



Bruce Crawford MSP  
Convener  
Finance and Constitution Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

12 July 2018

Dear Convener,

I'm writing to you following the publication earlier today of new 2016-17 income tax outturn data for Scotland in HMRC's 'Annual Report and Accounts: 2017 to 2018' and accompanying technical note 'Scottish income tax' ([link](#)). The technical note states that the finalised 2016-17 NSND income tax outturn for Scotland is £10,700 million, £567 million lower than our £11,267 million May forecast. In addition it is £715 million lower than OBR's £11,415 million March Spring Statement forecast ([link](#)).

Although this latest outturn figure will not have an immediate effect on the Scottish Government's budget, it may be useful to reiterate possible reasons for the difference from our previous forecast. As stated in our May 'Scotland's Economic and Fiscal Forecasts' publication, and at our Committee appearance on 6 June, there are a number of reasons which could explain the difference:

- One of the main datasets that we use for our income tax forecast and policy costings is HMRC's 2015-16 Survey of Personal Income (SPI). HMRC provide us with an anonymised version of the SPI called the Public Use Tape (PUT), which aggregates high value records from across the UK together. This means that part of our forecast implicitly builds on information from taxpayers outside of Scotland. We continue to discuss with HMRC ways that this approach could be improved.
- As the principal PUT dataset is only available up to 2015-16, we model 2016-17 information about wages, employment and population to arrive at our 2016-17 estimate. Some of the difference may arise from this modelling process.
- The SPI is only a one to two per cent sample of all income tax records. The outturn data are based on full administrative data which directly utilise Scottish taxpayer codes.

We will be providing analysis of the differences between this outturn figure and our forecast in our upcoming Forecast Evaluation Report (FER), due to be published on 5 September. Although it is important that we understand previous differences, this development will also help inform our future forecasts as we align to this definitive source of Scottish income tax data. Please do not hesitate to get in touch if you have any comments or questions.

HMRC has also provided a 'Provisional estimate of revenue raised from Scottish Income Tax in 2017-18'. Our understanding is that this estimate of £11,900 million has not been updated to reflect the lower than anticipated outturn data.

Sincerely,



A handwritten signature in black ink that reads "Susan Rice". The script is fluid and cursive, with the first letters of "Susan" and "Rice" being capitalized and prominent.

Dame Susan Rice DBE