

SCOTTISH FISCAL COMMISSION ACT 2016

EXPLANATORY NOTES

BACKGROUND

3. The Scottish Fiscal Commission was established on a non-statutory basis in June 2014, with a proportionate remit that reflects the fiscal powers devolved to the Scottish Parliament under the Scotland Act 2012. The Commission's function of scrutiny and reporting is already an important part of Scotland's fiscal framework. The non-statutory Commission plays a key role in providing the Parliament and the public with independent scrutiny of the Government's forecasts of receipts from the devolved taxes - Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) - and also of the economic factors which underpin forecasts of receipts from non-domestic rates.
4. In accordance with the Organisation for Economic Co-operation and Development's (OECD) principles for independent fiscal institutions¹ and in line with international best practice, the Act establishes the Scottish Fiscal Commission on a statutory basis. The Scottish Fiscal Commission Act gives the Commission a legislative underpinning – safeguarding its independence and providing a basis for expanding the functions of the Commission in line with any expansion in the fiscal powers of the Scottish Parliament. In accordance with the agreement between the Scottish Government and the United Kingdom on the Scottish Government's fiscal framework, the statutory Commission will have responsibility for preparing forecasts which underpin the Scottish Budget. The initial statutory functions of the Commission reflect the tax and borrowing powers of the Parliament when the Act was passed, as provided for in the Scotland Act 2012. It is the Scottish Government's intention to use regulation-making powers in section 8 to expand the Commission's functions to reflect the additional fiscal powers devolved by the Scotland Act 2016 as set out in the agreement on the Scottish Government's fiscal framework.

¹ <http://www.oecd.org/gov/budgeting/recommendation-on-principles-for-independent-fiscal-institutions.htm>