Scotland update: Scottish income tax 2019/20; Scottish government consultation on managing changes to fully devolved taxes

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01 April 2019

The Scottish parliament passed the Scottish Rate Resolution in late February 2019. This means the Scottish income tax rates and bands announced in the Scottish draft budget in December 2018 take effect on 6 April 2019.

Scottish income tax applies to the non-savings and non-dividend income of Scottish taxpayers. The Scottish parliament is able to set as many rates and bands as it chooses. For the 2019 /20 tax year the Scottish parliament has confirmed that there will continue to be five bands of Scottish income tax – a structure that was introduced in 2018 /19 – and that the rates will remain the same as they were in 2018 /19. This means there is a starter rate of 19%, a basic rate of 20%, an intermediate rate of 21%, a higher rate of 41% and a top rate of 46%.

On the assumption that a taxpayer is eligible for the UK personal allowance of £12,500 for 2019 /20, the taxpayer will start to pay the Scottish basic rate on income over £14,549, the Scottish intermediate rate on income over £24,944 and the Scottish higher rate on income over £43,430. The starter and basic rate bands have increased by inflation, while the intermediate rate band has decreased in size due to the freezing of the higher rate threshold.

Scottish taxpayers continue to pay income tax at the same rates that apply in the rest of the UK on their savings and dividend income.
Scottish income tax only applies to Scottish taxpayers. The rules for defining who is a Scottish taxpayer are largely dependent on where a taxpayer lives. There is

technical guidance on GOV.UK (tinyurl.com/ncrpr9u). It is important to ensure that taxpayers who may be affected have an up-to-date address with HMRC. Scottish taxpayers who pay tax under PAYE should have an ‘S’-code, that is, their PAYE code should have a prefix of ‘S’, for example, S1250L. Self assessment taxpayers can indicate their taxpayer status (whether Scottish or not) on their tax return.

There continue to be cases of mis-classification of Scottish taxpayers. It is important to note that a taxpayer can appeal Scottish taxpayer status (or otherwise) where HMRC have assessed this. Equally, HMRC are able to challenge a self assessment taxpayer’s assessment of whether or not they are a Scottish taxpayer.

Scottish government consultation on managing changes to fully devolved taxes

The Scottish government have published a consultation that seeks views on how they manage changes to fully devolved taxes. The CIOT will be responding to the consultation and welcomes your views.

Following the Scottish government commitment in the Programme for Government 2019-2020, it was announced at the Scottish budget in December 2018 that a consultation would be launched on a new approach to the planning, management and implementation of changes to the devolved taxes.

The Scottish government have now published a consultation document seeking views on a framework to govern how they make changes to the taxes.

The CIOT will be responding to the consultation, and would welcome your comments. The consultation can be accessed by visiting the CIOT website.