

INCOME TAX POLICY PROPOSAL: SCOTTISH BUDGET 2023-24

- Maintain the Starter and Basic Rate bands at the same level, in cash terms, as 2022-23.
- No changes to the Starter, Basic and Intermediate Rates.
- Maintain the Higher Rate threshold at the same level, in cash terms, as 2022-23.
- Reduce the Top Rate threshold from £150,000 to £125,140.
- Add 1 pence to the Higher and Top Rates of tax to 42 pence and 47 pence respectively.
- The UK Government confirmed in the 2022 Autumn Statement that the UK-wide Personal Allowance will remain frozen at £12,570.
- The Scottish Fiscal Commission have forecast that Income Tax will raise £15,810 million in 2023-24 in Scotland.

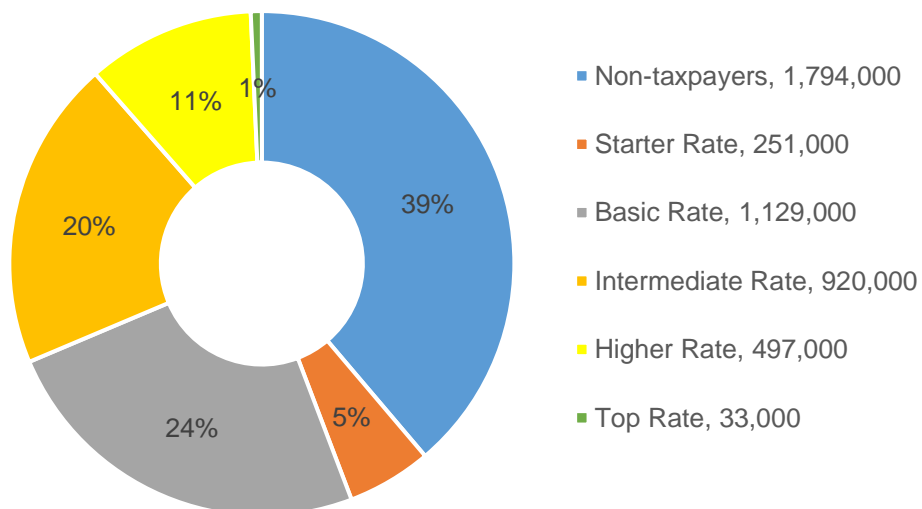
Proposed Income Tax Rates and Bands

	2022-23		2023-24	
	Band	Rate	Band	Rate
Starter	£12,571* - £14,732	19%	£12,571* - £14,732	19%
Basic	£14,733 - £25,688	20%	£14,733 - £25,688	20%
Intermediate	£25,689 - £43,662	21%	£25,689 - £43,662	21%
Higher	£43,663 - £150,000**	41%	£43,663 - £125,140**	42%
Top	Above £150,000	46%	Above £125,140	47%

*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 tax rate, 2023-24



Impact on individual taxpayers of changes to Scottish Income Tax

- 39% of Scottish adults (1.8 million individuals) are not affected by the 2023-24 policy changes as their income is below the UK-wide Personal Allowance.
- The policy changes also have no effect on the lowest earning 9% of taxpayers (or 5% of adults) who earn less than £14,732 (and pay the 19p Starter Rate).
- Those earning less than £27,850 – which is 52% of Scottish taxpayers (1.47 million people) - will continue to pay slightly less Income Tax in 2023-24 than if they lived elsewhere in the UK.

The table below compares the impact on take home pay for individuals earning different levels of income.¹ Three different comparisons are provided:

- The second column sets out the impact of the proposed changes to Scottish Income Tax in 2023-24, compared to 2022-23, assuming no change in their income;
- For example, a Scottish taxpayer earning £50,000 will see a £63 reduction in their take home pay in 2023-24 compared with 2022-23.
- The third column sets out the difference in take home pay resulting from Scottish Income Tax policy compared to the rest of the UK in 2023-24.
- The fourth column shows the impact on take home pay in 2023-24, compared to a baseline where all thresholds and bands are increased in line with inflation, bar the Top Rate Threshold which would be frozen at £150k. This provides a truer real terms measure of the changes that income taxpayers will experience in their income tax contributions.

Example income	Impact on Take Home Pay		
	Impact of changes in 2023-24 compared to 2022-23	Position relative to the rest of the UK in 2023-24	Impact of changes in 2023-24 compared to inflationary uprating in 2023-24
£15,000	£0	£22	-£2
£17,000	£0	£22	-£2
£19,000	£0	£22	-£2
£20,000	£0	£22	-£2
£30,000	£0	-£22	-£15
£40,000	£0	-£122	-£15
£45,000	-£13	-£452	-£296
£50,000	-£63	-£1,552	-£961
£60,000	-£163	-£1,806	-£1,061
£100,000	-£563	-£2,606	-£1,461
£120,000	-£863	-£3,206	-£1,761
£150,000	-£2,432	-£3,858	-£3,330
£160,000	-£2,532	-£4,058	-£3,430

¹ More detailed distributional analysis has also been published alongside the Budget ([link](#))



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