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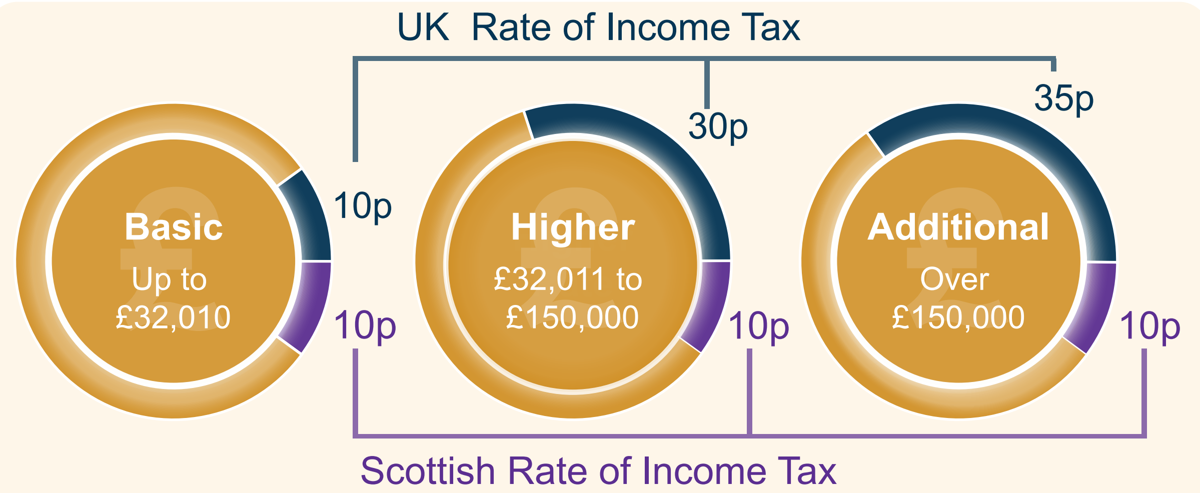
Pàrlamaid na h-Alba

How income tax revenue will change in Scotland

This factsheet selects key points from our recent briefing on the Scottish Rate of Income Tax (SRIT) showing how income tax revenue can be expected to change and the characteristics of taxpayers earning more than £150,000 in Scotland.

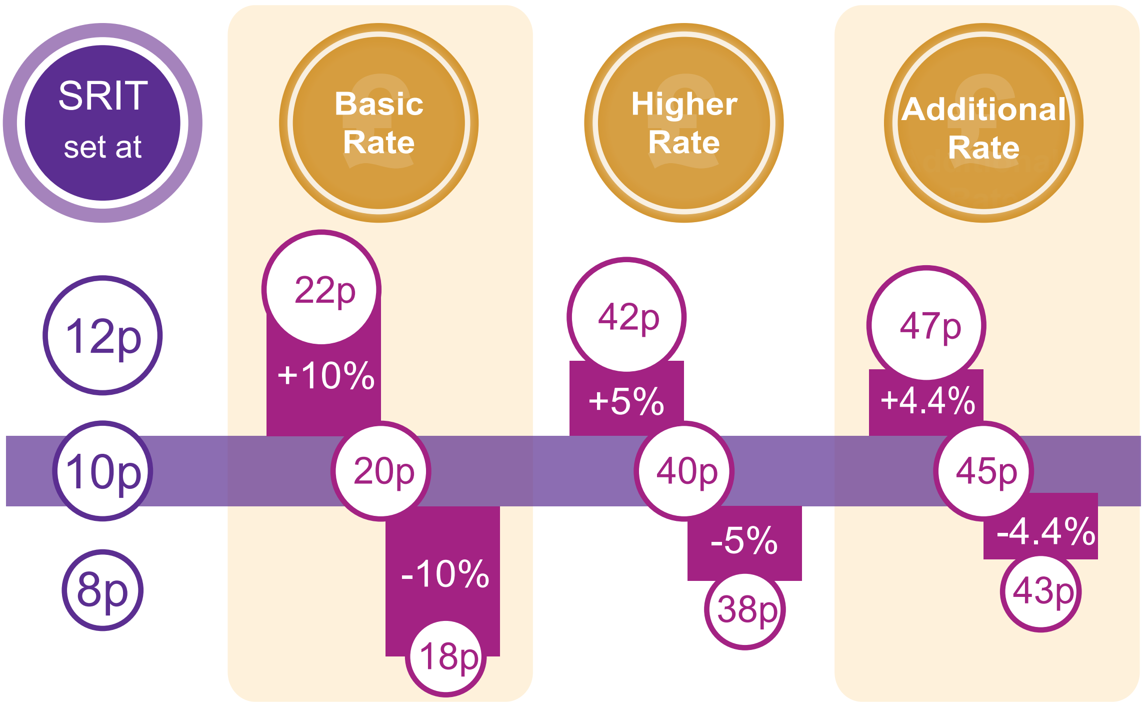
Read the full briefing at : http://www.scottish.parliament.uk/parliamentarybusiness/72837.aspx

From April 2016 the main UK rates of income tax will be reduced by 10p for Scottish taxpayers and in its place the Scottish Parliament will be able to levy a Scottish Rate of Income Tax (SRIT) applied equally to all Scottish taxpayers. If the SRIT is set at 10p then income tax rates will be the same as in the rest of the UK. SRIT can be reduced to zero and there is no upper limit.



*Above figures show 2013-14 income tax rates and personal tax allowances are not shown

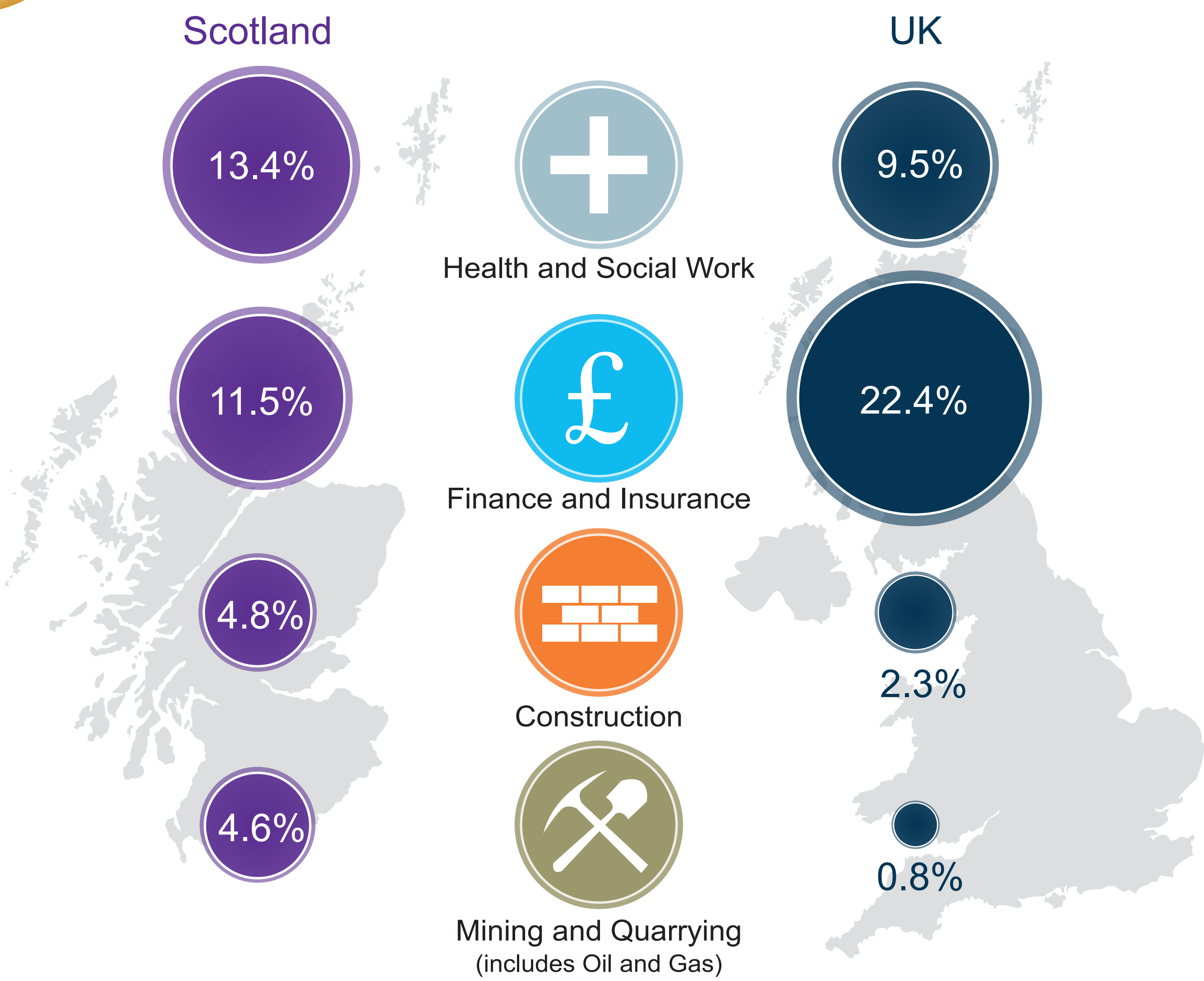
Increasing the SRIT, for example from 10p to 12p, will result in a larger percentage increase in income tax liabilities for lower earners compared to higher earners. Lowering the SRIT, for example from 10p to 8p, will result in a larger percentage decrease in income tax liabilities for lower earners compared to higher earners.



*The above percentage changes refer to each rate; individuals may pay tax across different rates

Additional Rate: Taxpayers

Additional rate taxpayers (around 14,000 in 2013-14), make up half a percent of the taxpayer population in Scotland. Nearly one in seven additional rate taxpayers in Scotland are employed in health and social work, more than in Scotland’s finance and insurance sector.



Additional rate taxpayers react the most to changes in tax rates. They also account for a disproportionately large share of income tax liabilities. Possible ways additional rate taxpayers might respond to changes in SRIT include:

Time

Delaying or pulling income forward

Form

Receiving dividends instead of salary, increasing pension contributions etc.

Location

Paper or physical migration