



INCOME TAX POLICY PROPOSAL: SCOTTISH BUDGET 2021-22

- The starter and basic rate bands, as well as the higher rate threshold, will increase by inflation.
- The top rate threshold will remain frozen in cash terms at £150,000.
- We propose no changes in rates.
- The UK Government (“UKG”) confirmed in the November Spending Review that the UK-wide Personal Allowance will also increase in line with inflation to £12,570.
- The Scottish Fiscal Commission have forecast that Income Tax will raise £12,263 million in 2021-22. That is £475 million more than the corresponding provisional Block Grant Adjustment

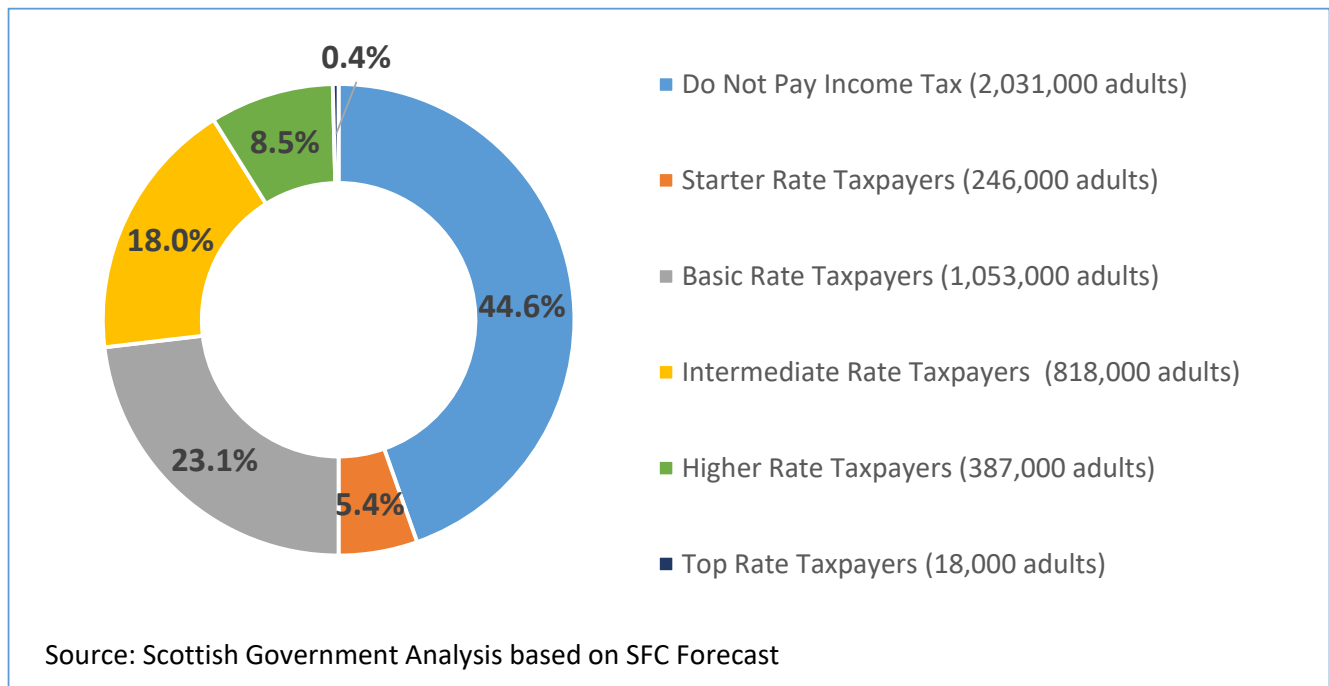
Proposed Income Tax Rates and Bands

	2020-21		2021-22	
	Band	Rate	Band	Rate
Starter	Over £12,500* - £14,585	19%	Over £12,570* - £14,667	19%
Basic	Over £14,585 - £25,158	20%	Over £14,667 - £25,296	20%
Intermediate	Over £25,158 - £43,430	21%	Over £25,296 - £43,662	21%
Higher	Over £43,430 - £150,000**	41%	Over £43,662 - £150,000**	41%
Top	Above £150,000	46%	Above £150,000	46%

*Assumes individuals are in receipt of the standard Personal Allowance.

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

Expected number and proportion of Scottish taxpayers by marginal rate, 2021-22



Impact on individual taxpayers of changes to Scottish Income Tax

- Those earning less than £27,393 – which is 54% of Scottish taxpayers (or 1.4 million people) - will pay slightly less Income Tax in 2021-22 than if they lived elsewhere in the UK¹;
- All Scottish taxpayers will pay less Income Tax in 2021-22 than they did in 2020-21 on their current income.

	% of Scottish taxpayers who will pay less tax	% of Scottish taxpayers who will pay more tax
Compared to the rest of the UK	54%	46%
Compared to 2020-21	100%	0%

The table below compares the change in take home pay for individuals earning different levels of income. Three different comparisons are provided:

- Column A sets out all Income Tax changes, including UKG changes to the Personal Allowance in 2021-22, compared to 2020-21¹;
- Column B sets out the impact of only the proposed changes to Scottish Income Tax in 2021-22, compared to 2020-21;
- Column C sets out the difference in Scottish Income Tax payments compared to the rest of the UK in 2021-22.

Scottish Income Tax bands	Example incomes (per annum)*	Impact on Take Home Pay		
		A: Impact of SG and UKG changes, compared to 2020-21 ¹	B: Impact of SG changes, compared to 2020-21	C: Position relative to the rest of the UK in 2021-22 ¹
Starter Rate	£15,000	£14.12	£0.12	£20.97
Basic Rate	£17,000 (National Living Wage)	£14.12	£0.12	£20.97
	£19,000 (Real Living Wage)	£14.12	£0.12	£20.97
	£20,000	£14.12	£0.12	£20.97
Intermediate Rate	£30,000	£15.50	£0.80	-£26.07
	£40,000	£15.50	£0.80	-£126.07
Higher Rate	£45,000	£61.90	£33.20	-£443.67
	£50,000	£61.90	£33.20	-£1,493.67
	£60,000	£61.90	£33.20	-£1,647.67
	£100,000	£61.90	£33.20	-£2,047.67
	£120,000	£61.90	£33.20	-£2,347.67
Top Rate (less than 1% of Scottish taxpayers)	£150,000	£33.20	£33.20	-£2,673.37

* the median income of Scottish taxpayers is expected to be £25,300 in 2021-22.

¹ Based on commitments made by the UK Government at the Spending Review (November 2020).