



# National Audit Office

The UK's independent public spending watchdog

Comptroller and Auditor General  
Gareth Davies

Richard Leonard, MSP  
Convener, Public Audit Committee  
Scottish Parliament

Date 20 February 2026

Dear Mr Leonard,

## ADMINISTRATION OF SCOTTISH INCOME TAX 2024-25

Thank you for your letter of 9 February 2026, in which you raised some additional questions following the session on 28 January. Please find my response to these below:

- *The NAO's report details some of the estimates and adjustments made by HM Revenue and Customs (HMRC) in calculating Scottish Income Tax receipts. Could you please provide more detail on how these estimates are audited? Also, it would be helpful to know, on what basis can you provide assurance that these estimates are accurate?*

Our audit of the Scottish income tax revenue outturn, including the use of estimates and adjustments, is covered in part by our overarching audit of HMRC, supplemented by specific work on the outturn calculation.

As part of the HMRC Trust Statement audit:

- We carry out IT audit work, which provides assurance over the underlying HMRC systems used for PAYE and Self Assessment.
- We undertake substantive testing of receipts, which provides further assurance that income taxes are accurately and completely recorded into these systems.
- HMRC use confirmed tax liabilities reconciled to taxpayer records as the basis of Scottish Income Tax receipts. At a UK level, we audit these receipts through a combination of automated controls testing of HMRC systems and substantive testing of transactions to confirm their accuracy and completeness. We also audit any adjustments for elements of estimation which include the accrued revenue receivable, uncollectable income tax and estimated Gift Aid.

We also carry out specific work on the Scottish income tax outturn:

- We carry out a reperformance of the outturn model to ensure the methodology has been applied correctly.
- We document and evaluate the assumptions used in producing the outturn figure. This includes an assessment and evaluation of the reasonableness of all material assumptions and a review of the consistency of key judgements.
- We carry out work to ensure that the data used in the model is materially complete and

accurate. This includes using IT experts to confirm information is extracted correctly from the underlying HMRC IT systems.

- We review HMRC's process and quality control checks on the Scottish income tax revenue outturn to confirm that they are reasonable.

It is important to point out that we apply the same standards to our audit of the Scottish income tax revenue outturn as for any other of HMRC's significant models. Given the numbers are reported separately, we apply a greater level of precision in our audit of the Scottish income tax figures than we do with the wider Trust Statement audit.

The wording of our conclusions in the report that the Scottish income tax revenue outturn is "fairly stated" reflect the requirements of the underlying legislation for the C&AG to report on the accuracy and fairness of the revenue brought to account and the costs.

- *The Committee would appreciate if you could elaborate on why some tax reliefs are claimed on a UK-wide basis, with Scotland being apportioned a share of these? For example, pension schemes will presumably have address data for their members. Could tax relief figures be disaggregated to show the Scottish figures?*

HMRC's ability to calculate and verify precise disaggregated Scottish figures for a relief will depend on what data it collects or has access to, which will vary depending on the tax relief system.

- For [pension schemes](#), HMRC receives aggregated information from scheme administrators for UK/Scottish/Welsh taxpayers, but cannot directly verify individual addresses from this. It uses other internal HMRC data from previous years, which contains information on individual pension contributions and postcodes, to estimate the Scottish and Welsh share.
- For [Gift Aid](#), HMRC estimates the Scottish share as an average of Scotland's share of the UK population and Scotland's share of total UK Income. Gift Aid returns do include postcode data (as recorded by the charity) but this is not required for all individual donations (for example, donations of under £20 or less).

For the 2023-24 outturn of £17,093 million, the deductions for pension contributions and Gift Aid were £223 million and £126 million respectively. HMRC and the Scottish Government would need to assess the relative costs and benefits of requiring more disaggregated collection, including how much it improves the accuracy of the outturn. It would also need to consider burden and feasibility of any collection, both for HMRC and business/individual taxpayers.

- *The Committee explored the generality of identifying Scottish taxpayers. It would be useful if you could expand on what issues HMRC is having with using land and property data for its compliance activity? The NAO's report says that "In April 2025, the compliance working group agreed a new process to resolve these issues". Can you provide further information on what this new process entails?*

HMRC makes use of land and property data to corroborate any reported moves by taxpayers from Scotland to England (paragraph 2.36). We previously reported in 2021-22 and 2022-23 that HMRC was having technical difficulties with importing land and property transaction data into its systems, which it had previously used to check the validity of reported moves. HMRC has previously told us that the difficulties related both to a change in the format of Land Registry data, meaning they did not match HMRC's systems, and to issues with data quality, which led to unreliable results.

The Compliance Working Group agreed to trial a new process to corroborate reported moves. We understand that the main change is to use other data sources alongside land and property data, We did not collect further detail on the process for this year, as it was still being piloted at time of publication of

this year's report. We will provide an update in next year's report.

If you or other members of the Committee have any further questions, please do not hesitate to get in contact.

Yours sincerely,

**GARETH DAVIES**