

Our Budget sets out the plans for Income Tax in 2020-21 – increasing the Basic and Intermediate Rate Thresholds in line with inflation, and freezing the Higher and Top Rate Thresholds in cash terms. We propose no changes in rates. Relative to an assumption that all thresholds rise in line with inflation (other than the Top Rate, which is frozen), this policy is forecast to raise an additional £51 million, to help us protect our vital public services and support our economy.

Proposed Income Tax Rates and Bands:

2019-20		2020-21	
Band	Rate	Band	Rate
Over £12,500* - £14,549	19%	Over £12,500* - £14,585	19%
Over £14,549 - £24,944	20%	Over £14,585 - £25,158	20%
Over £24,944 - £43,430	21%	Over £25,158 - £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

In 2017 we published an [income tax discussion paper](#), that set out four key tests that any future changes to income tax policy would have to meet. These were:

- **Raising additional revenue:** This policy change is forecast to raise an additional £51 million in 2020-21;
- **Protecting lower earning taxpayers:** We have increased the Basic and Intermediate Rate Thresholds by inflation to protect our lowest and middle-earning taxpayers;
- **Improving progressivity:** The additional revenue we are raising is from the highest earning 16% of taxpayers (the highest earning 9% of Scottish adults);
- **Supporting the Scottish economy:** The Budget sets out our ambitious spending plans – in part funded by our income tax policy choices - to help support our economy and vital public services and meet our ambitious targets on Child Poverty through initiatives like the Scottish Child Payment, which will be introduced early for families with children under 6 this year.

Impact on Taxpayers of changes to income tax 2020-21:

	% of Scottish income taxpayers who will pay less	% of Scottish income taxpayers who will pay the same amount	% of Scottish income taxpayers who will pay more
Compared to rUK	56%	0%	44%
Compared to 2019-20	90%	10%	0%

Compared to the rest of the UK:

- Those earning less than £27,243 (1.4 million Scottish taxpayers) will pay slightly less income tax in 2020-21 than if they lived elsewhere in the UK. This means that 56% of Scottish income taxpayers will pay less tax than if they lived in other parts of the UK in 2020-21.

Compared to 2019-20, on current incomes:

- No Scottish income taxpayer will pay more tax in 2020-21 than they do in 2019-20.
- Scottish taxpayers earning more than £14,549 in 2020-21 (2.3 million taxpayers) will pay less income tax than they did in 2019-20.
- Due to the planned freeze in the Personal Allowance, which is set by the UK Government, taxpayers earning between £12,500 and £14,549 (247,000 Scottish taxpayers) will pay the same amount as they did in 2019-20.

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

- Column A compares the impact of income tax changes introduced in 2020-21, compared to 2019-20.
- Column B sets out the difference in income tax paid compared to those in the rest of the UK in 2020-21.

Only the highest earning 16% of Scottish taxpayers will be impacted by the Higher Rate Threshold freeze.

Annual income	Impact on Take Home Pay	
	Column A: Position relative to 2019-20	Column B: Position relative to the rest of the UK in 2020-21
£15,000	£0.36	£20.85
£16,000*	£0.36	£20.85
£17,000*	£0.36	£20.85
£20,000	£0.36	£20.85
£30,000	£2.50	-£27.57
£40,000	£2.50	-£127.57
£45,000	£2.50	-£491.57
£50,000	£2.50	-£1,541.57
£60,000	£2.50	-£1,641.57
£100,000	£2.50	-£2,041.57
£120,000	£2.50	-£2,341.57
£150,000	£2.50	-£2,666.57

* Annual salary for individual working full time on the National Minimum and National Living Wage respectively.

Impact on Households: For all deciles, the 2020-21 income tax policy changes will result in a small increase average household income in 2020-21 relative to 2019-20. This increase is typically less than £4 per year per household.