

# Consultation: A Framework for Tax

A public consultation issued by the Scottish Government

Comments from ACCA to the Scottish Government's Taxation and Fiscal Sustainability Directorate

**26 October 2021**

## About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **233,000** members and **536,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at [accaglobal.com](https://accaglobal.com)

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## **General Comments**

The government has supported businesses nationally and locally as they recover, including investing in the skills that they require. We would urge the government to continue and increase this support for our local small businesses that help drive the economy forward. Provide them with certainty with stable fiscal regime through the remainder of the parliament. Provide our small businesses with the certainty and stability that will help them recover and provide the purposeful businesses Scotland needs.

## **Principles of good policymaking**

ACCA's 2020 report Foundations for a Sound Tax System<sup>1</sup> found that three essential principles which a tax framework should strive for a balance of; simplicity, certainty and stability. These should also act as the benchmarks by which policymakers and public can measure the maintenance and improvement of a tax system.

Two of these key tenets are covered under the Government's 'certainty' and 'convenience' principles and though the list is not exhaustive, we would argue it important that a commitment to stability is visible and measured.

Stability is vital to effective planning and efficient compliance for both individual and business taxes. Within systems that operate withholding systems for employment taxes, the impact of tax on the individual is financial, as administration is undertaken on their behalf by others, but for many households the ability to budget will be reliant on predicting 'take home pay'.

For businesses and for the wider economy, the issue of stability is much more urgent, particularly for businesses facing restricted cashflows in the aftermath of the pandemic. Businesses planning any kind of long-term investment will be less likely to commit to a particular course of action if the financial outcome is uncertain. This particularly important in the current context where government is pursuing strategic objectives to deliver a sustainable and inclusive recovery that will require some level of business investment.

Policymakers should carefully weigh the balance between the effects of many successive changes and those of one 'big bang' shift in the operation of the system. In addition to the cost of compliance and taxpayer education that occurs with one change, businesses can suspect they are being 'caught out' if small unpublicised changes slip past their vision.

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<sup>1</sup> [https://www.accaglobal.com/hk/en/professional-insights/global-profession/foundations\\_tax.html](https://www.accaglobal.com/hk/en/professional-insights/global-profession/foundations_tax.html)

While ACCA welcomes the Scottish government's decision to include principles focused on anti-avoidance and engagement and as such would be pleased to work with the Revenue where needed to support anti-avoidance initiatives and promote high standards in tax advice. However, it is crucial that engagement also focuses on building trust between taxpayers (and appointed agents) and the Revenue.

Earlier this year ACCA polled members and found that almost half did not believe there was consistency and fairness in the powers, sanctions and safeguards applied to different groups of taxpayers. Members wanted to see improved digital account functionality to view and pay liabilities as well as simplified legislation and guidance to help people better understand what they owe.

In addition, greater transparency and accountability over how Revenue Scotland is meeting charter commitments to taxpayers and agents would grant customers greater confidence the government's institutional drive for fair conduct and appraisal of successful implementation.

### **Improving transparency**

Members have highlighted the importance of a transparent approach to treatment of tax stakeholders and in particular, scrutiny of those that benefit from public sector contracts.

ACCA believes that a greater commitment to simplicity and genuine structural improvements to the tax system to improve taxpayer understanding of the tax framework, can in turn, produce greater transparency and accountability.

### **Areas for consideration within the Scottish Budget 2022-23**

#### *The role of business in society*

We are encouraged by the Governments' work modernising the role of businesses in society and would urge continued focus on encouraging purpose-driven behaviours in business and helping businesses see the contribution they make to society. ACCA is working closely with the Scottish Council for Development and Industry as part of their work leading the discussion around a Business Purpose Commission for Scotland and would welcome further discussion about how the fiscal framework can support this outcome.

#### *Reform to non-domestic rates*

We strongly support the certainty provided from the Small Business Bonus scheme, however, in order to remain competitive, the Scottish Government may need to adapt to any changes arising from the UK review of NDR in England. While businesses may be encouraged to invest in climate positive property improvements under the structures and

buildings allowance, ACCA believes there is scope to better align policies to incentivise business investment in net-zero technology and energy efficient building upgrades through the rates framework.

It is vital that the purchase and installation of energy efficient modifications to properties not materially alter the rateable value and result in a business rates uplift. This can discourage investment in energy efficient property fit-outs, such as use of solar panelling, smart meters, thermal insulation or replacement of doors and windows. The uplift in business rates subsequently reduces the benefit of capital allowance incentives.