



17 February 2022

Tom Wernham,
with Tom Waters

@TheIFS

Scottish tax and benefit reforms



Economic
and Social
Research Council

Many powers over income tax and benefits have been devolved to Scotland

- **Income tax (non-savings, non-dividend income) since 2017-18**
 - Flexibility over all bands and rates except personal allowance
 - More bands and different rates than rest of UK, mean those earning above £28k pay more
- **Benefits devolved and powers to create new benefits since 2018**
 - Best Start Grants (replacing Sure Start Maternity Grants) and Scottish child payment (new benefit) targeting low income children
 - Mitigation of benefits cap and under-occupancy charge, carer's allowance supplement
 - Adult disability payment (ADP) replacing personal independence payment – same amount and eligibility but different assessment process which is forecast to increase spending

Recent and ongoing changes are continuing the divergence

Income tax

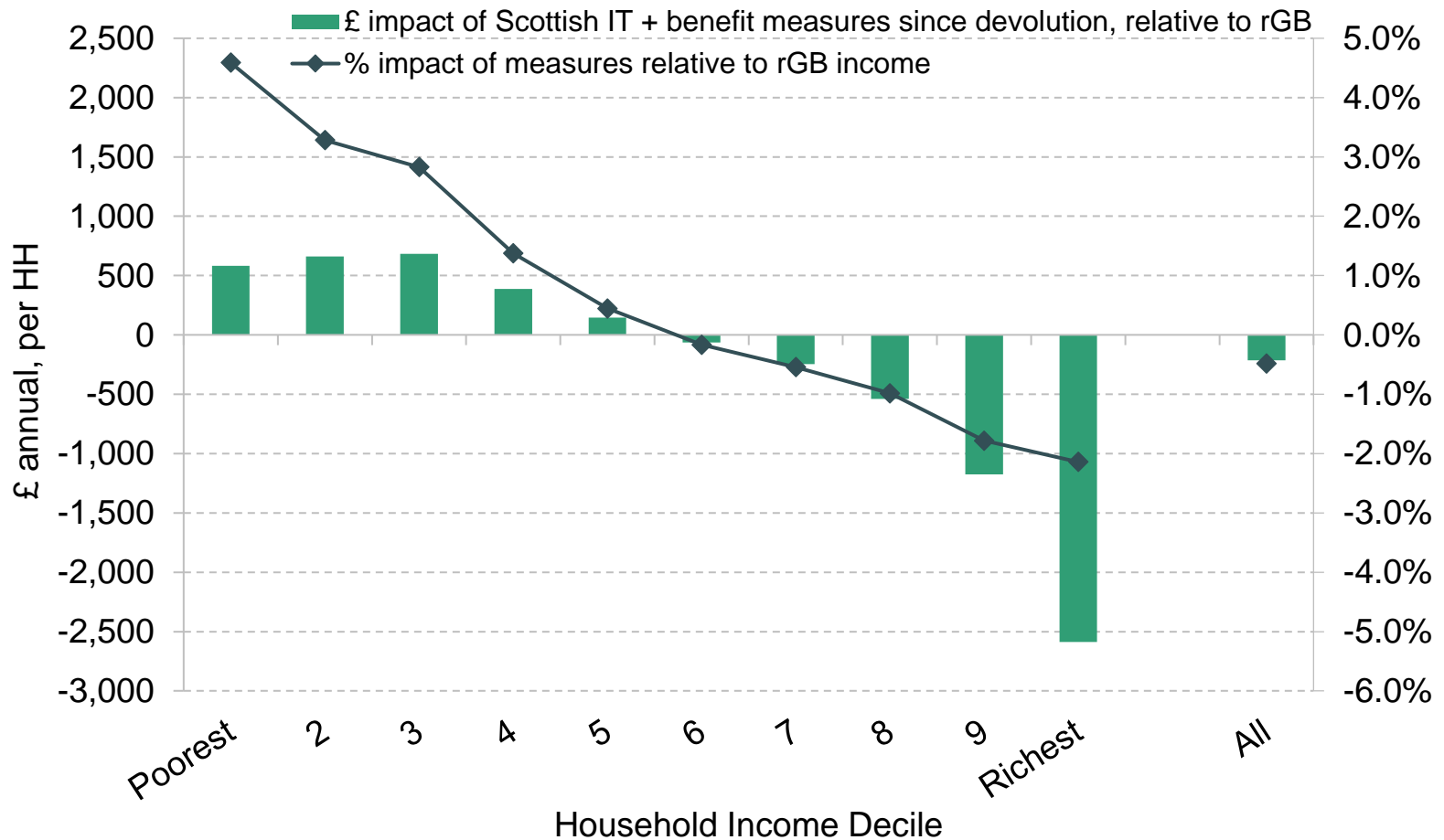
As a result of December's Scottish budget, from April 2023:

- The higher and additional **rates** will be **raised** by 1%pt
- The additional rate **threshold** will be **cut** to £125,140 (in line with UK)
- The basic, higher and intermediate rate **thresholds** will be **frozen** (in line with UK)

Scottish child payment

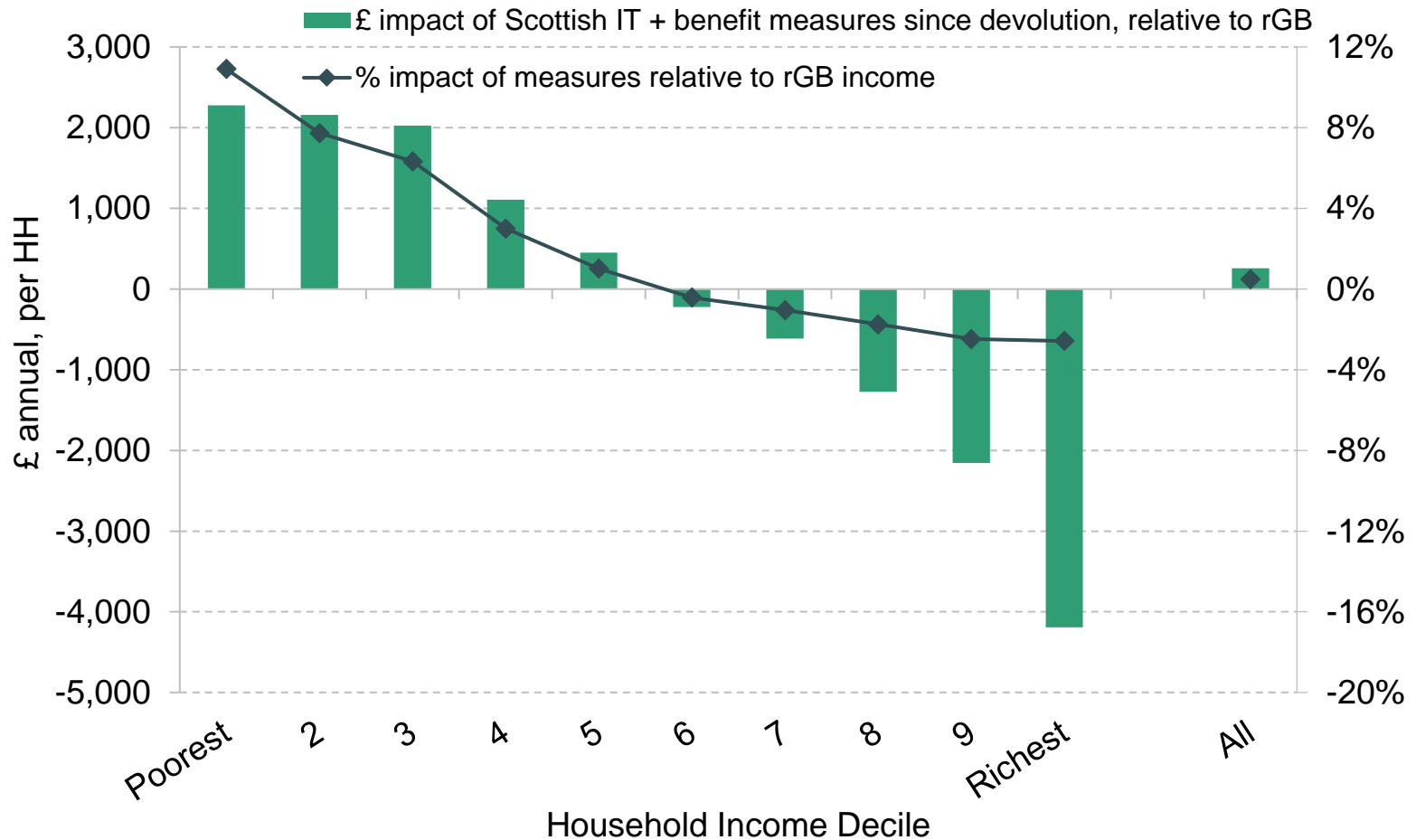
- Last November, the amount was **raised** from £20 to £25 a week, and eligibility was increased for to under 16s

Scotland's system is more progressive than rGB's, but households left with less cash on average



Note: Figure compares Scottish system with that of England and Wales. Source: Figure 5.3

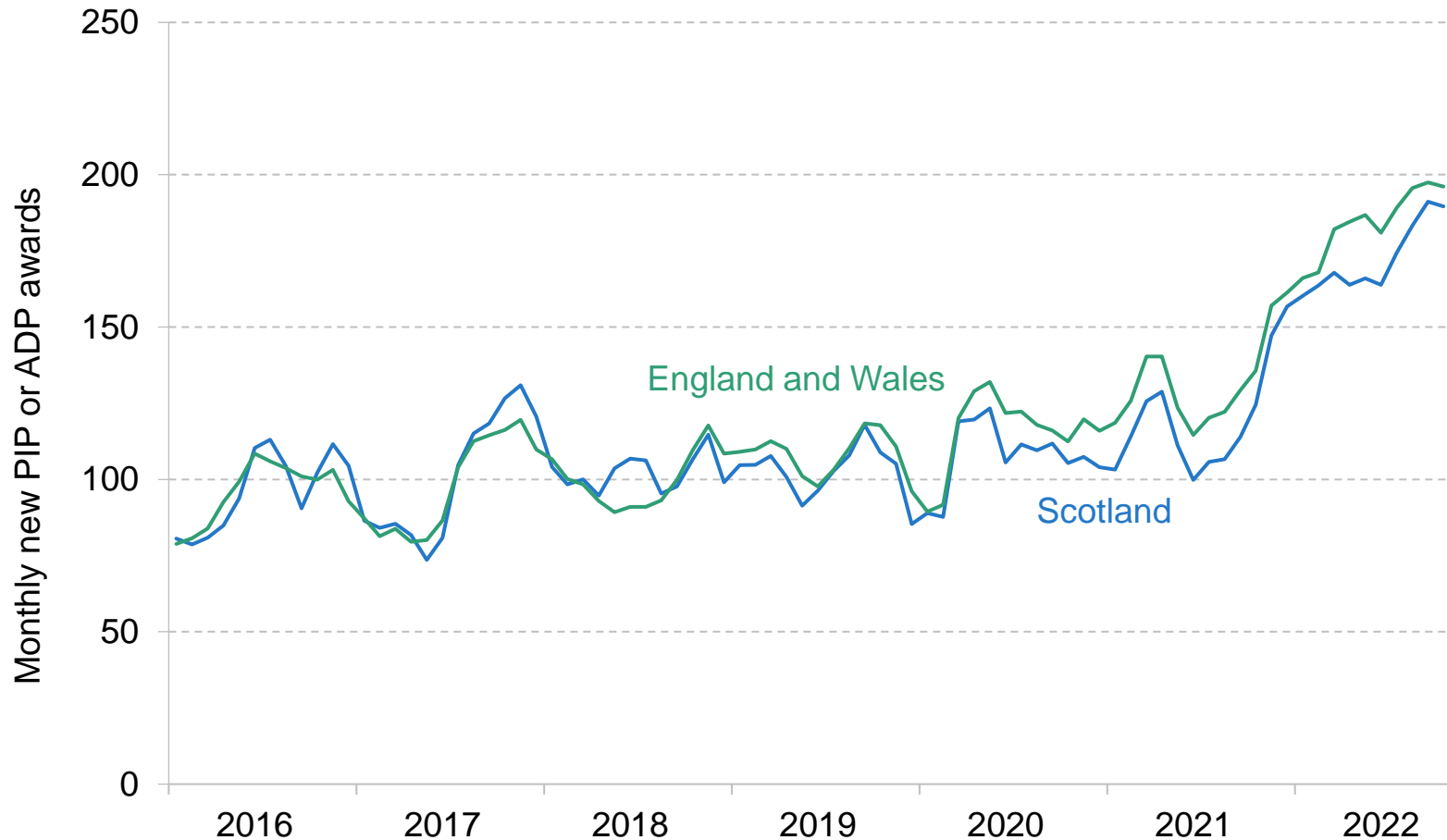
Households with children benefit the most



Note: Households with children only. Note: Figure compares Scottish system with that of England and Wales.

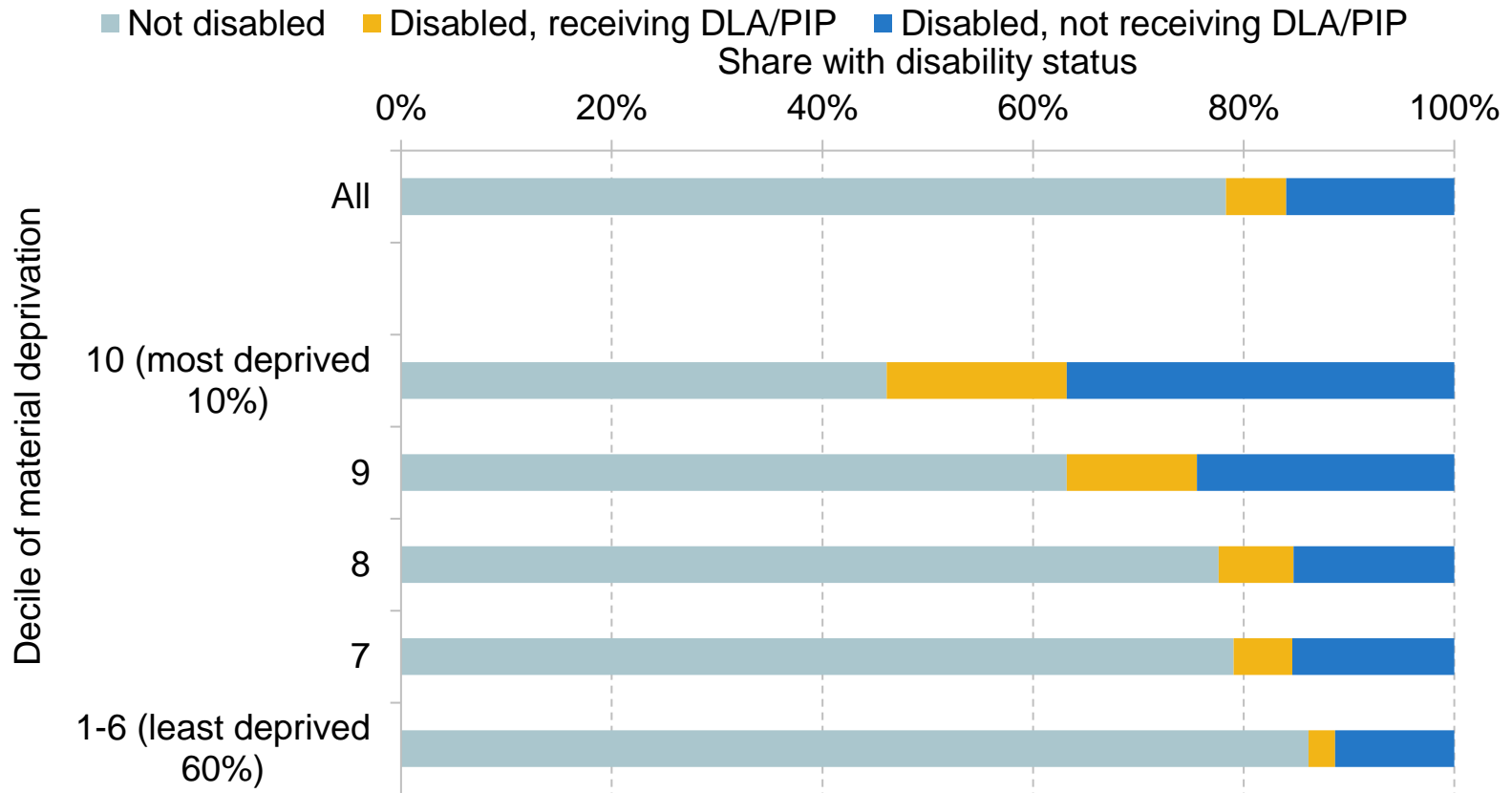
Source: Figure A.2

Scotland, like rGB, is seeing big rise in disability benefit claims



Note: Up to October 2022. Source: Figure 5.3

Disability benefits target those with the lowest living standards



Note: sample is adults in Scotland below state pension age, 2017-2019. Source: Figure 5.6

Conclusions

- Scotland's income tax and benefit system more progressive than that of England and Wales
 - Poorer households with children especially likely to benefit
- But on average households left with less disposable income, as Scottish Government raises revenues to fund public spending
- Recent changes, including in December's Scottish Budget, have increased the divergence between Scotland and rGB
- The new adult disability payment likely to increase progressivity, but add to costs for government when disability benefit spending already on the rise

The Institute for Fiscal Studies
7 Ridgmount Street
London
WC1E 7AE

www.ifs.org.uk

