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@TheIFS

Tax and spending in 2024-25 and beyond

IFS Scottish Budget Report



Economic
and Social
Research Council

Outline



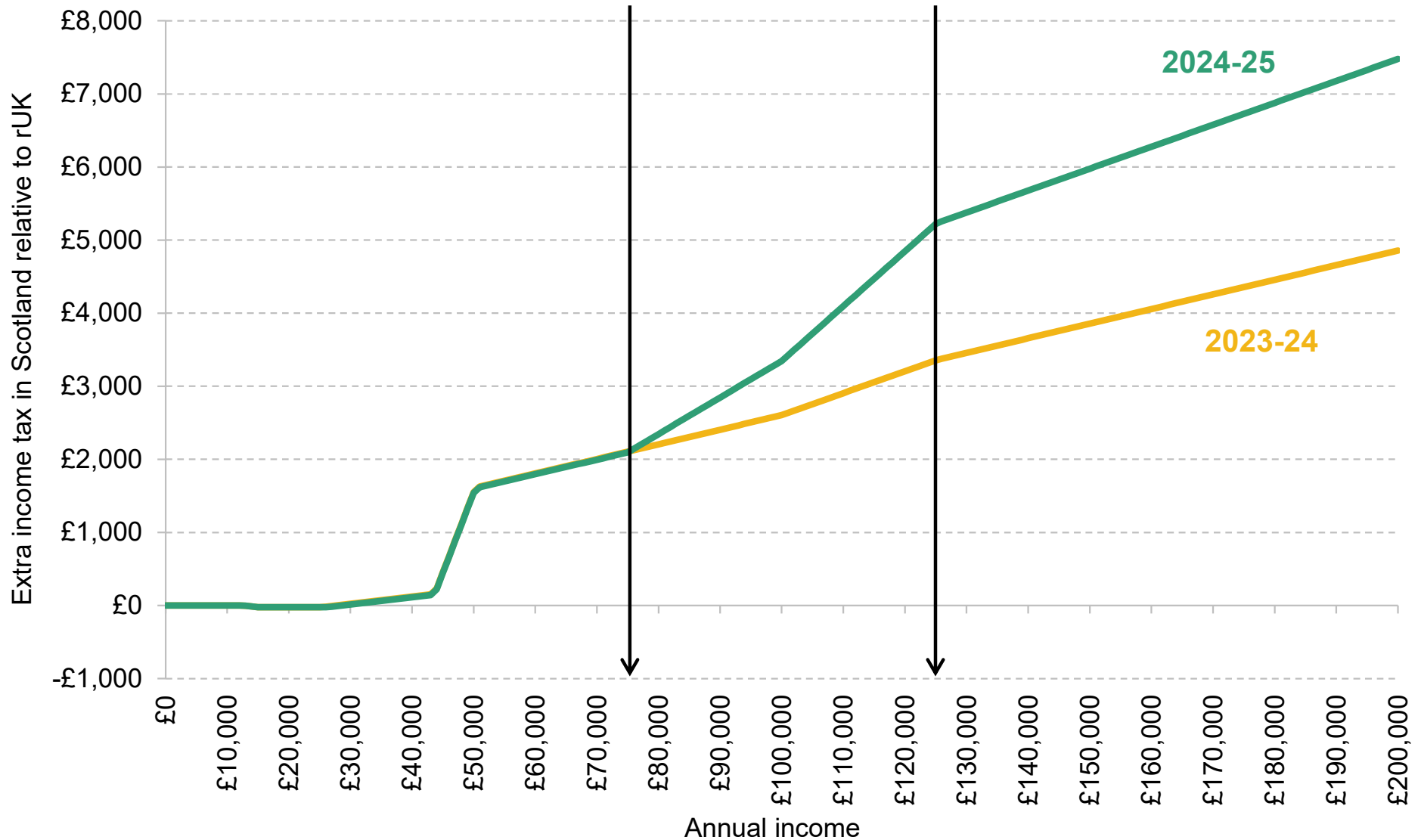
- **The Budget for 2024-25**
 - Tax decisions
 - Overall funding
 - Spending plans
- **The medium-term outlook**
 - Scottish Government and SFC projections
 - Upside and downside risks
 - Trade-offs between services

The Budget for 2024-25

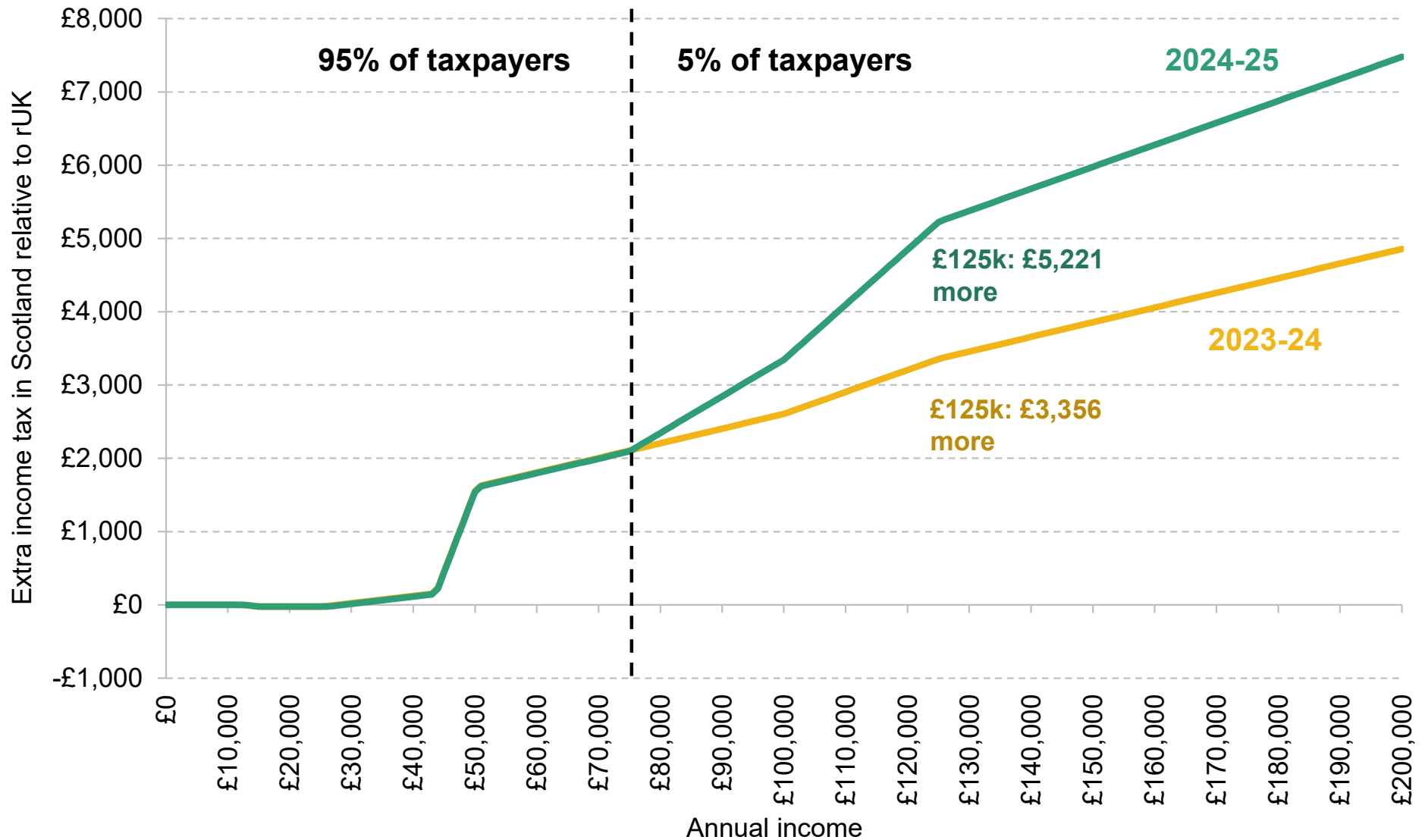


- **Further increase in income tax on high income Scots; freeze in council tax**
 - New 45p rate for those earning between £75,001 and £125,140
 - Top rate for those earning above £125,140 increased from 47% to 48%

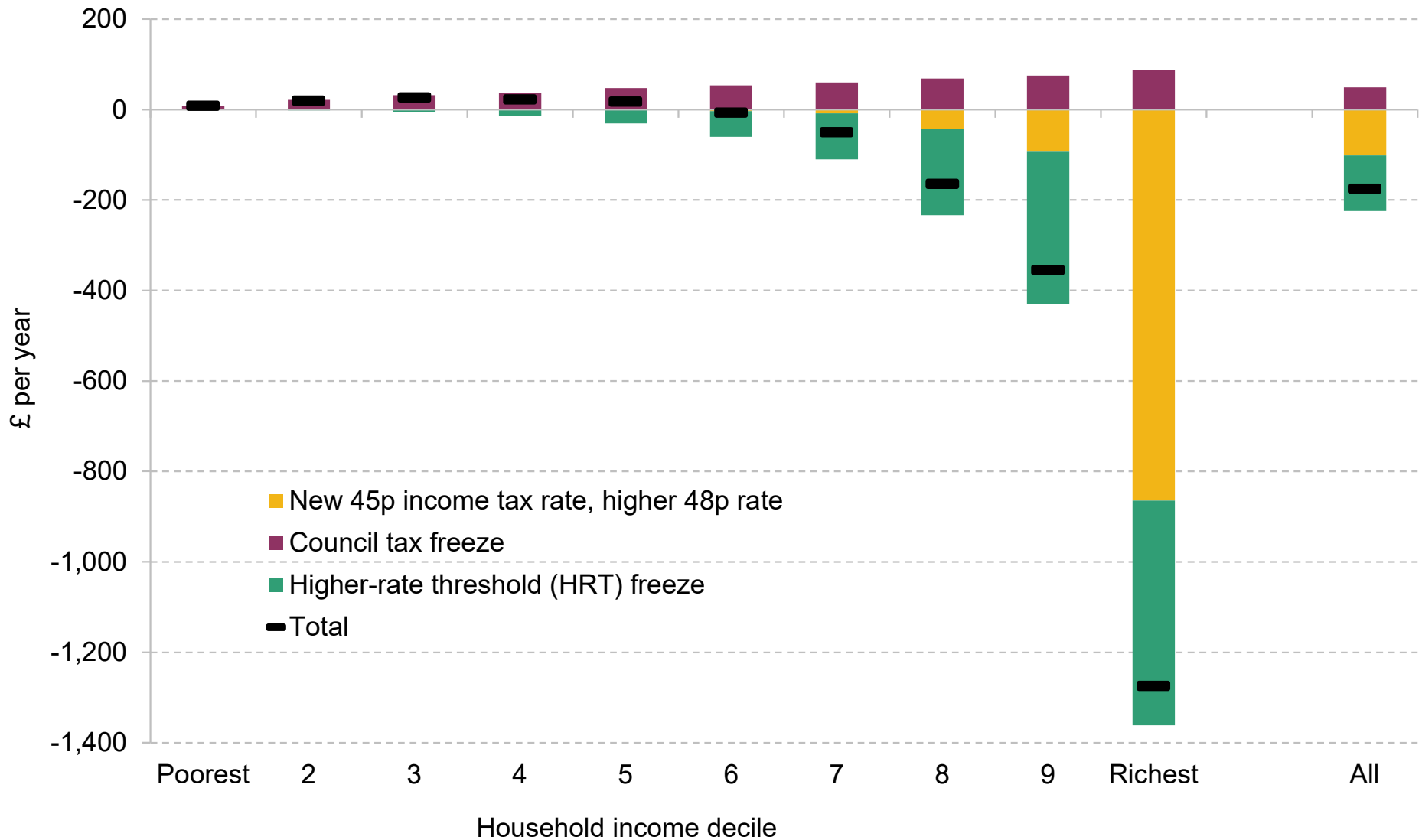
Income tax bills in Scotland compared to rUK



Income tax bills in Scotland compared to rUK



Combined effects of income tax changes and council tax freeze



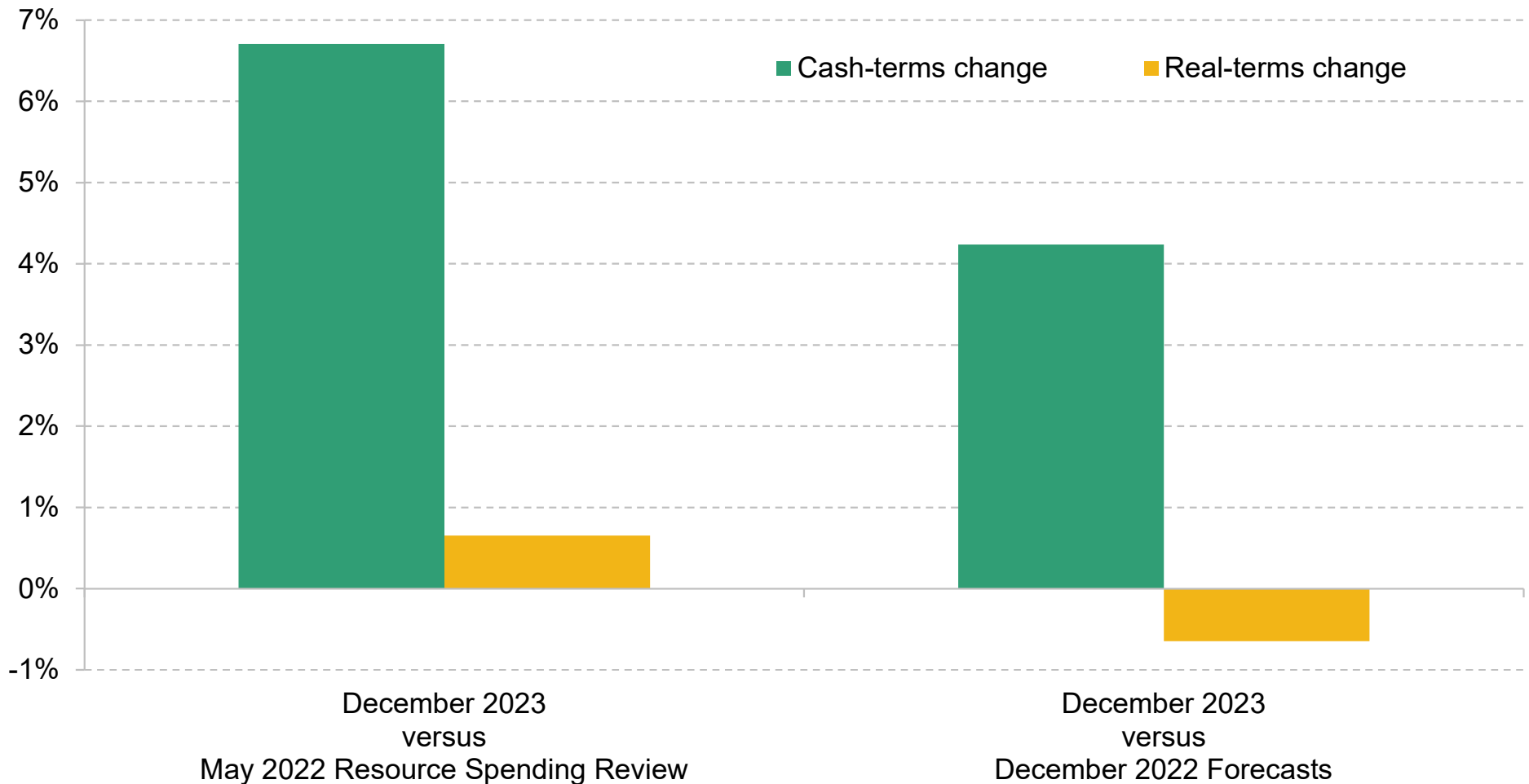
The Budget for 2024-25



- **Further increase in income tax on high income Scots; freeze in council tax**
- **Funding next year higher in cash terms than previously expected – inflation has eroded nearly all of this**

Higher inflation has also offset boost IFS to planned spending since RSR

Comparison of latest forecast for funding in 2024-25 with previous forecasts

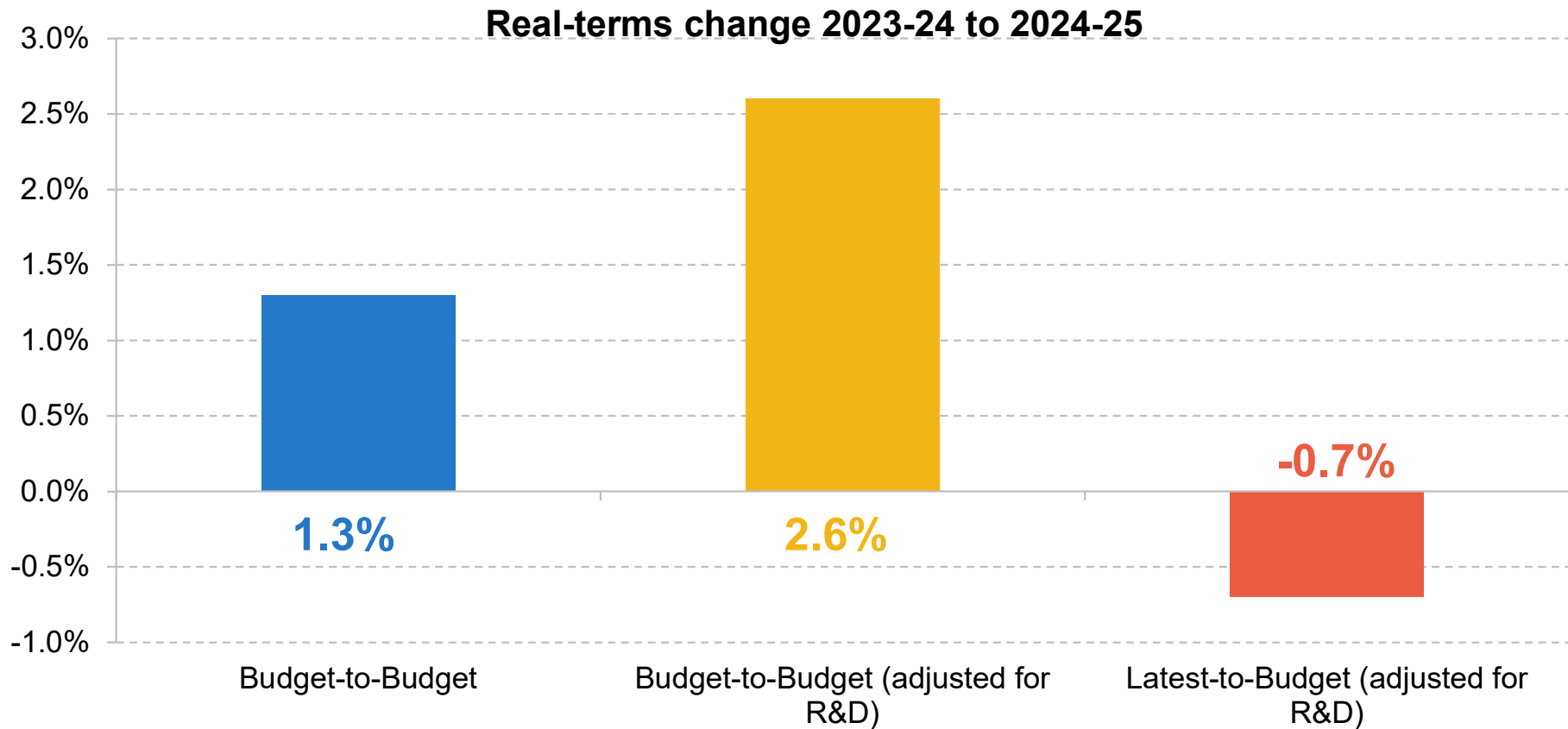


The Budget for 2024-25



- **Further increase in income tax on high income Scots; freeze in council tax**
- **Funding next year higher in cash terms than previously expected – inflation has eroded nearly all of this**
- **Budget gives an overly optimistic impression of the change in funding available for public services next year**
 - 2.2% increase compared to original 2023-24 budget, but 0.6% *cut* compared to latest 2023-24 plans
 - Funding for NHS currently set to fall in 2024-25

NHS Recovery, Health and Social Care portfolio spending plans



- **English health spending also set to fall on current plans**
- **Welsh Govt plans increases, but big cuts to other services**

The Budget for 2024-25



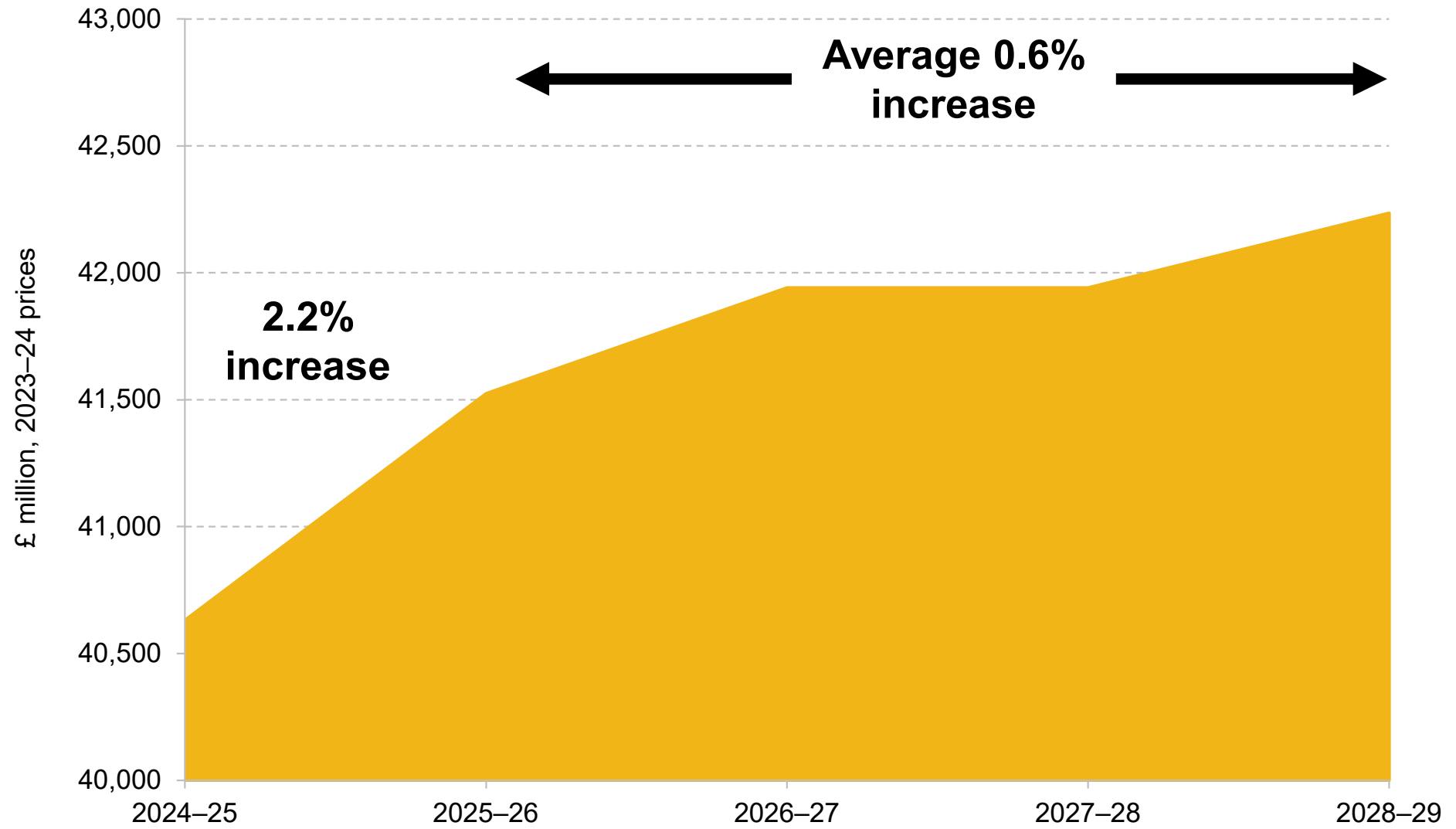
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 - Funding for NHS currently set to fall in 2024-25
 - Local government increases smaller than stated

The medium-term outlook



- **Under current forecasts, funding available for public services set to grow by an average of 1% a year in real terms to 2028-29**

Resource funding outlook: 2024-25 to 2028-29



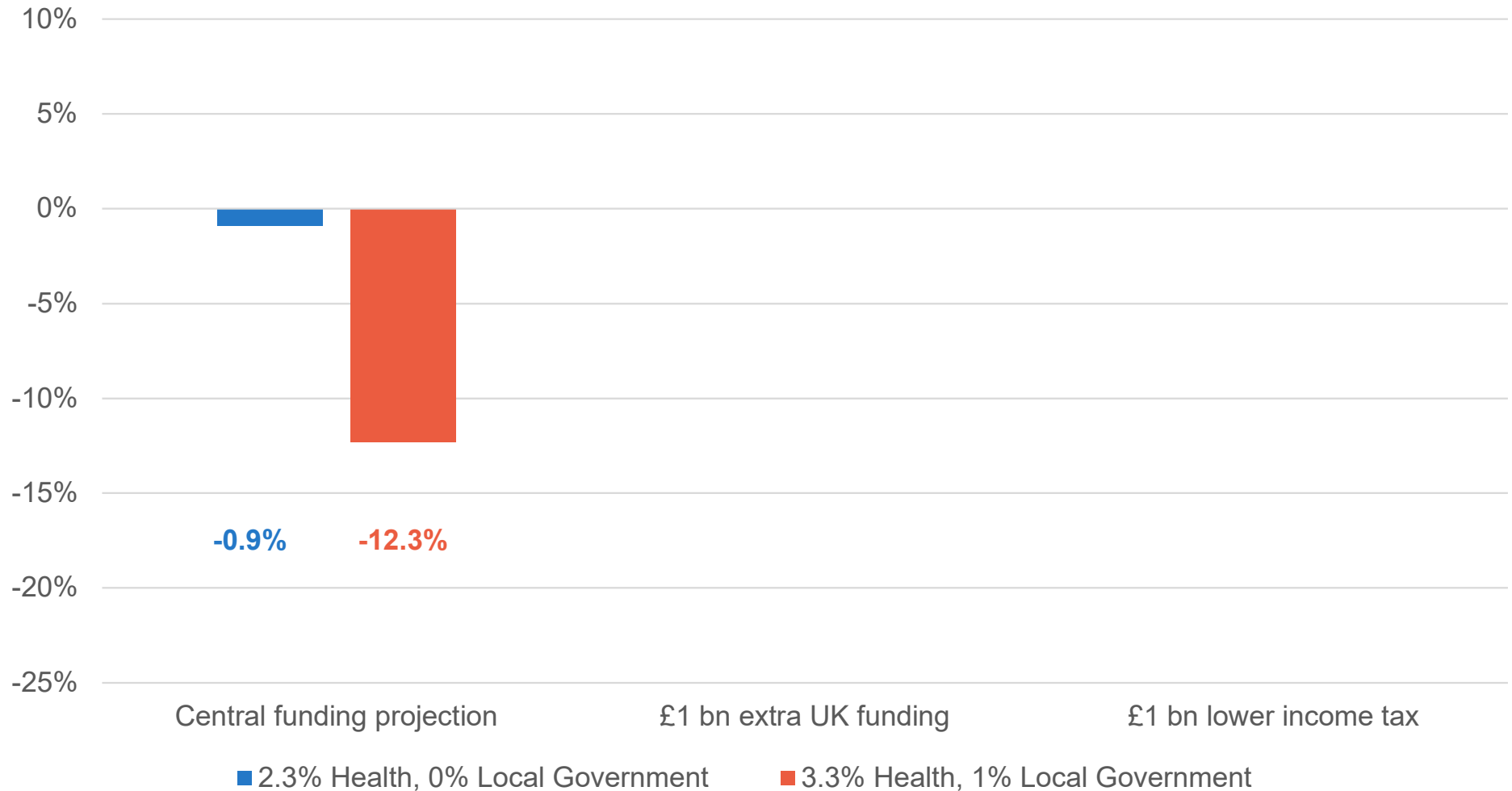
The medium-term outlook



- **Under current forecasts, funding available for public services set to grow by an average of 1% a year in real terms to 2028-29**
 - Increases front-loaded
- **Capital funding set to fall due to cash freeze in UK funding and reduction in planned Scottish Government borrowing**
- **Tricky trade-offs between spending on different services**

Implied change in funding for other services: 2024-25 to 2028-29

Real-terms change



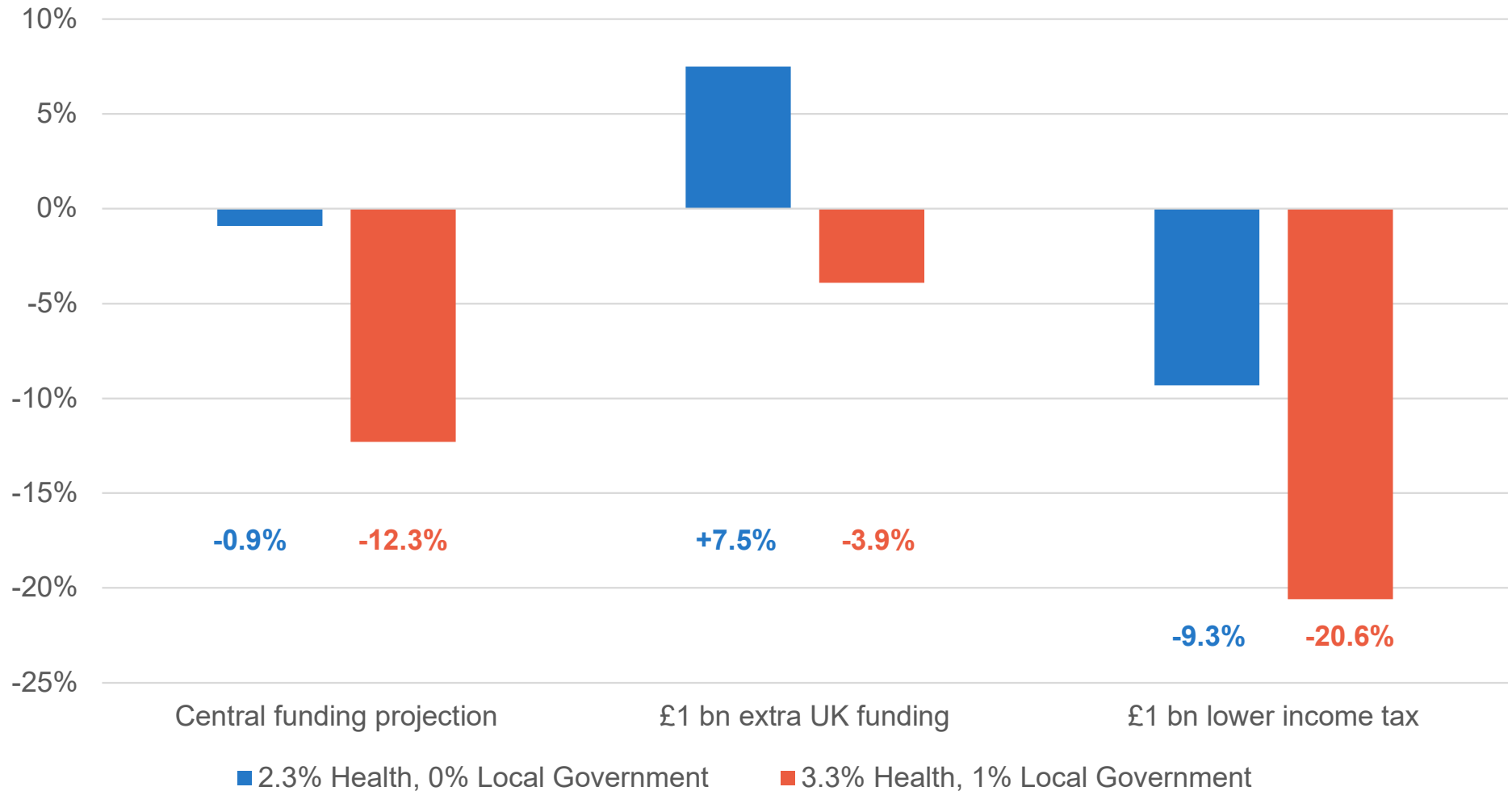
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 - Increases front-loaded
- **Capital funding set to fall due to cash freeze in UK funding and reduction in planned Scottish Government borrowing**
- **Tricky trade-offs between spending on different services**
- **Significant uncertainty around future funding availability**
 - UK govt funding more likely to be topped up than reduced
 - Devolved net tax revenues more likely to be lower than higher

Implied change in funding for other services: 2024-25 to 2028-29

Real-terms change



Summary



- **Further significant tax rises on top 5% of Scottish taxpayers**
 - Continues a pattern of ‘progressive’ revenue-raising
- **Funding next year much higher in cash terms than previously expected but inflation has eroded nearly all of this**
 - Devolved tax revenues mean situation better than in rUK
- **Public service spending currently planned to be lower in real-terms next year than this – including for health**
 - Without top-ups, job cuts and service degradation
- **Tough choices in the medium-term even if extra UK govt funding**
 - Performance of devolved taxes (and economy) important too