VIALTO PARTNERS

Scottish Budget 2022

Summary

Key Tax Announcements Impacting Employers and Employees

The acting Finance Minister delivered his budget announcement to the Scottish Parliament at Holyrood on 15 December 2022, setting out the devolved Scottish Government's tax and spending plans for financial year 2023/24 and beyond.

Summary of Key Announcements

Changes to tax rate bands for higher earners

The tax rates and bands for 2023/24 have been set as follows (comparison with 2022/23 in brackets):

Band	Amount	Rate 2023/24	
Starter	£12,571 - £14,732	19%	(Unchanged)
Basic	£14,733 - £25,688	20%	(Unchanged)
Intermediate	£25,689 - £43,662	21%	(Unchanged)
Higher	£43,633 - £125,140	42%	(***1% increase***)
Additional	Above £125,141	47%	(***1% increase***)

- The boundary between the 42% rate and the 47% rate has been reduced from £150,000 to £125,140, in line with the similar adjustment in the rest of the UK.

The personal allowance of £12,570 and National Insurance contributions will remain aligned with the rest of the United Kingdom because these matters are reserved to the Westminster parliament.

The tax changes outlined above is expected to generate approximately £129m in additional revenue for the Scottish Government in 2023/24.

Vialto View

The increase of the higher and additional rate bands to 42% and 47% respectively sees Scotland further diverge from the rest of the United Kingdom, and as a result Scottish taxpayers earning more than £27,850 will continue to pay more income tax in comparison to their counterparts elsewhere in the UK. Those lower and middle income earners will remain better off, and those earning up to £43,662 will see no change compared to 2022/23.

Gross Pay 2023/24	Net Pay (UK)	Net Pay (Scotland)	Difference
40,000	31,224	31,103	-122
70,000	49,650	47,643	-2,006
100,000	67,050	64,443	-2,606
130,000	79,179	75,721	-3,458

Land and Buildings Transaction Tax

The second major change announced by the acting Finance Minister is an increase to the Additional Dwelling Supplement portion of Land and Buildings Transaction Tax (LBTT) – the Scottish equivalent of Stamp Duty. The supplement has increased from 4% to 6%, applied on the total purchase price of an additional dwelling if the purchase price is in excess of £40,000.

Residential and non-residential LBTT remains unchanged from their current rates.

Vialto View

The adjustment to the Additional Dwelling Supplement further strengthens the Scottish Government's resolve to protect first time buyers and reinforces the progressive approach to taxation on land and buildings transactions. This change will have little to no impact on the majority of those buying property in Scotland, but there may be implications for those investing in property or buying a second home or holiday home.

Other Announcements

Scottish Child Payment will remain at the increased level of £25 per child, per week

Social Security benefits which are under Scottish Government control will increase by the rate of inflation – 10.1%

£20m independence referendum fund to be used to help pay Fuel Insecurity Fund extension

Councils to be given more flexibility to adjust council tax rates for 2023/24

Additional £550m of Local Government funding

Peak fares on ScotRail services to be suspended in 6 month trial

Contact Us

For a deeper discussion in the above, please reach out to your Vialto Partners' point of contact, or alternatively one of our technical experts:

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