

# SCOTTISH BUDGET **2023**



Thursday 15 December 2022



## John Swinney, Deputy First Minister, delivered the 2023/24 Scottish Budget on Thursday 15 December 2022, setting out the Scottish government's financial and tax plans.

Against a backdrop of inflation, rising interest rates and a recession looming, as well as controversy due to the leaking of content before the Scottish Budget statement, the Deputy First Minister laid out three priorities for the Scottish government.

These were to create a Scotland that can eradicate child poverty, enable the Scottish economy to transition to net zero and create sustainable public services that support the needs of the Scottish people.

This summary highlights the government's announcements regarding spending plans, income tax and Land and Buildings Transaction Tax.

### Spending

To progress the Scottish government's aim of eradicating child poverty, there were a number of announcements:

- delivering the Scottish Child Payment, uprated to £25 per week in November 2022
- uprating all other devolved benefits in April 2023 by 10.1%
- providing £20 million to extend the Fuel Insecurity Fund into 2023/24
- continuing to invest around £1 billion in high quality early learning and childcare provision,

with a further £42 million invested in holiday food provision and expanding support for school age childcare.

To progress the Scottish government's aim of enabling the Scottish economy to transition to net zero, there were a number of announcements:

- continuing to deliver the Electric Vehicle (EV) Infrastructure Fund to expand Scotland's EV charging
- investing £197 million in active and sustainable travel, including increasing access to cycling
- increasing investment to over £366 million in delivering the Heat in Buildings Strategy in 2023/24, which includes the development of low carbon infrastructure projects such as heat networks and measures to tackle fuel poverty
- supporting businesses by freezing the non-domestic rates poundage, providing transitional reliefs based on the forthcoming revaluation on 1 April 2023 and continuing to support the Small Business Bonus Scheme to remove 100,000 properties from rates altogether
- committing £44 million for the National Test Programme, Agricultural Reform Programme and Agricultural Transformation Fund, supporting the industry to achieve statutory emission targets.

To progress the Scottish government's aim of creating sustainable public services, there were a number of announcements:

- supporting NHS Boards with over £13 billion to drive forward the five-year Recovery Plan
- £2 billion to establish and improve primary health care services in the community
- £1.7 billion for social care and integration to improve services, while paving the way for the introduction of the National Care Service
- an additional £100 million to support delivery of the £10.90 real living wage for adult social care.

### Scottish income tax

The government has devolved powers to set the rates and bands of income tax (other than those for savings and dividend income) which apply to Scottish resident taxpayers.

The Scottish Budget announced that the Starter and Basic rate bands will be maintained at their current levels. The Starter, Basic and Intermediate rates will also remain unchanged. The Higher Rate Threshold will also be maintained at its current level and the Top Rate Threshold will be reduced to £125,140. An additional 1p will be added to both the Higher and Top Rates, bringing them to 42p and 47p, respectively.



The current rates and bands for 2022/23 and the proposed rates and bands for 2023/24 on non-savings and non-dividend income are as follows:

2023/24		2022/23	
Band £	Rate %	Band £	Rate %
0 - 2,162	19	0 - 2,162	19
2,163 - 13,118	20	2,163 - 13,118	20
13,119 - 31,092	21	13,119 - 31,092	21
31,093 - 125,140	42	31,093 - 150,000	41
Over 125,140	47	Over 150,000	46

A Scottish taxpayer is someone who is a UK resident for tax purposes and has one place of residence which is in Scotland. Individuals who have more than one place of residence in the UK need to determine which of these has been their main place of residence for the longest period in a tax year. Individuals who cannot identify a main place of residence will need to count the days they spend in Scotland and elsewhere in the UK. If they spend more days in Scotland, they will be a Scottish taxpayer.

### Land and Buildings Transaction Tax

The Scottish government has announced that it will maintain residential and non-residential rates and bands of Land and Buildings Transaction Tax (LBTT) at their current levels. The current rates and bands are as follows:

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 145,000	0	0 - 150,000	0
145,001 - 250,000	2	150,001 - 250,000	1
250,001 - 325,000	5	Over 250,000	5
325,001 - 750,000	10		
Over 750,000	12		



### **First-time buyer relief**

The relief for first-time buyers of properties up to £175,000 will remain, with its effect of increasing the residential zero tax threshold for first-time buyers from £145,000 to £175,000. First-time buyers purchasing a property above £175,000 also benefit from the relief on the portion of the price below the threshold.

### **Higher rates for additional residential properties**

Higher rates of LBTT are charged on purchases of additional residential properties, such as buy to let properties and second homes. Although these are the main targets of the higher rates, some other purchasers may have to pay the higher rates.

The Additional Dwelling Supplement (ADS) potentially applies if, at the end of the day of the purchase transaction, the individual owns two or more residential properties. Care is needed if an individual already owns, or partly owns, a property and transacts to purchase another property without having disposed of the first property. An 18-month rule helps to remove some transactions from the additional rates (or allows a refund).

The ADS will increase from 4% to 6%, with effect from 16 December 2022, raising £34 million additional revenue to support public services in Scotland. The increased rate will not apply if the contract for a transaction was entered into on or before 15 December 2022. Existing arrangements allowing for the supplement to be reclaimed will continue.

### **Scottish Landfill Tax**

Scottish Landfill Tax (SLT) is a tax on the disposal of waste to landfill, charged by weight on the basis of two rates, a standard rate and a lower rate for less-polluting materials. The standard rate of SLT will increase to £102.10 per tonne and the lower rate to £3.25 per tonne from 1 April 2023.



**If you would like further details on how the Scottish Budget will affect you please contact us.**