

INCOME TAX POLICY PROPOSAL: SCOTTISH BUDGET 2024-25

- Uprate the Starter and Basic rate bands in line with inflation (6.7%, based on Consumer Price Index from September 2023).
- No changes to the Starter, Basic, Intermediate and Higher rates.
- Maintain the Higher rate threshold at £43,662.
- Add a new 'Advanced rate' band of 45 pence applied on income from £75,000 to £125,140.
- Add 1p to the Top rate of tax to 48 pence.
- The UK Government ("UKG") confirmed in the 2023 Autumn Statement that the UK-wide Personal Allowance will remain frozen at £12,570.
- The Scottish Fiscal Commission has forecast that Income Tax will raise £18,844 million in 2024-25 in Scotland.

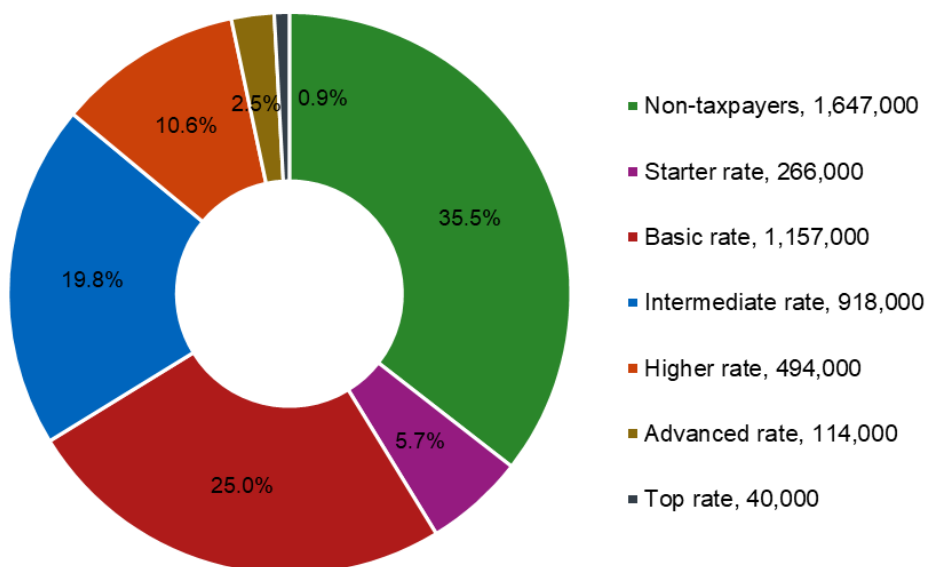
Proposed Income Tax rates and bands

	2023-24		2024-25	
	Band	Rate	Band	Rate
Starter	£12,571* - £14,732	19%	£12,571* - £14,876	19%
Basic	£14,733 - £25,688	20%	£14,877 - £26,561	20%
Intermediate	£25,689 - £43,662	21%	£26,562 - £43,662	21%
Higher	£43,663 - £125,140**	42%	£43,663 - £75,000	42%
Advanced	N/A	N/A	£75,001 - £125,140**	45%
Top	Above £125,140	47%	Above £125,140	48%

*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.

Figure 1: Expected number and proportion of Scottish taxpayers by marginal rate, relative to Scottish adult population, 2024-25



Impact on individual taxpayers of changes to Scottish Income Tax

- Around 36% of Scottish adults (1.65 million individuals) are not affected by the 2024-25 policy changes as their income is below the UK-wide Personal Allowance of £12,570.
- Only taxpayers earning significantly above median taxpayer income in Scotland (£28,200) will pay more Income Tax in 2024-25.
- Around 154,000 individuals, the highest earning 5% of Scottish taxpayers, will pay up to £1,881 more tax from the introduction of the new 45p Advanced rate band.
- Those earning less than around £28,850 – which is 51% of Scottish taxpayers (1.53 million people) – will continue to pay slightly less Income Tax in 2024-25 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. Two different comparisons are provided:

- The first comparison sets out the impact of the proposed changes to Scottish Income Tax in 2024-25, compared to 2023-24, assuming no change in their income;
- For example, a Scottish taxpayer earning £50,000 in both years will see a £10 increase in their take home pay in 2024-25 compared with 2023-24.
- The second comparison sets out the difference in take home pay resulting from Scottish Income Tax policy compared to the rest of the UK in 2024-25.

Table 1: Impact on take home pay in 2024-25 for different levels of income¹

Example Income of Scottish taxpayers in 2024-25	Impact on take home pay (2024-25)		Occupations
	Compared to last year (2023-24)	Position relative to the rest of the UK in 2024-25	Example Gross income (Mean annual earnings in Scotland, full time)
£15,000	£1	£23	Waiter and waitress
£19,400 (25 th percentile)	£1	£23	Housekeepers
£23,400	£1	£23	Real Living Wage (£12/hour)
£28,200 (Median Income)	£10	£7	Roofer, roof tiler and slater
£35,000	£10	-£61	NHS Staff Nurse (Band 5)
£42,600 (75 th percentile)	£10	-£137	Chartered Accountant
£50,000	£10	-£1,542	Teacher (Top of main grade), Police Scotland Constable (Top of scale)
£60,000	£10	-£1,796	Physiotherapist principal (Band 8A)
£70,000	£10	-£1,996	Police Scotland Chief Inspector (Top of scale)
£80,000	-£140	-£2,346	Headteacher (Middle of scale)
£90,000	-£440	-£2,846	NHS Speciality Doctor (Top of Scale), Chief Executive or senior official
£100,000	-£740	-£3,346	Police Scotland Chief Superintendent
£130,000	-£1,920	-£5,378	NHS Consultant Doctor (Top of Scale)
£140,000	-£2,020	-£5,678	Police Scotland Assistant Chief Constable
£700,000	-£7,620	-£22,478	Partner at a large global corporation

The decision to maintain the Higher rate threshold at its current level contributes to an additional £307 million being raised in Income Tax in 2024-25. The impact of this on different taxpayers can be considered by comparing take home pay in 2024-25 to a scenario where all thresholds and bands are increased in line with inflation, bar the Top rate threshold which would be frozen at £125,140. This provides a truer real terms measure of the changes that income taxpayers will experience in their take home pay. This is because inflation reduces households' spending power, from year to year, and so increasing thresholds in line with inflation ensures that people's spending power is broadly maintained.

This is illustrated in the table below.

¹ Salaries have been rounded to provide an indicative estimate of the impacts.

Table 2: Impact on take home pay in 2024-25 from all policy decisions

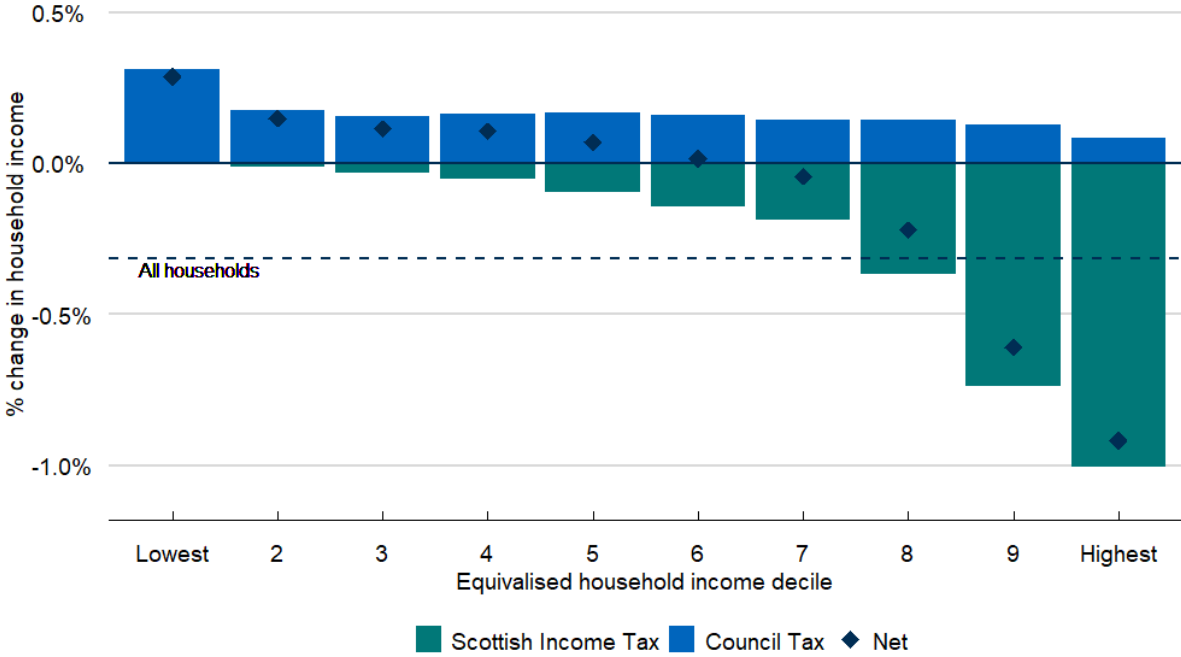
Example Income of Scottish taxpayers in 2024-25	Impact on take home pay (2024-25)		
	From all policy decisions excluding Higher rate threshold freeze in 2024-25	From freezing the Higher rate threshold in 2024-25	From all policy decisions including Higher rate threshold freeze in 2024-25
£15,000	£0	£0	£0
£19,400 (25 th percentile)	£0	£0	£0
£23,400	£0	£0	£0
£28,200 (Median Income)	£0	£0	£0
£35,000	£0	£0	£0
£42,600 (75 th percentile)	£0	£0	£0
£50,000	£0	-£610	-£610
£60,000	£0	-£610	-£610
£70,000	£0	-£610	-£610
£80,000	-£150	-£610	-£760
£90,000	-£450	-£610	-£1,060
£100,000	-£750	-£610	-£1,360
£130,000	-£1,930	-£610	-£2,540
£140,000	-£2,030	-£610	-£2,640
£700,000	-£7,630	-£610	-£8,240

Impact of Income Tax changes on Scottish households²

- Taking the Council Tax freeze and Income Tax policy together, the Council Tax freeze offsets increases in Income Tax for households in the bottom 60% of the income distribution.
- Around 80% of Scottish households will pay no more tax next year as a result of the Council Tax freeze as well as the Income Tax policy changes announced in this Budget.
- Two-thirds of households that will be paying more tax are in the top earning 20% of households.

² [Full household distributional analysis](#) has also been published alongside this budget.

Figure 2: impact of Budget decisions on household incomes in 2024-25 by household income decile, as a proportion of net income



Source: Scottish Government analysis using UKMOD



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