

Scottish Government Explanatory note for the draft Scottish Rate Resolution

Under section 80C of the Scotland Act 1998, the Scottish Parliament may pass a Scottish Rate Resolution (SRR) to set the rates and bands which will apply to Scottish non-savings, non-dividend taxable income for the following tax year. This note sets out draft wording for an SRR ,to indicate what an SRR would look like to implement the rates and bands proposed in the Scottish Government's Draft Budget 2018-19, and includes an explanatory commentary .

A formal SRR motion was submitted to the Scottish Parliament and debated and agreed on 20 February 2018

Scottish Rate Resolution Motion

Derek Mackay: Scottish rate resolution – That the Parliament agrees that, for the purposes of section 11A of the Income Tax Act 2007 (which provides for income tax to be charged at Scottish rates on certain non-savings and non-dividend income of a Scottish taxpayer), the Scottish rates and limits for the tax year 2018-19 are as follows—

- (a) a starter rate of 19%, charged on income up to a limit of £2,000,
- (b) the Scottish basic rate is 20%, charged on income above £2,000 and up to a limit of £12,150,
- (c) an intermediate rate of 21%, charged on income above £12,150 and up to a limit of £31,580,
- (d) a higher rate of 41%, charged on income above £31,580 and up to a limit of £150,000, and
- (e) a top rate of 46%, charged on income above £150,000.

Commentary

The above draft motion agreed to by the Scottish Parliament on the 20 Feb 2018, gives effect to the Scottish Government's income tax policy, namely;-

Bands	Band name	Rates (%)
Over £11,850*-£13,850	Starter Rate	19
Over £13,850-£24,000	Basic Rate	20
Over £24,000-£43,430	Intermediate Rate	21
Over £43,430-£150,000**	Higher Rate	41
Above £150,000**	Top Rate	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

A SRR is provided for in section 80C of the Scotland Act 1998, as amended by the Scotland Act 2016. The Scotland Act 2016 devolved power to the Scottish Parliament to set the rates and bands of income tax payable by Scottish taxpayers on their non-savings and non-dividend income for the purposes of section 11A of the Income Tax Act 2007.

In accordance with section 80C(6) of the Scotland Act 1998 and Parliament's Standing Orders, only a member of the Scottish Government may lodge and move a motion for an SRR. Under Standing Orders, the motion for the rate resolution must be moved before the start of the tax year to which it refers and before the commencement of Stage 3 proceedings on the associated Budget Bill. The Standing Orders also provide that an SRR motion cannot be amended.

The rest of the income tax system, including the Personal Allowance, all tax reliefs and the collection and management of income tax remain reserved. As such HMRC will continue to collect Scottish Income Tax.

The SRR sets the income tax rates and bands of income above the Personal Allowance. It therefore sets what are Scottish rate limits, rather than thresholds. This is because, although there is a standard personal allowance (£11,850 for tax year 2018/19), this can then vary for a number of reasons, including the Marriage Allowance or the Blind Persons' allowance. The band thresholds are made up of an individual's tax-free allowance plus the relevant rate limit set out by the SRR. The Personal Allowance is reduced by £1 for every £2 earned over £100,000, therefore the Personal Allowance is not relevant to the £150,000 limit for the higher rate, which will be equal the top rate threshold.

The SRR motion was debated and agreed by the Scottish Parliament on the 20 February 2018.