

Scottish Government Explanatory Note: Scottish Rate Resolution 2025-26

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 which would implement the Scottish Income Tax rates and bands proposed in the Scottish Government's Budget 2025-26 and includes explanatory commentary.

Draft Motion for a Scottish Rate Resolution**Shona Robison, MSP: 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 to be charged above the personal allowance),

the Scottish rates and limits for the tax year 2025-26 are as follows—

- (a) a starter rate of 19%, charged on income up to a limit of £2,827,
- (b) the Scottish basic rate is 20%, charged on income above £2,827 and up to a limit of £14,921,
- (c) an intermediate rate of 21%, charged on income above £14,921 and up to a limit of £31,092,
- (d) a higher rate of 42%, charged on income above £31,092 and up to a limit of £62,430,
- (e) an advanced rate of 45%, charged on income above £62,430 and up to a limit of £125,140, and
- (f) a top rate of 48%, charged on income above £125,140.

Explanatory note

The above motion will be debated by the Scottish Parliament and, if passed, will give effect to the Scottish Government's Income Tax policy for 2025-26:

Proposed Income Tax Rates and Bands 2025-26

Band Name	Taxable Income	Rate
Starter rate	£12,571* - £15,397	19%
Scottish Basic rate	£15,398 - £27,491	20%
Intermediate rate	£27,492 - £43,662	21%
Higher rate	£43,663 - £75,000	42%
Advanced rate	£75,001 - £125,140**	45%
Top rate	Over £125,140**	48%

*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 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. Under section 80C of the Scotland Act 1998, as amended by the 2016 Act, an SRR is the parliamentary mechanism for setting those rates and bands.

In line with UK Tax law the SRR sets the Scottish Income Tax rates and bands on income to be taxed, net of the standard UK Personal Allowance (£12,570 in 2025/26). It therefore sets what are Scottish rate limits, rather than thresholds. The band thresholds are made up of an individual's tax-free Personal Allowance plus the relevant rate limit set out in the SRR (as shown in the draft motion above). However, the Personal Allowance is reduced by £1 for every £2 earned over £100,000, therefore the Personal Allowance is not relevant to the £125,140 limit for the Advanced rate, which will be equal to the Top rate threshold.

In accordance with section 80C(8) of the Scotland Act 1998 and Rule 8.10.1 of the Parliament's Standing Orders, only a member of the Scottish Government may lodge and move a motion for an SRR. In accordance with section 80C(6)(b) of that Act and Rule 8.10.2(b) of the Standing Orders, the motion for the SRR must be moved and agreed to before the start of the tax year to which it refers. The Standing Orders also provide that an SRR motion cannot be amended, although a further motion can be lodged in its place if before the start of the tax year.

Given the connection between the Budget Bill and the passing of this SRR, Rule 8.10.2(c) and Rule 9.16.7 of the Parliament's Standing Orders require the motion for the SRR to be moved and passed before the commencement of Stage 3 proceedings for the Bill.



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The Scottish Government
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Edinburgh
EH1 3DG

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