 2019-20 Budget Act Estimates Total £'000 | 2018-19 Tax, penalties & interest receivable Total £'000 |
|--|--|--|--|
| Land & Buildings Transaction Tax | 597,368 | 643,000 | 554,185 |
| Scottish Landfill Tax | 118,959 | 104,000 | 148,517 |
| Penalties & interest | 735 | 0 | 3,135 |
| Total | 717,062 | 747,000 | 705,837 |

The values in the table above are for tax returns and amendments submitted during 2019-20, and for LBTT and SLfT returns received during April and May 2020 which relate to the period up to 31 March 2020. The returns submitted during 2019-20 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 2019-20 is dependent on the performance of both the residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2019-20 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 2019-20. The Budget (Scotland) Act 2019-20 estimates were published in Scotland's Economic and Fiscal Forecasts December 2018.

Accountability Report 2019-20

Corporate Governance Report

Statement of the Accountable Officer's Responsibilities

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

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

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

- ▲ observed the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ▲ made judgements and estimates on a reasonable basis;
- ▲ stated whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the financial statements; and
- ▲ prepared the accounts on a going concern basis.

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

The Accountable Officer may consult with the SG Chief Financial Officer (CFO) on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the CFO on any action which she considers is inconsistent with her duties on financial, regulatory or propriety grounds, and specifically where she seeks written authority from the Scottish Ministers or a direction from the Board of Revenue Scotland. In practice, she 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.

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

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

Accountability Report 2019-20

Corporate Governance Report

Governance Statement

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

Governance Framework

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

Scottish Ministers are responsible for appointing the Board of Revenue Scotland following a public appointment exercise, regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Ministers must not direct, or otherwise seek to control Revenue Scotland in the exercise of its functions but they may give guidance. This guidance must be published and laid before the Scottish Parliament unless Ministers consider that to do so would prejudice the effective exercise by Revenue Scotland of its functions. Scottish Ministers are also responsible for tax policy and 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 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 retains responsibility for carrying out any function it delegates.

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

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

Operation of the Governance Board and Committees

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

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

Accountability Report 2019-20

Corporate Governance Report

I can report that in the course of the year, the Board met on ten occasions (2018-19: nine). During this time, the Board scrutinised a number of specific matters, including:

- ▲ making a number of significant decisions on LBTT and SLfT cases (in line with the Scheme of Internal Delegation);
- ▲ oversight of the implementation of the changes to LBTT rates; and
- ▲ strategic oversight of the LEAP programme including the replacement of the tax system.

I can also report that, during 2019-20, in line with best practice, the Board and its Committees have reviewed their effectiveness and the Chair has conducted individual Board appraisals.

Audit and Risk Committee

The remit of the Audit and Risk Committee is to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability, and integrity of the assurances produced in support of financial reports. The Committee fulfils its role through:

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

The terms of reference for the committee are published on Revenue Scotland's [website](#) within the Board Standing Orders.

Members of the committee in 2019-20 were Lynn Bradley (Chair), John Whiting and Jean Lindsay, who joined the Committee on 1 November 2019, and was replaced by Martin McEwen on 11 March 2020.

The Committee also has co-opted members, Steve Bruce who completed his term on 31 March 2020 and Simon Cunningham who joined the ARC in November 2019. Co-opted members do not form part of quorum and therefore do not have the same rights as Board members on the Committee.

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

Accountability Report 2019-20

Corporate Governance Report

I can report that the committee met five times in 2019-20, including a Special ARC to scrutinise the Annual Reports and Accounts (2018-19: 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.

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

- ▲ Business Continuity Planning;
- ▲ Internal and External Audit;
- ▲ Review of the Corporate Risk Register; and
- ▲ 2019-20 Annual Report and Accounts.

Staffing and Equalities Committee

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

The Committee comprises three Board members, Jane Ryder (Chair), John Whiting and Martin McEwen, who joined the Committee on 1 November 2019 and was replaced by Jean Lindsay on 11 March 2020. Staff attendees comprise the Chief Executive, Head of Corporate Functions, the Head of Tax, the Head of Legal, the Head of Organisational Development and the Head of Planning, Performance and Risk who has responsibility for Equalities. Further staff members attend as required.

I can report that the committee met four times during 2019-20 (2018-19: three) and engaged in a number of relevant matters including scrutiny of:

- ▲ delivery progress and evaluation of the People Strategy, and related workforce planning, learning and development plans;
- ▲ the development of the Scottish Tax Education Programme (STEP);
- ▲ performance against our Equalities Action Plan;
- ▲ the development of new Equality Outcomes and Action Plan for 2020-24; and
- ▲ the Equality Mainstreaming Report.

Accountability Report 2019-20

Corporate Governance Report

Assurances provided to the Chief Executive

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

The assurances from Heads of Service raised the issue that Revenue Scotland were not fully compliant with Health and Safety best practice, particularly with regards to the operation of Health and Safety Committee and the inclusion of wider health and wellbeing being formally part of its remit. I can report that this has now been addressed. A revised Health and Safety Policy was approved by the Board in October 2020, and the Health and Safety Committee has been refreshed and will now meet regularly.

I have also received specific assurance from the Head of Tax to confirm that internal controls and training have now been strengthened as a result of the identification of an issue in the process of making 'Designated Officer' compliance decisions (for further detail see the Risk Management section below).

For those services which Revenue Scotland receives from the Scottish Government, 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. No issues of significance were raised with me as part of these.

I requested further information and assurance from the Director for People concerning the need for progress on concluding revised arrangements with Revenue Scotland that reflect our status as a separate employer and am pleased to report that a commitment has been given to conclude these matters by the end of March 2021. I have also requested that the matters that I have raised are taken into account as part of the programme for development and reform of shared services.

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 2019-20, up to, and including the date of issue of these accounts.

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

Accountability Report 2019-20

Corporate Governance Report

Report on Personal Data Incidents

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

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

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

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

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

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

During the year, there were four Information Commissioner's Office (ICO) Notifiable Incidents. The incidents related to six taxpayers and were reviewed by the Information Assurance Group and assessed by Data Protection Officer (DPO) and SIRO. A number of minor 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's Directorate for Internal Audit and Assurance (DIAA). The Audit and Risk Committee reviewed and approved the audit plan produced by DIAA who present regular updates on progress of this plan to the Committee meetings.

During the year, DIAA completed audits on the following:

- ▲ Cheques and repayments;
- ▲ Conduct of reviews; and
- ▲ Assurance Map – Advisory Audit.

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Corporate Governance Report

In terms of the overall assessment for each audit, 'substantial' assurance was awarded to the audit on conduct of reviews⁴ and 'limited' assurance was given to the audit on cheques and repayments. One high priority recommendation was made about the segregation of duties for repayments and further recommendations relating to cheques and repayments were medium priority (two) and low priority (one). Revenue Scotland welcomed the recommendations made through the audit report, and through the appointment of a lead reviews officer, successfully addressed all issues raised.

Follow-up audits were completed on:

- ▲ Protecting Taxpayer Information;
- ▲ Enquiries and Penalties;
- ▲ Shared Services; and
- ▲ Review and Validation of Key Performance Indicators Framework.

Progress was made on the implementation of recommendations from these reports meaning that controls in these areas improved during the year.

DIAA's overall annual assessment of Revenue Scotland's internal controls is 'reasonable'. This means that DIAA views Revenue Scotland's controls around risk management, governance, and control procedures as adequate, but requiring some improvement. This is a reduction on the 'substantial' assessment received last year. The organisation fully accepts all the recommendations made and is committed to addressing all the issues raised. The Audit and Risk Committee views the assessment as a fair reflection of Revenue Scotland's position based on the evidence reviewed by DIAA.

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. Reporting on the 2019-20 Interim Audit, Audit Scotland identified several control weaknesses. Audit Scotland was content that Revenue Scotland's control environment was operating effectively for the Resource Accounts. As a result of COVID-19, and the control issues identified, Audit Scotland took limited assurance over the controls operating for the Devolved Taxes Accounts and took a substantive approach for the Devolved Taxes. Some less significant issues were identified and were discussed with management. Management welcomed the recommendations from Audit Scotland and actions have been agreed. The Independent Auditor's Report can be found on page 16.

Assessment of Corporate Governance

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

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

⁴ 'Limited' assurance is where controls are developing but weak.
'Reasonable' assurance is where controls are adequate but require improvement.

Accountability Report 2019-20

Corporate Governance Report

Risk Management

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

- ▲ The programme to develop a new tax system (SETS) posed a number of significant risks, both to delivery of the new system and delivery of business as usual (BAU). In addition it was crucial to ensure data security through the transition from one system to another, and to support taxpayers and their agents; maintaining Revenue Scotland's reputation and relationships. The Programme Board, Senior Leadership Team and the Revenue Scotland Board provided scrutiny throughout. Delivery risks were successfully identified and controls put in place to manage these. In addition, the programme was subject to scrutiny through Gateway Reviews and a Digital First Assessment. The new system was launched on time and on budget in July 2019. BAU was maintained, and KPIs were generally maintained or improved compared to the previous year.
- ▲ It was identified that some compliance decisions reserved to 'Designated Officers' (DOs) had been taken by staff who had not been formally designated. I took action to identify the nature and scope of the issue, and sought assurance through Internal Audit and an independent expert to support this process. Controls have now been put in place to prevent reoccurrence, including more robust processes and specific training. This has also been incorporated into STEP training. A project was established to consider affected cases afresh and to contact the relevant taxpayers to inform them of the issue and the decision of the Designated Officer on their case. These cases are now complete.
- ▲ We have engaged in a number of significant tax litigation cases which placed a significant burden on a number of key staff from across the organisation.
- ▲ A decision of the Upper Tribunal for Scotland clarified the legislative process in respect of daily penalties notices. In consequence, Revenue Scotland's process of issuing one combined tax penalty notice ceased and instead two separate notices for different stages of the daily penalties processes were required. The issuing of daily penalties was suspended pending consideration and a change has subsequently been made to the LBTT legislation to resolve this issue. This suspension was extended as a result of COVID-19, and issue of penalties is expected to resume soon.
- ▲ At the end of the year, and in the subsequent period up until signing of the Accounts, Revenue Scotland was impacted heavily by COVID-19. Activity in 2019-20 was focused on putting in place governance arrangements to scrutinise the implementation of an Incident Response Plan and monitor organisational performance. Specific risks were identified, and controls put in place to manage them. Drawing upon previous experience from adverse weather events and Business Continuity Planning exercises, Revenue Scotland moved swiftly to a remote operating model, supporting staff and continuing to provide excellent service for taxpayers. In the period before signing of the Accounts, this governance and risk management has been incorporated into BAU and informs the current risk management framework. In addition, work has commenced on a project to use this experience of a completely remote operating model, to develop and implement plans to realise the benefits of both remote and office based working in future.

Accountability Report 2019-20

Corporate Governance Report

This past year has been a significant one for Revenue Scotland, with the successful delivery of the SETS system and the STEP programme, along with management of risks and issues arising through the year. I am confident that as issues have arisen they have been appropriately dealt with. However, this has had an impact on the resources available for some of the priorities set out at the beginning of the year.

In particular, these resourcing pressures have had an impact on delivery of the LBTT Compliance Plan for 2019-20, due to the need to draw upon the expertise of key tax staff. This impact has been monitored by Management, and Compliance Plans are being reshaped to reflect this. The three-year window for tax enquiries means that while there has been a short-term impact on compliance activity, this need not have a longer term impact.

Engagement with staff also suggests that the scale of workload and priorities experienced during the year has also contributed to a lower Employee Engagement Index in the 2019 Civil Service People Survey (KPI 7) in 2019-20. In response to the People Survey results, an action plan has been co-produced with staff and changes have been implemented. The risk management framework for the organisation includes controls and actions in relation to staff engagement and this will continue to be monitored.

I have considered our response to issues and risks and the considerable pressures faced during the year. I can report that responses have been consistent with the organisation's frameworks of governance, planning and performance management, risk management, and incident response. Responses have identified, considered and mitigated where appropriate the potential impacts on; achievement of business objectives, regularity, propriety, openness, transparency and Value for Money (VfM), using an evidence-based, risk management approach.

I can report that, in July 2020, our risk performance has been assessed as "Managed" against the Risk Maturity Model provided for in the Revenue Scotland Risk Management Framework. This assessment means that the organisation's risk maturity has improved since last year and reflects a further integration of risk management practice and behaviours across the organisation, and a strengthening of risk governance by the Senior Leadership Team.

I have assessed our risk management arrangements and confirm that they accord with the guidance set out in the SPFM. In addition, as part of the year end Certificates of Assurance process the assessment of risk throughout the year contributes to the overall confidence assessment offered, further confirming that robust arrangements and practices were in operation throughout the year 2019-20.

Accountability Report 2019-20

Corporate Governance Report

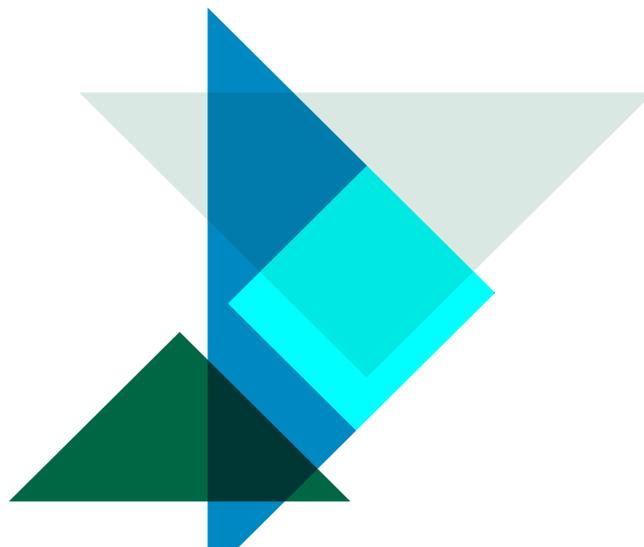
Parliamentary Scrutiny

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

Revenue Scotland's Corporate Plan, supporting legislation and this annual report are published documents. The Corporate Plan 2018-21, on which this document reports, was approved by Scottish Ministers and laid before the Scottish Parliament in April 2018, and this report was laid before Parliament on 25 November 2020.

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

Elaine Lorimer - Chief Executive of Revenue Scotland and Accountable Officer



Independent Auditor's Report

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

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 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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 five 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.

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

Independent Auditor's Report

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

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.

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.

Independent Auditor's Report

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

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

Devolved Taxes Account 2019-20: Financial Statements

Statement of Revenue and Expenditure

For the Year Ended 31 March 2020

| | Note | 2019-20 £000 | 2018-19 £000 |
|---|------|-----------------|-----------------|
| Revenue | | | |
| Taxes | | | |
| Land & Buildings Transaction Tax | 2.1 | 597,368 | 554,185 |
| Scottish Landfill Tax | 2.1 | 118,959 | 148,517 |
| Total taxes | | 716,327 | 702,702 |
| Penalties and interest | | | |
| Penalties | 2.2 | 491 | 2,646 |
| Interest | 2.2 | 244 | 489 |
| Total Penalties and interest | | 735 | 3,135 |
| Total revenue | | 717,062 | 705,837 |
| Expenditure | | | |
| Interest paid | 3.1 | (171) | (111) |
| Revenue losses | 3.2 | (406) | (9,850) |
| Total expenditure | | (577) | (9,961) |
| Net revenue for the Scottish Consolidated Fund | 7 | 716,485 | 695,876 |

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

The notes on pages 23 to 38 form part of these financial statements.

Devolved Taxes Account 2019-20: Financial Statements

Statement of Financial Position

as at 31 March 2020

| | Note | 2019-20 £000 | 2018-19 £000 |
|--|------|-----------------|-----------------|
| Current assets | | | |
| Receivables | 4.1 | 7,316 | 9,102 |
| Accrued revenue receivable | 4.1 | 32,113 | 41,833 |
| Cash | 5 | 6,869 | 4,813 |
| Total current assets | | 46,298 | 55,748 |
| Current liabilities | | | |
| Payables and on account balances | 6 | 4,955 | 6,302 |
| Deferred revenue | 6 | 0 | 0 |
| Total current liabilities | | 4,955 | 6,302 |
| Net current assets | | 41,343 | 49,446 |
| Total assets less current liabilities | | 41,343 | 49,446 |
| Total net assets | | 41,343 | 49,446 |
| Represented by: | | | |
| Balance due to the Scottish Consolidated Fund | 7 | 41,343 | 49,446 |

The notes on pages 23 to 38 form part of these financial statements.

The Chief Executive of Revenue Scotland and Accountable Officer authorised these financial statements for issue on 20 November 2020.

Elaine Lorimer - Chief Executive of Revenue Scotland and Accountable Officer

Devolved Taxes Account 2019-20: Financial Statements

Statement of Cash Flows

For the year ended 31 March 2020

| | Note | 2019-20 £000 | 2018-19 £000 |
|---|---------|-----------------|-----------------|
| Net cash flow from operating activities | A below | 726,644 | 709,040 |
| Cash paid to Scottish Consolidated Fund | | (724,588) | (714,700) |
| (Decrease)/Increase in cash in this period | B below | 2,056 | (5,660) |
| 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 | 716,485 | 695,876 |
| Decrease/(increase) in non-cash assets | | 11,506 | 9,468 |
| Increase/(decrease) in liabilities | | (1,347) | 3,696 |
| Net cash flow from operating activities | | 726,644 | 709,040 |
| B Analysis of changes in net funds | | | |
| (Decrease)/Increase in cash in this period | | 2,056 | (5,660) |
| Net funds at 1 April | | 4,813 | 10,473 |
| Net funds at 31 March | 5 | 6,869 | 4,813 |

The notes on pages 23 to 38 form part of these financial statements.

Devolved Taxes Account 2019-20

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 2019-20 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 2019-20 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 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 tax accounts the significant assumptions and estimates are set out in the accounting policies and/or notes to the accounts. The 31 May has been used as the cut off point for accruals purposes.

1.3 New Accounting Standards

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

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.

Devolved Taxes Account 2019-20

Notes to the Accounts

1.5 Financial instruments

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

1.6 Revenue recognition – Taxation

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

- ▲ a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the Scottish Consolidated Fund. A taxable event therefore occurs when a liability arises to pay a tax.

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

1.7 Revenue recognition – Penalties and Interest

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

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

Penalty and interest revenue is de-recognised:

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

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

Devolved Taxes Account 2019-20

Notes to the Accounts

1.8 Contingent Assets

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

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

1.9 Contingent Liabilities

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

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

1.10 Receivables

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



Devolved Taxes Account 2019-20

Notes to the Accounts

2. Revenue and other income

2.1 Taxes

| | 2019-20 £000 | 2018-19 £000 |
|--|-----------------|-----------------|
| Land & Buildings Transaction Tax | | |
| Residential | 286,908 | 262,336 |
| Non-residential | 190,234 | 192,638 |
| Additional Dwelling Supplement (ADS) | 159,001 | 131,615 |
| Repayment of ADS | (38,775) | (32,404) |
| Total Land & Buildings Transaction Tax | 597,368 | 554,185 |
| Scottish Landfill Tax | 118,959 | 148,517 |
| | 716,327 | 702,702 |

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 2019-20

Notes to the Accounts

2. Revenue and other income

2.2 Penalties and interest

| | Year of Offence | 2019-20 | | | 2018-19 | | |
|--|-----------------|-----------------|------------------|---------------|-----------------|------------------|---------------|
| | | Penalty £000 | Interest £000 | Total £000 | Penalty £000 | Interest £000 | Total £000 |
| Land & Buildings Transaction Tax | 2019-20 | 332 | 16 | 348 | 0 | 0 | 0 |
| | 2018-19 | 128 | 35 | 163 | 515 | 18 | 533 |
| | 2017-18 | 0 | 8 | 8 | 490 | 31 | 521 |
| | 2016-17 | 25 | 9 | 34 | 101 | 19 | 120 |
| | 2015-16 | 36 | 17 | 53 | 89 | (11) | 78 |
| | Total | 521 | 85 | 606 | 1,195 | 57 | 1,252 |
| Scottish Landfill Tax | 2019-20 | 110 | 3 | 113 | 0 | 0 | 0 |
| | 2018-19 | (2) | 24 | 22 | 16 | 1 | 17 |
| | 2017-18 | 7 | 0 | 7 | 485 | 52 | 537 |
| | 2016-17 | (26) | 92 | 66 | 506 | 197 | 703 |
| | 2015-16 | (119) | 40 | (79) | 444 | 182 | 626 |
| | Total | (30) | 159 | 129 | 1,451 | 432 | 1,883 |
| Total penalties and interest | | 491 | 244 | 735 | 2,646 | 489 | 3,135 |

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.

As a result of an Upper Tribunal for Scotland's (UTS) decision in June 2019, Revenue Scotland issued only a limited number of LBTT daily penalties for late filing during this financial year. In light of the UTS decision, the Scottish Government brought forward legislation to change the process for issuing LBTT daily penalties. The legislation was passed by Parliament in early 2020 and came into effect on 11 March.

The issuing of all tax penalties was suspended in March as one of the measures Revenue Scotland put in place in response to the COVID-19 global pandemic.

Devolved Taxes Account 2019-20

Notes to the Accounts

3. Expenditure

3.1 Interest paid

| | 2019-20 £000 | 2018-19 £000 |
|----------------------------------|-----------------|-----------------|
| Land & Buildings Transaction Tax | 169 | 111 |
| Scottish Landfill Tax | 2 | 0 |
| Total Interest paid | 171 | 111 |

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 | 2019-20 Total £000 | 2018-19 Total £000 |
|----------------------------------|------------------------------|---------------------------------------|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 0 | 393 | 393 | 36 |
| Scottish Landfill Tax | 0 | 13 | 13 | 9,814 |
| Total | 0 | 406 | 406 | 9,850 |

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 2019-20

Notes to the Accounts

4. Receivables

4.1 Amounts due:

| | Receivables £000 | Accrued Revenue Receivable £000 | 2019-20 Total £000 | 2018-19 Total £000 |
|----------------------------------|---------------------|--|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 7,705 | 5,612 | 13,317 | 23,233 |
| Scottish Landfill Tax | 10,471 | 26,501 | 36,972 | 38,156 |
| Totals before impairments | 18,176 | 32,113 | 50,289 | 61,389 |
| Less impairments (see note 4.2) | (10,860) | 0 | (10,860) | (10,454) |
| Total | 7,316 | 32,113 | 39,429 | 50,935 |

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

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

Devolved Taxes Account 2019-20

Notes to the Accounts

4. Receivables

4.2 Change to impairments

| | LBTT £000 | SLFT £000 | 2019-20 Total £000 | 2018-19 Total £000 |
|--|--------------|---------------|--------------------------|--------------------------|
| Balance at 1 April | 100 | 10,354 | 10,454 | 604 |
| Change in estimated value of impairments (Note 3.2) | 393 | 13 | 406 | 9,850 |
| Balance at 31 March | 493 | 10,367 | 10,860 | 10,454 |

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 2019-20

Notes to the Accounts

5. Cash

| | 2019-20 Total £000 | 2018-19 Total £000 |
|----------------------------|--------------------------|--------------------------|
| Government Banking Service | 5,988 | 3,277 |
| Commercial Bank | 881 | 1,536 |
| Balance at 31 March | 6,869 | 4,813 |

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 2020 and which were paid over during 2020-21.

Funds held at the bank were increased at March 2020 to ensure that sufficient funds were held to meet claims for repayment of ADS at a time when the inflow of funds expected to fall due to the change in the housing market due to COVID-19.



Devolved Taxes Account 2019-20

Notes to the Accounts

6. Payables and on account balances

| | Revenue Repayable £000 | Deferred Revenue £000 | 2019-20 Total £000 | 2018-19 Total £000 |
|----------------------------------|------------------------------|-----------------------------|--------------------------|--------------------------|
| Land & Buildings Transaction Tax | 2,911 | 0 | 2,911 | 3,965 |
| Scottish Landfill Tax | 2,044 | 0 | 2,044 | 2,337 |
| | 4,955 | 0 | 4,955 | 6,302 |

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 2019-20

Notes to the Accounts

7. Balance due to the Scottish Consolidated Fund Account

| | 2019-20 £000 | 2018-19 £000 |
|---|-----------------|-----------------|
| Balance due to Scottish Consolidated Fund Account at 1 April | 49,446 | 68,270 |
| Net Revenue for the Scottish Consolidated Fund | 716,485 | 695,876 |
| Less amount paid to Scottish Consolidated Fund | (724,588) | (714,700) |
| | | |
| Balance due to the Scottish Consolidated Fund Account as at 31 March | 41,343 | 49,446 |

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 balance sheet date.

Devolved Taxes Account 2019-20

Notes to the Accounts

8. Contingent assets

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

| | 2019-20 | | 2018-19 | |
|---------------------------|---------------------------|---------------|---------------------------|---------------|
| | LBTT Deferrals £000 | Total £000 | LBTT Deferrals £000 | Total £000 |
| At 1 April | 3,399 | 3,399 | 1,844 | 1,844 |
| Additions | 948 | 948 | 2,122 | 2,122 |
| Amounts not materialising | (29) | (29) | (429) | (429) |
| Amounts materialised | (26) | (26) | (138) | (138) |
| At 31 March | 4,292 | 4,292 | 3,399 | 3,399 |



Devolved Taxes Account 2019-20

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 financial statements until the chargeable consideration materialises. The estimated timings are:

| | 2019-20 | | 2018-19 | |
|--------------------------|---------|-------|---------|-------|
| | No | £000 | No | £000 |
| Due within 1 year | 32 | 1,439 | 34 | 973 |
| Due within 2-5 years | 26 | 937 | 44 | 524 |
| Due in more than 5 years | 43 | 1,916 | 43 | 1,902 |
| | 101 | 4,292 | 121 | 3,399 |

Devolved Taxes Account 2019-20

Notes to the Accounts

8. Contingent assets

Tribunal Cases

As reported in the Annual Report and Financial Statements of the Resource Accounts for 2019-20, 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.

| | 2019-20 Total £000 | 2018-19 Total £000 |
|-----------------------|--------------------------|--------------------------|
| At 1 April | 113,719 | 0 |
| Additions | 523 | 113,719 |
| Recognised in year | (803) | 0 |
| De-recognised in year | (437) | 0 |
| At 31 March | 113,002 | 113,719 |

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 2019-20

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:

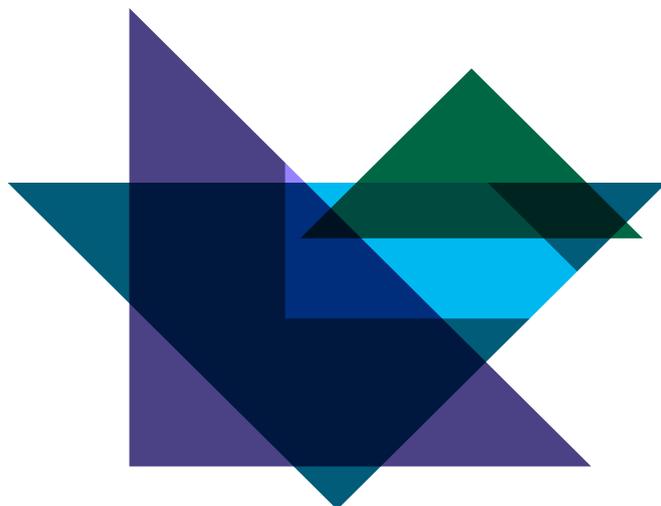
- ▲ whether the taxpayer is liable to pay tax; and
- ▲ the amount of tax due.

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 financial statements at the date of closure.

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

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

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



Devolved Taxes Account 2019-20

Notes to the Accounts

9. Contingent liabilities

Additional Dwelling Supplement

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

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

Taxpayers are invited to indicate their intention to sell their previous main residence and seek repayment of ADS when submitting their tax return. Where taxpayers have indicated in their tax return that it is their intention to sell their previous main residence but have not done so by the end of the financial year and submitted a claim, then the potential refund is disclosed as a contingent liability. For 2019-20 all such amounts of ADS, are estimated as £36m (2018-19: £29m). It should be noted that this is an indicative figure, based on the information received from taxpayers in their tax return.

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

10. Events after the Reporting Period

Under the Coronavirus (Scotland) (No.2) Act 2020, as noted in note 9 Contingent liabilities, the eligible period buyers can dispose of a previous main residence, and still be eligible for a repayment of the ADS, has been increased to 36 months in certain circumstances. This is a non-adjusting post balance sheet event and has no impact on these financial statements.

An agreement was reached regarding disputed income that had previously been reported as a contingent asset (note 8) but has now been recognised in the 2019-20 Statement of Revenue and Expenditure as this agreement has been treated as an adjusting post balance sheet event in these accounts.

Accounts Direction



Scottish Government
Riaghaltas na h-Alba
gov.scot

REVENUE SCOTLAND

DEVOLVED TAXES ACCOUNT

DIRECTION BY THE SCOTTISH MINISTERS

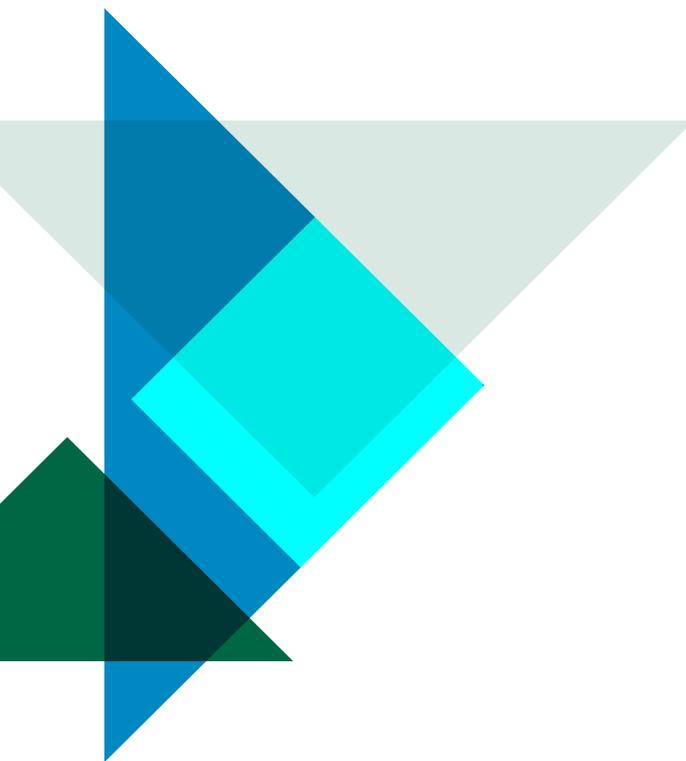
In accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, The Scottish Ministers hereby give the following direction:

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 (FRoM) 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



Contact details:

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EH6 9BR

Visit: www.revenue.scot

