



The Scottish Parliament  
Pàrlamaid na h-Alba

## Justice Committee

The Rt Hon George Osborne MP  
Chancellor of the Exchequer  
HM Treasury  
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29 January 2016

Dear Chancellor

### **Police Scotland and Scottish Fire and Rescue Service: Liability for VAT**

The Scottish Parliament's cross-party Justice Committee today publishes a report of its scrutiny of the Scottish Government's Draft Budget 2016-17, which includes evidence and recommendations on the Scottish policing and fire and rescue service budgets. The inability of the Scottish police and fire and rescue services to recover VAT costs incurred has been an ongoing concern of the Committee since we examined the legislation creating the bodies in 2012. We recommended at the time and in successive years' budget reports that all possibilities to resolve the issue should be explored.

Understandably, there is real frustration amongst those working in these areas that Police Scotland and the Scottish Fire and Rescue Service are the only police and fire bodies in the UK that are unable to recover VAT payments on the services and materials they purchase, particularly since other centrally funded bodies, including the National Crime Agency, have been granted a VAT exemption.

In evidence to the Committee on 5 January 2016, the Cabinet Secretary for Justice, Michael Matheson MSP, gave a further example of this anomaly regarding VAT exemptions, stating:

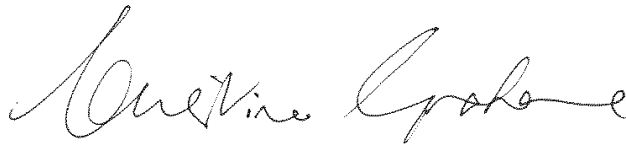
"We are having to replace the radio systems that are used by our emergency services, including the police, the fire service and the ambulance service. Over the course of its lifetime, that contract, which we are negotiating and working on with the Home Office, will probably cost us in excess of £400 million. The reality is that we are the only part of the UK sitting round the table that will have to pay VAT on that contract. Every other part of the UK that is joining in on that programme will not pay VAT on it".

This year, we also heard that the irrecoverable VAT figure for policing was now in the region of £33 million which could, for example, cover the annual cost of 900 police officers. The Committee considers that this liability for VAT places an unnecessary burden on our emergency services. In our report, we therefore urge the Scottish Government and HM Treasury to engage in constructive discussions on this matter to ensure that the anomaly can be addressed.

The Committee unanimously agreed to write to you to draw your attention to the evidence we heard in relation to VAT liability. A copy of the Committee's report is available at the link below.

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/93963.aspx>

Yours sincerely

A handwritten signature in black ink, appearing to read 'Christine Grahame', written in a cursive style.

Christine Grahame MSP  
Convener, Justice Committee