

## Revenue Scotland: annual evidence session

### Purpose

1. The Committee is invited to take evidence from Revenue Scotland as part of its scrutiny of relevant bodies directly accountable to the Scottish Parliament.
2. The Revenue Scotland representatives attending the evidence session are—
  - Elaine Lorimer, Chief Executive, Revenue Scotland, and
  - Aidan O’Carroll, Chair, Revenue Scotland.

### Background

3. Revenue Scotland and the Scottish Fiscal Commission are directly responsible to the Scottish Parliament and sit within the Committee’s remit. The Finance and Public Administration Committee has agreed to undertake annual scrutiny of how these bodies fulfil their respective functions, to take place after the bodies have laid their annual accounts in Parliament. The Committee’s last annual evidence session with Revenue Scotland took place on [5 December 2024](#).
4. Some of the issues covered in the Committee’s previous annual evidence session with Revenue Scotland included—
  - Revenue Scotland’s compliance activities;
  - Cybersecurity, data security, artificial intelligence and automation;
  - Capital investment;
  - Digitalisation and issues relating to digital inclusion;
  - Issues relating to staffing, including staff engagement, staff turnover, hybrid working and health and safety systems;
  - Collaborative working, including collaboration with the Scottish Government, other tax authorities and the Scottish Environment Protection Agency (SEPA);
  - Issues relating to equalities, including the gender balance of Revenue Scotland’s Board and its Audit and Risk Committee;
  - Risk management, including how Revenue Scotland monitors risks associated with the delegation of functions relating to Scottish Landfill Tax to SEPA;
  - Penalties, including the primary reasons for which penalties are issued;
  - Preparations for the introduction of the Scottish Aggregates Tax, including the training and staffing requirements faced by Revenue Scotland; and

- Declining SLfT revenues.
5. Revenue Scotland produces two Annual Reports and Accounts: the Devolved Taxes Accounts and the Resource Accounts. The Devolved Taxes Accounts focus on Revenue Scotland's tax proceeds, whereas the Resource Accounts set out how Revenue Scotland delivers its statutory functions and sets its strategies and plans, and how it measures its performance against these.
  6. Revenue Scotland's Annual Report and Accounts for 2023-24 were published on 3 October 2024.
  7. The Annual Report and Resources Account encloses a report by the independent auditor, Audit Scotland, which concludes that the Accounts of Revenue Scotland:
    - give a true and fair view of the state of the body's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
    - have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual; 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.

## Revenue Scotland: functions

8. Revenue Scotland was created by section 2 of the [Revenue Scotland and Tax Powers Act 2014](#) (RSTPA). The Act provides that Revenue Scotland's "general function is the collection and management of the devolved taxes" and also sets out the following "particular functions"—
  - Providing information, advice and assistance to Scottish Ministers relating to tax,
  - Providing information and assistance to taxpayers, their agents and other persons relating to the devolved taxes,
  - Efficiently resolving disputes relating to the devolved taxes (including by mediation), and
  - Protecting the revenue against tax fraud and tax avoidance.
9. The RSTPA further states that Revenue Scotland must prepare a charter of standards of behaviour and values for Revenue Scotland and taxpayers to adhere to. Its [Charter](#), published in 2016, sets out the behaviour expected from all organisations and individuals to make sure the correct amount of tax is paid, and

to uphold the four founding principles underpinning the Scottish approach to tax: certainty, convenience, efficiency, and proportionality to the ability to pay<sup>1</sup>.

10. Revenue Scotland must publish an annual report towards the end of the financial year. It is also required to produce a corporate plan every four years, which is approved by Scottish Ministers and laid in Parliament, covering Revenue Scotland's main objectives for the period, the outcomes for measuring achievements against its main objectives, and activities it expects to undertake in that period. Revenue Scotland's [Corporate Plan 2024-27](#) was published on 27 March 2024.
11. Revenue Scotland may delegate any of its functions relating to Land, Buildings and Transaction Tax (LBTT) to the Registers of Scotland, and any relating to Scottish Landfill Tax (SLFT) to the Scottish Environment Protection Agency (SEPA). It, however, remains responsible for any delegated functions.
12. In 2023-24, Revenue Scotland collected a total tax revenue of £855m, compared with £960m collected in 2022-23. The Annual Report and Resource Accounts notes that this decrease in tax revenues follows a record high in 2022-23, and that this was driven by a reduction in Residential Land and Buildings Transaction Tax revenues, due to a fall in the number of residential transactions, as well as a decrease in Scottish Landfill Tax revenues arising from reduced volumes of waste going to landfill.
13. The tax collection rate remained at 99%. The administrative cost of tax collection was £7.8m (representing 0.87% of tax collected), compared with £6.9m in 2022-23 (representing 0.71% of tax collected).
14. As part of the Scottish Administration, Revenue Scotland's budget is set by the annual Budget Bill. The Annual Report and Resource accounts states that the Scottish Government liaises with Revenue Scotland to identify the organisation's budgetary requirements, which are then reflected in the Budget Bill presented to the Parliament.
15. Revenue Scotland's Resource Budget for 2023-24 was £7,872,000, compared with £7,021,000 in 2022-23. Its revenue expenditure for 2023-24 was £7,832,000, £40,000 (0.5%) below resource budget. Its capital budget for 2023-24 was £500,000, compared with £700,000 in 2022-23. Capital expenditure for 2023-24 was on budget.

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<sup>1</sup> The Scottish Government's 2021 [Framework for Tax](#) adds two additional principles underpinning the Scottish approach to tax: engagement and effectiveness. The Scottish Government is due to publish a new Tax Strategy alongside the Scottish Budget 2025-26.

## Priorities and measuring outcomes

16. The Annual Report and Resource Accounts sets out Revenue Scotland's performance over the reporting year against its strategic outcomes, which are outlined in its [Corporate Plan 2021-24](#).
17. The Corporate Plan 2021-24 includes Revenue Scotland's vision of being "a trusted and valued partner in the delivery of revenue services, informed by our data, digital by design, with a high performing and engaged workforce". It further states that its purpose is "to efficiently and effectively collect and manage the devolved taxes which fund public services for the benefit of the people of Scotland".
18. The strategic outcomes set out in the Corporate Plan 2021-24 are as follows—
  1. **Excelling in Delivery:** "we offer user-focused services that are digital by design, and provide value for money, convenience and ease of use for internal and external users."
  2. **Investing in our People:** "We are high performing, outward looking and diverse, provide a great place to work as an employer of choice. Our staff are motivated and engaged, and we invest in their development and health, safety and wellbeing."
  3. **Reaching out:** "We are accessible, collaborative and transparent, keen to learn from others and to share our experiences and expertise."
  4. **Looking ahead:** "We plan and deliver change and new responsibilities flexibly, on time and within budget. We have a digital mindset, maximising the use of our data and harnessing new technology to improve our working practices and services."
19. Performance against these outcomes is measured through the use of Key Performance Indicators (KPIs) and milestones relating to key project objectives. Further, Revenue Scotland's Business Plan details the projects and initiatives that are supporting its strategic outcomes.
20. A summary of Revenue Scotland's performance in 2023-24 is included at page 19 of the Annual Report and Resource Accounts, and an overview of its progress against the KPIs is included at page 22.

### Corporate Plan 2024-27

21. On 27 March 2024, Revenue Scotland published its Corporate Plan 2024-27, replacing its 2021-24 Corporate Plan. The Annual Report and Resource Accounts notes that the 2024-27 Corporate Plan period will see the introduction of the Scottish Aggregates Tax (SAT), and potentially also a fourth devolved tax – the Scottish Building Safety Levy. In noting progress towards implementing the SAT, the report states that "we've collaborated closely with the Scottish Government on legislation and tax design, whilst engaging with industry representatives

through a stakeholder Expert Advisory Group, gaining valuable insights”. It adds that “IT system requirements are ongoing, embracing our digital-first approach to tax collection [and] we are preparing our staff and users for the tax launch with planned internal changes and guidance”.

22. The Corporate Plan 2024-27 echoes the previous Plan in stating that Revenue Scotland’s purpose is “to efficiently and effectively collect and manage the devolved taxes which fund public services for the benefit of the people of Scotland.” It outlines that Revenue Scotland’s vision is to be—

- an exemplar in providing an excellent service to our taxpayers,
- trusted by our partners to deliver innovative digital revenue services and support the development of policy,
- a progressive public body, and
- an employer of choice.

23. The new Corporate Plan presents four updated strategic outcomes as developmental areas for the organisation, which are shaped by its past experiences, successes and aspirations for the future. These four strategic outcomes are as follows—

1. **Operational excellence:** “Our ambition is to be a digital and data driven organisation, with robust systems for both taxpayers and staff, to enable accurate and efficient collection of tax.”
2. **Working with others:** “As Scotland’s Tax Authority, we aim to establish new connections with others working in new and existing national and local taxes in Scotland and beyond. As a public body, committed to transparency, we will support the Public Service Reform agenda and share our experience of efficiently and effectively delivering public services.”
3. **Investing in our people:** “We aim to have an informed, highly skilled, and diverse staff and Board, able to perform to the best of their ability, delivering success for the organisation.”
4. **Expanding horizons:** “Collaborating with our partners and stakeholders, we aim to actively support the development of policy and legislation for new and existing national and local taxes.”

24. Details of the measures for assessing the success of each of these strategic priorities are included at page 11 of the Corporate Plan 2024-28.

## National Performance Framework

25. Page 17 of the Annual Report and Resource Accounts provides an overview of the ways in which Revenue Scotland’s strategic outcomes, as set out in its 2021-24 corporate plan, align with the various National Outcomes.

26. The 2024-27 Corporate Plan notes that Revenue Scotland’s key purpose is to collect and manage devolved taxes in support of a fiscally sustainable Scotland,

and that the revenues they collect “are used to fund public services in Scotland and support the delivery of the National Outcomes.”

27. The Corporate Plan notes the review of the National Performance Framework currently underway, stating that Revenue Scotland will look to adapt to any relevant changes once the review is complete.

## Activities

### Digitalisation

28. One of the Committee’s key areas of interest is public service reform, including digitalisation. Revenue Scotland’s Annual Report and Resource Accounts states that 2023-24 saw the continuation of Revenue Scotland’s programme of work “to elevate our digital and data capability to ensure we are making the best use of technology and analytics to inform our operations and to support the introduction of new devolved taxes.”

29. The report states that a new Head of Data and Digital was recruited in July to lead Revenue Scotland’s work on digital and data capability and to create a new Digital and Data Strategy, to align with the Corporate Plan 2024-27 period. The Strategy is intended to set out “a vision of a single end-to-end digital tax service by 2026-27, where every interaction with a taxpayer or interaction through the entire tax journey will be available in a single view.”

30. At its previous annual evidence session with Revenue Scotland, the Committee heard that, rather than offering everybody the choice to submit by paper or digitally irrespective of their needs, Revenue Scotland would accept paper returns from those categorised as requiring enhanced support. Revenue Scotland told the Committee that the organisation had undertaken engagement during the policy’s engagement, and trained staff were available to offer support. They stated that the new enhanced support policy had been widely welcomed by a range of groups representing people from a disability or age perspective.

31. Revenue Scotland’s Capital Investment Programme, which aims to identify and monitor the digital and data priorities outlined in the Corporate Plan, focused on five key areas of activity in 2023-24. These were—

1. Improved search functionality for external users
2. New functionality for lease review returns
3. Improved validation on Portal
4. Portal text enhancements
5. Letter automation

32. The Annual Report and Resource Accounts notes that “through implementing robust validation processes, automated systems, and enhanced search

functionalities, we ensure our services remain user-friendly, reliable and reduce the need for corrective action.” However, the report also states that “to fully meet the evolving needs of taxpayers, capital funding is critical ... The ability to invest in modern technologies is vital to overcoming the challenges we face, such as managing increasing volumes of data from new taxes and ensuring the accuracy and reliability of our services.”

## Scottish Government Business Transformation

33. In October 2024, Revenue Scotland began using a new integrated cloud-based platform, introduced by the Scottish Government as part of the shared service offering provided to the organisation.
34. During its previous annual evidence session with Revenue Scotland, the Committee heard that Revenue Scotland was—
- “keen to ensure that the good systems of internal control that we have with the existing system, which allow us to have substantial assurance on our audit and clean audit certificates from Audit Scotland, are maintained as a minimum as we go into the new system. The new system looks as though it has incredible functionality that we will benefit from.”
35. The Annual Report and Resource Accounts states that the service “brings together HR and Finance data for the first time. Joined-up data and insight will drive strategic and organisational design and inform workforce plans. The platform will empower users to create, manage and change their own information on a self-service basis.”
36. The report notes that the Scottish Government Transformation Programme Team conducted engagement sessions, which were regularly attended by Revenue Scotland HR and Finance colleagues. It states that business readiness is being kept under close review – with areas of concern being highlighted to the organisation by the transformation programme director – and that key risks associated with the programme have been regularly discussed by Revenue Scotland’s Audit and Risk Committee.

## Environmental sustainability

37. The Annual Report and Resource Accounts states that, as a public body, environmental sustainability is a “core feature” of Revenue Scotland’s Corporate Plan.
38. The report states that Revenue Scotland contributes to meeting national environmental objectives through the collection and management of the SLfT, which generated over £68.4m in revenue in 2023-24, compared with £109.7m in 2022-23.

39. The report explains that Revenue Scotland is continuing its preparations for the 2025 biodegradable municipal waste ban by “proactively engaging with the Scottish landfill industry, supporting Scotland’s climate and circular economy goals, albeit with expected decreases in SLfT revenue.” It notes that this situation poses tax risks including waste misclassification and unauthorised disposal, and that Revenue Scotland is attempting to counter these by incorporating risk mitigation strategies into its compliance plans and by continuing to collaborate with SEPA to proactively tackle potential challenges.
40. The report states that Revenue Scotland also contributes to environmental sustainability through its “digital by design” approach, which facilitates “the reduction in waste from taxpayers and agents, as well as reducing postal delivery emissions.” Further, in preparing to implement the Scottish Aggregates Tax, the report notes that Revenue Scotland aims to collaborate closely with industry stakeholders to develop an environmentally sustainable tax with a digital tax return process.

## Service provision

41. The Annual Report and Resource Accounts states that the service Revenue Scotland provides to taxpayers is central to its core mission. It notes that in 2023-24, Revenue Scotland produced new and updated guidance pages and hosted webinars to support the introduction of the LBTT Green Freeports Relief and to support taxpayers following the Additional Dwelling Supplement (ADS) legislative changes introduced on 1 April 2024.
42. Further, the report notes that Revenue Scotland’s SLfT team continued to meet regularly with landfill operators and other industry stakeholders to provide clarity on operational and technical tax matters.
43. The report states that stakeholder engagement “remained a key focus during 2023-24. Throughout this period, we have undertaken a range of activities to ensure effective communication and collaboration.” The report outlines some further engagement activities undertaken by Revenue Scotland in 2023-24, including—
- organising virtual events covering high-interest topics for taxpayers and tax professionals, covering ADS and leases;
  - providing information, advice and assistance to Scottish Ministers, Scottish Government officials, local authorities, and others;
  - engagement with the then Deputy First Minister;
  - supplying data and information about the performance of the devolved taxes to the SFC, aiding their independent forecast of Scottish tax revenue;



- evidence sessions with the Finance and Public Administration Committee and a reception at the Scottish Parliament following publication of the Annual Report and Accounts for 2022-23; and
- engagement with other tax authorities and public bodies on tax administration issues and various corporate matters.

44. KPI 7 measures service user satisfaction. The report states that Revenue Scotland consistently met its KPI 7 target (relating to service users' feedback and measured through quantitative and qualitative user research) over 2023-24, achieving a 76% satisfaction score.

45. The report explains that, in 2023-24, Revenue Scotland measured service user satisfaction primarily through feedback collected on its website and the Scottish Electronic Tax System (SETS). It states that, in response to the feedback received, various enhancements and updates have been made to the SETS system and to the guidance available on the Revenue Scotland website.

46. The year 2023-24 was Revenue Scotland's first year reporting on service user satisfaction. The report states that, looking ahead to the next reporting year, the organisation plans to broaden its approach by collecting feedback across the full range of services it provides, not just from its website and SETS.

## **Workforce**

### **Staffing**

47. The Annual Report and Resource Accounts notes that the average number of whole-time equivalent staff employed by Revenue Scotland during the reporting year was 94, compared to 83 in 2022-23. Full details of staff costs are available on page 104 of the report.

48. Staff churn, which includes staff leaving Revenue Scotland for positions within the wider Scottish Administration, was 13% in 2023-24, compared with 9.8% in 2022-23. Staff turnover, which excludes staff moving to other Scottish Administration bodies, was 7%, compared with 2.5% in 2022-23.

49. The report states that reporting bodies are required to disclose the percentage increase in pay from the previous financial year for the highest-paid director in their organisation and the average percentage increase for all of its employees. In 2023-24, the mid-point of the band of the highest-paid member of the Senior Leadership Team increased by 4.65% from 2022-23, while the average increase for all other employees was 10%. Remuneration ranged from £23,735 to £111,741, compared to £19,000 to £107,000 in 2022-23.

50. In relation to Civil Service People Survey, Revenue Scotland's Chief Executive, Elaine Lorimer, in her accompanying statement to the annual report, said "I am

particularly pleased with the People Survey results this year, which once again rates us as high performing and in the top 25% of the 103 civil service organisations who participated”. She added that “we scored particularly highly for how we lead and manage change, reflecting the conscious investment we made in the learning and development of our senior leaders and the wider culture we have sought to foster in our organisation”.

## Hybrid working

51. The Annual Report and Resource Accounts notes that the reporting period saw the completion of the organisation’s Futures Project, with the Revenue Scotland Board approving hybrid working as Revenue Scotland’s operating model following a successful pilot.

52. The report states that the formal move to a hybrid model offers staff flexibility whilst ensuring business needs are met and helps Revenue Scotland to expand the diversity of its workforce and support employment for people with protected characteristics.

53. The report also explains that Revenue Scotland’s hybrid model offers scope for the organisation to reduce its overall emissions and that Revenue Scotland was also able to reduce its estate in 2023-24 as a result of the model, offering value for money.

## Capability and Skills Audit

54. The Annual Report and Resource Accounts notes that a Capability and Skills audit has been developed to help Revenue Scotland identify current capability strengths and areas for focus. This information, it explains, will help to drive Revenue Scotland’s plans for increasing capability to deliver on its Corporate Plan 2024-27.

55. The report states that “by understanding our strengths and weaknesses within our workforce, we can build in flexibility within the workforce to meet demand when required. This will also inform the skills we need to buy, borrow, or build within our current workforce.”

56. The audit will be conducted on an annual basis, to enable progress to be tracked and to ensure that Revenue Scotland is “continuing to develop the skills we need to deliver the ambitions set out in our Corporate Plan 2024-27.”

## Equalities

57. As well as its equalities duties outlined by the Equality Act 2010, as a public authority, Revenue Scotland is also required to consider how its policies or decisions affect people according to their protected characteristics, and to publish

Equality Outcomes and a mainstreaming report to demonstrate how it is meeting the Public Sector Equality Duty (PSED).

58. As noted in the Annual Report and Resource Accounts, Revenue Scotland also, under the Fairer Scotland Duty, must “show that we have actively considered how we can reduce socio-economic inequalities in the strategic decisions that we make and publish a short written assessment on how we have done so.”

59. Revenue Scotland’s Equality Outcomes and Mainstreaming Report (2020) set out the organisation’s equality outcomes for 2020-2024. On 28 March 2024, Revenue Scotland published its updated Equalities Mainstreaming Report 2024-28, which provides an overview of Revenue Scotland’s progress against its 2020-24 outcomes, outlines its refreshed outcomes for the 2024-28 mainstreaming period, and details the work undertaken up to 31 March 2024 to embed the PSED into Revenue Scotland’s operations.

60. The Annual Report and Resource Accounts states that the outcomes Revenue Scotland advanced this year, as detailed in the Equalities Mainstreaming Progress Report 2020-22, were—

- Equality Outcome 1: Revenue Scotland will design and deliver public services that meet the diverse needs of its users.
- Equality Outcome 2: Revenue Scotland is building an increasingly diverse workforce that fully embraces equality, diversity, and respect for all.

61. The report explains that Revenue Scotland undertook a process of internal and external consultation to inform its new equality outcomes for 2024-28, and that “ensured the perspectives of our staff and service users are reflected in our new outcomes”. The updated outcomes are as follows—

- Outcome 1: “Revenue Scotland will actively promote equality, diversity and inclusion in designing and delivering our services.”
- Outcome 2: “Revenue Scotland will embed a celebratory culture of equality, diversity and inclusion within our organisation, to have a workforce which reflects the people we serve.”

62. The report states that the new outcomes for 2024-28 “are aimed at driving progress and meaningful change to deliver better outcomes for our staff and service users.”

63. Revenue Scotland’s KPI 8 measures progress against delivery of the Equalities Mainstreaming Action Plan. The Annual Report and Resource Accounts states that Revenue Scotland successfully met this KPI for the year.

64. The report also outlines other equalities-focused actions undertaken by Revenue Scotland over the course of the reporting year. These include—

- Enhancing the technical aspects of services, including “significant upgrades to accessibility and assistive technologies on our website”;
- Relaunching a revised suite of Equalities Impact Assessment tools and materials following an internal review;
- Continuing to offer Enhanced Support services to the public;
- Running awareness campaigns through Revenue Scotland’s Health and Wellbeing Group;
- Revenue Scotland’s inclusive recruitment approach; and
- Encouraging colleagues to record their diversity information to allow Revenue Scotland to monitor performance.

65. The report notes that Revenue Scotland ranked second highest across the Civil Service for inclusion and fair treatment in the 2023 People Survey.

66. The report also notes that the median gender pay gap for all Revenue Scotland staff at the end of March 2024 was 0%, and the mean gender pay gap was 1.6% (compared to 3.1% in 2023). It explains that this movement “arises from changes in the gender mix of staff at March in each financial year ... as well as changes in grades of those staff.”

67. Revenue Scotland’s Board is composed of one woman and six men, and its Senior Leadership Team is gender balanced, with two men and two women. Overall, the organisation employed 50 women and 44 men in 2023-24, compared to 43 women and 40 men in the previous year.

## **Risk Management**

68. The Annual Report and Resource Accounts state that Revenue Scotland’s Risk Management Framework follows the best practices outlined in the Scottish Public Finance Manual (SPFM) and the Scottish Government’s Risk Management Guidance. It explains that this framework guides the organisation in “identifying, documenting, and scoring risks, assigning ownership, determining responses, and monitoring and reporting progress.”

69. The report explains that Revenue Scotland ensures that risk is sufficiently scored and managed before action is taken to mitigate or take opportunities arising from it. It states that explicit reference to ‘risk appetite’ allows Revenue Scotland to adopt a common understanding across the organisation, and “provides a framework for risk owners and managers to confidently make risk-based decisions”.

70. It notes that a review of the Framework – which sets out the process for identifying and documenting risk, assigning ownership of risk, scoring risk, determining responses to risk and monitoring and reporting on progress in managing risk – was completed in 2023-24.

71. The report also notes that Revenue Scotland's Audit and Risk Committee undertook a review of the corporate register during the reporting year, which focused on identifying risk appetite. It states that a full review of Revenue Scotland's corporate risks will be conducted in light of the new Corporate Plan 2024-27.

72. The report outlines corporate risks as "those that are significant, cross-cutting, and of strategic importance, posing a potential threat to an organisation's operations, financial performance, reputation, or strategic outcomes." Pages 55-58 of the report outline that, as of 31 March 2024, Revenue Scotland's corporate risks were identified as follows—

- Protecting the integrity of the tax system
- Legislative and policy change
- Communications and stakeholder engagement
- Ways of working
- Staff capacity and capability
- Health, safety and wellbeing
- Digital systems performance and adaptability
- Information and cyber security
- The Scottish Government's HR and Finance Corporate Transformation

73. The report states that, to improve its risk management framework, Revenue Scotland continuously reviews its assurance map. This process, it explains, identified a number of areas over the past year where there is scope to strengthen controls and enhance risk mitigation.

## **Compliance activities**

74. The Annual Report and Resource Accounts states that Revenue Scotland has a duty to protect the integrity of the tax system and ensure the correct amount of revenues are collected, and that it aims to achieve this by "encouraging a culture of responsible taxpaying where individuals and businesses pay their taxes as the Scottish Parliament intended."

75. As noted in the Corporate Plan 2021-24, KPI 3 measures Revenue Scotland's tax compliance activity. During 2023-24, Revenue Scotland's compliance activities secured £35.5m in tax, compared with £10.4 million in 2022-23.

76. The report states that Revenue Scotland aims "to make it as easy as possible for taxpayers to understand and comply with their obligations and pay the right amount of tax, while at the same time working to detect and deter non-compliance".

77. The report states that Revenue Scotland’s approach to compliance has three key elements, which are as follows—

1. **Enabling:** “we help taxpayers to understand and comply with their tax obligations through the services we provide.”
2. **Assurance:** “we use our resources and statutory powers to ensure the tax system is performing as expected and to help taxpayers to get to the right tax position.”
3. **Resolution:** “we seek to resolve disputes and pursue non-compliance by using our powers proportionately and applying penalties where required.”

78. It explains that Revenue Scotland aims to support compliance by working closely and sharing information with other UK tax authorities, engaging with Scottish Government policy colleagues regarding areas of potential legislative change, and meeting regularly with industry bodies.

79. During its previous annual evidence session, Revenue Scotland noted that, as the taxes the organisation is responsible for collecting are self-assessed, it is not in a position to estimate the tax gap. They stated that—

“However, we can share information on the compliance activity that we are doing and on the area that we need to respond to quickly if we feel that there are loopholes that some taxpayers might be using”.

80. The report notes that Revenue Scotland adopts a “data-led approach to identifying tax risks”, and that this approach “helps to ensure that our compliance resource maximises the level of assurance of the tax system whilst also targeting the most significant risks”. It states that the strong 2023-24 compliance activity results reflect the benefits of this approach.

## Internal Audit

81. The Annual Report and Resource Accounts explains that the Scottish Government’s Directorate for Internal Audit and Assurance (DIAA) provide Revenue Scotland’s internal audit service, producing an annual audit plan that is reviewed by Revenue Scotland’s Audit and Risk Committee.

82. The report notes that, over the course of the reporting year, the DIAA completed audits on—

- Knowledge management within the Legal Team;
- Lease Review Returns;
- Revenue Scotland’s approach to Assurance Mapping; and
- Approach to hybrid working.

83. The report also states that a review of the Memorandum of Understanding between Revenue Scotland and DIAA was also undertaken in 2023-24, reconfirming the basis for the audit service going forward.

## **Next steps**

84. The Committee will hold its next annual evidence session with Revenue Scotland following the publication of its Annual Report and Accounts 2024-25 and will continue to take evidence from Revenue Scotland on an ad hoc basis in relation to other relevant aspects of its work.

Clerks to the Committee  
November 2024