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The [National Audit Office](#) reported on the problems of implementing a Scottish income tax yesterday, saying:

*The key challenge to HMRC's delivery of the Scottish Rate of Income Tax (SRIT) is maintaining and updating its record of address details in order to identify Scottish taxpayers. Building on work undertaken in previous years to assure the accuracy of its initial Scottish taxpayer population, HMRC continues to mitigate this key risk. It is essential for HMRC to identify Scottish taxpayers and maintain a correct record of their addresses so that it can calculate accurately tax collected and the amount of revenue that the Scottish Government receives as part of its block grant in future years.*

The report delivers a litany of failures in HMRC concerning this failure to appropriately identify Scottish taxpayers: 420,000 were wrongly categorised in the first instance according to the report.

The issue, though, is more complicated than this. Use an address alone as the determinant of a tax liability and the opportunities for abuse will be all too obvious. Those with a desire to avoid tax and cash to spare will be shifting addresses but no real location at will if Scotland really tries to strike out on its own on tax.

If we're serious about devolved taxation then we have to be serious about solving issues of local residence in the UK. Right now the measures are half-hearted, open to abuse and likely to fail. This is a recipe for both tax and political failure and it is not clear anyone is really trying to get to grips with it. As the NAO says:

*HMRC's ability to assure the amount of tax collected for the Scottish Government will be undermined where taxpayers fail to update their address details. HMRC should continue to communicate this key message to taxpayers. In 2015-16, HMRC spent £1,081,000 on communications with potential Scottish taxpayers about SRIT. HMRC has engaged with employers, agents and payroll specialists to raise awareness with key stakeholder groups. It has also conducted specific research with perceived "high risk customer groups" to evaluate the effectiveness of its wider communication approach.*

*A future divergence of tax rates or thresholds between Scotland and the rest of the UK*

*presents the possibility of tax avoidance and evasion. HMRC has developed a compliance strategy that considers this risk. The majority of compliance activity will commence in 2017-18.*

*The ability to provide an IT solution allowing personal pension providers to claim relief at source continues to be a significant risk for the future. If tax rates between Scotland and the rest of the UK diverge, Scottish taxpayers will be due a different rate of relief-at-source on their personal pension contributions. From 2018, HMRC must notify pension providers of the correct rate of income tax for their scheme members to allow pension providers to apply the correct rate of relief-at-source. HMRC is working closely with the pensions industry to deliver the solution required for the relief at source system to accommodate the SRIT.*

This looks like an admin disaster just waiting to unfold for a lack of clear thinking. If I was in Holyrood I would not be amused.

Oh, and where is the Queen resident, by the way, just to ask the obvious question? She does have a Scottish address, after all. Anyone worked it out yet?