

Scottish Government Explanatory Note: Scottish Rate Resolution 2023-24

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 2023-24 and includes explanatory commentary.

DRAFT MOTION FOR A SCOTTISH RATE RESOLUTION

John Swinney, 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), the Scottish rates and limits for the tax year 2023-24 are as follows—

- (a) a starter rate of 19%, charged on income up to a limit of £2,162,
- (b) the Scottish basic rate is 20%, charged on income above £2,162 and up to a limit of £13,118,
- (c) an intermediate rate of 21%, charged on income above £13,118 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 £125,140, and
- (e) a top rate of 47%, charged on income above £125,140.

Commentary

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 2023-24:

Proposed Income Tax Rates and Bands for 2023-24:		
Band	Band name	Rate (%)
£12,571* - £14,732	Starter Rate	19
£14,733 - £25,688	Scottish Basic Rate	20
£25,689 - £43,662	Intermediate Rate	21
£43,663 - £125,140**	Higher Rate	42
Above £125,140**	Top Rate	47

*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.

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 which is set by UK Parliament (£12,570 for tax year 2023-24), this can vary for a number of reasons, including the Marriage Allowance or Blind Person's Allowance. The band thresholds are made up of an individual's tax-free 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 Higher 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 mean that the motion for the SRR must be moved and agreed to before the commencement of Stage 3 proceedings for the Bill.



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