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Kenneth Gibson MSP  
Convener  
Finance and Public Administration Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

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Dear Kenneth,

HMRC has published statistics on 2022-23 outturn for Scottish Income Tax, as well as the equivalent UK Government liabilities.

It shows that around £15.2 billion of Scottish Income Tax was raised in 2022-23. Scotland's Income Tax liabilities grew by around £1.6 billion (11.5%) between 2021-22 and 2022-23, and the number of Scottish taxpayers grew by 115,600 (4.4%). This compares to an increase in Income Tax liabilities of 10.5% and an increase in the number of taxpayers of 4.9% in the rest of the UK.

### Reconciliation

A statement will be jointly agreed with HM Treasury (HMT) outlining the 2022-23 Income Tax reconciliation. This would ordinarily be published simultaneously with HMRC's publication of the outturn statistics, but owing to the timing of the UK election and the change of UKG ministers, both governments will issue a joint statement shortly.

Based on the Income Tax outturn data published today, the Scottish Government has calculated the Income Tax net position for 2022-23 (the difference between Scottish Government revenues and the Block Grant Adjustment) as positive £257 million, which implies a reconciliation of positive £447 million being applied to the Scottish Budget 2025-26. This accounts for the difference between the outturn data and the original forecast net position. Further details on the calculations are set out in Annex A.

Reconciliations are a regular feature of the operation of the Fiscal Framework, required to address forecast error in relation to revenues and BGAs. Reconciliations

– whether positive or negative – are not indicative of how Income Tax revenues are performing. For example, the Scottish tax base could grow faster than the rUK in a given year, but still have a negative reconciliation applied, simply due to the relative degree of error inherent in the original forecasts.

Following the outputs of the censuses in 2021 and 2022, the [Office for National Statistics](#) (ONS); the Northern Ireland Statistics and Research Agency (NISRA) and the [National Records of Scotland \(NRS\)](#) have also published their updated population estimates for 2011-2021 (NISRA in June 2023, ONS in Nov 2023, and the NRS on 9 July 2024). The calculation for the 2022-23 BGA and subsequent Income Tax reconciliation for 2022-23 accounts for these updated population estimates and, therefore, can be considered final. However, the impact of the updated population estimates on historic BGAs and any subsequent funding impacts is yet to be agreed between the governments.

In addition to this, HMRC discovered an inconsistency affecting the historic outturn statistics for Scottish and rest of the UK Income Tax liabilities. Around 1% of all taxpayer cases have been identified as having their income double counted, although no taxpayers have paid the incorrect amount of tax as a result.

HMRC have published a corrected time series to address the double-counting of some taxpayer income in their statistics. This results in a reduction in Income Tax liabilities across the UK from 2016-17 to 2021-22. The 2022-23 outturn published today is not affected. The updates to the historic data results in a relatively small reduction in the net position in each year affected. Scottish and UK Governments are in ongoing discussions on how any impact to historic funding should be handled.

An update will be provided to the Committee when an agreement is reached between the governments on how to address the correction to the historic Income Tax outturn figures, and the implications of the updated population figures.

### Net position

The Income Tax net position - the difference between revenue raised and the Block Grant Adjustment (BGA) - is positive at £257 million in 2022-23, an increase compared to previous years. This means the Scottish Budget continues to benefit from Income Tax devolution.

Tax performance is complex, and reflects a range of factors, including economic performance, regional and sectoral issues, demographics, and the composition of the tax base as well as differences in government economic and tax policy.

Data from HMRC's Real Time Information (RTI) system for 2023-24, also published today, suggests that performance has been improving, with growth in RTI tax receipts

outperforming the rUK in that year. The overall Scottish share of UK Income Tax reported by the RTI data has increased in 2023-24 to 6.99%, compared to 6.85% in 2022-23.

I look forward to engaging with the committee in the coming months ahead of the 2025-26 Scottish Budget.

**SHONA ROBISON**

## ANNEX A

Table 1 - 2022-23 reconciliation applying to the 2025-26 Budget

<b>2022-23 Income Tax</b>			
	<b>Revenues (£m)</b>	<b>BGA (£m)</b>	<b>Net Position (£m)</b>
<b>Forecast at Budget 2022-23</b>	13,671	-13,861	-190
<b>Outturn 2022-23</b>	15,169	-14,912	257
<b>Change</b>	1,498	-1,051	447