

Strong public services are vital for a thriving economy. However, continued cuts to our budget by the UK Government mean that our resource block grant will be almost £2 billion lower in real terms in 2019-20 than it was in 2010-11. Our Budget document sets out plans for 2019-20 Income Tax which will raise an additional £68 million for our public services. As a result of the policy choices we have taken over the past three years, Scottish income tax receipts are forecast to raise around £182 million more in 2019-20 than the corresponding block grant adjustment.

Proposed Rates and Bands for 2019-20

2018-19		2019-20	
Band	Rate	Band	Rate
Over £11,850* - £13,850	19%	Over £12,500* - £14,549	19%
Over £13,850 - £24,000	20%	Over £14,549 - £24,944	20%
Over £24,000 - £43,430	21%	Over £24,944 - £43,430	21%
Over £43,430 - £150,000**	41%	Over £43,430 - £150,000**	41%
Above £150,000** +	46%	Above £150,000** +	46%

*Assumes individuals are in receipt of the Standard UK Personal Allowance.

**Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

The four keys tests of income tax policy

Last year we published an income tax discussion paper that set out four key tests for changes to income tax policy. These tests – protecting the lowest paid taxpayers; improving progressivity; raising additional revenue; and supporting the Scottish economy have been applied to this year’s policy. The policy raises an additional £68 million of revenue to support our public services, and by not passing on tax cuts for the richest in society helps to increase progressivity. We have increased the Starter and Basic Rate bands by inflation to protect our lowest and middle-earning taxpayers and continue to ensure that 55% of Scottish taxpayers pay less than they would if they lived elsewhere in the UK. The Budget document, also published today, sets out an ambitious set of spending plans to help support our economy.

Impact on Taxpayers:

	% of Scottish income taxpayers who will pay less	% of Scottish income taxpayers who will pay more
Compared to the rest of the UK	55%	45%
Compared to 2018-19	98.8%	1.2%

Compared to elsewhere in the UK next year:

- Those earning less than around £26,990 (1.4 million taxpayers) will pay slightly less income tax next year than if they lived elsewhere in the UK. This means that 55% of Scottish income taxpayers will pay less tax than if they lived in other parts of the UK in 2019-20.

Compared to 2018-19:

- On current incomes, every Scottish taxpayer earning less than around £124,000 in 2019-20 (2.5 million tax payers) will pay less income tax than they did in 2018-19 in cash terms.
- On current incomes, nearly 99% of Scottish income taxpayers will pay less tax next year compared to what they are paying this year in cash terms.

The [table overleaf](#) compares the change in take home pay for individuals earning different levels of income. Three different comparisons are provided.

- The first compares the impact of Scottish Government changes combined with changes to the personal allowance coming into effect next year. This demonstrates the impact of all income tax changes introduced in 2019-20, compared to 2018-19.
- The second compares the impact of Scottish Government changes to thresholds coming into effect next year but excluding the impact of the rise in the Personal Allowance. This demonstrates the impact of the Scottish Government's income tax changes introduced in 2019-20 compared to 2018-19.
- The third sets out the difference in income tax paid when compared to the rest of the UK in 2019-20.

Example incomes (p.a.)	Impact on Take Home Pay		
	Impact of SG and UKG changes, compared to 2018-19	Impact of SG changes, compared to 2018-19	Position relative to the rest of the UK in 2019-20
£15,000	£130.49	£0.49	£20.49
£16,010	£130.49	£0.49	£20.49
£17,550	£130.49	£0.49	£20.49
£20,000	£130.49	£0.49	£20.49
£30,000	£139.93	£9.93	-£30.07
£40,000	£139.93	£9.93	-£130.07
£45,000	£139.93	£9.93	-£494.07
£50,000	£139.93	£9.93	-£1,544.07
£60,000	£139.93	£9.93	-£1,644.07
£100,000	£139.93	£9.93	-£2,044.07
£120,000	£139.93	£9.93	-£2,344.07
£150,000	-£126.57	*	-£2,669.07

*Effects cannot be disentangled in a meaningful way.

- Only around the highest earning 15% of Scottish taxpayers will be impacted by the Higher Rate Threshold freeze.

Impact on Households: For all deciles our income tax policy proposals see an increase in average household income in 2019-20 relative to 2018-19, as shown below.

Figure 1: Household impact relative to 2018-19

