

# Citizen Participation and Public Petitions Committee

4th Meeting, 2022 (Session 6), Wednesday 9  
March 2022

PE1923: Align the Higher rate tax threshold to  
£37,501 in line with the rest of the UK

## Note by the Clerk

<b>Petitioner</b>	Peter Watson
<b>Petition summary</b>	Calling on the Scottish Parliament to urge the Scottish Government to align the Scottish higher rate tax threshold to £37,501 with the rate across the rest of the UK.
<b>Webpage</b>	<a href="https://petitions.parliament.scot/petitions/PE1923">https://petitions.parliament.scot/petitions/PE1923</a>

## Introduction

1. This is a new petition that was lodged on 17 January 2022.
2. The petition seeks to align the Scottish higher rate tax threshold to £37,501 with the rate across the rest of the UK. A full summary of this petition and its aims can be found at **Annexe A**.
3. A SPICe briefing has been prepared to inform the Committee's consideration of the petition and can be found at **Annexe B**.
4. While not a formal requirement, petitioners have the option to collect signatures on their petition. On this occasion, the petitioner elected to collect this information. 18 signatures have been received.
5. The Committee seeks views from the Scottish Government on all new petitions before they are formally considered. A response has been received from the Scottish Government and is included at **Annexe C** of this paper.

## Action

6. The Committee is invited to consider what action it wishes to take on this petition. Options include:

**Clerk to the Committee**

## Annexe A

### PE1923: Align the Higher rate tax threshold to £37,501 in line with the rest of the UK

#### Petitioner

Peter Watson

#### Date Lodged:

17/1/22

#### Petition summary

Calling on the Scottish Parliament to urge the Scottish Government to align the Scottish higher rate tax threshold to £37,501 with the rate across the rest of the UK.

#### Previous action

Contacted my Local MP, who raised this with the Scottish Finance Minister. No response has been forthcoming.

#### Background information

The £4.6 Billion uplift in the Scottish grant announced in the recent UK Government Budget should give the Scottish Government the opportunity to "Level up" the Higher rate of tax threshold in line with the rest of the UK. I believe the increased revenue to the individuals and families will be recycled through the economy creating growth whilst rewarding hardworking people.

## Annexe B



The Information Centre  
An t-Ionad Fiosrachaidh

### Briefing for the Citizen Participation and Public Petitions Committee on petition [PE1923: Align the Higher rate tax threshold to £37,501 in line with the rest of the UK](#), lodged by Peter Watson

Brief overview of issues raised by the petition [PE1923](#) calls on the Scottish Parliament to urge the Scottish Government to align the Scottish higher rate tax threshold to £37,501 with the rate across the rest of the UK.

#### Income tax policy in England, Wales and Northern Ireland

- In the current tax year (2021-22), the higher rate tax threshold in England, Wales and Northern Ireland is **£37,701** (note: this is different from the figure of £37,501 cited in the petition, which was the higher rate tax threshold for England, Wales and Northern Ireland in 2020-21).
- The higher rate tax threshold will remain unchanged at £37,701 in 2022-23.
- When the tax-free personal allowance of £12,570 is taken into account, this means that taxpayers in England, Wales and Northern Ireland will pay the higher rate of income tax (40%) on earnings between £50,271 and £150,000.

#### Income tax policy in Scotland

- Scotland has a five-band income tax policy, compared with the three-band policy in place in the rest of the UK (rUK).

- The higher rate threshold in Scotland is currently £31,093 and will remain at this level in 2022-23.
- The higher rate of income tax in Scotland is 41%, which is higher than the equivalent rate in rUK of 40%.
- The tax-free personal allowance is set at UK level, so is also £12,570 in Scotland.
- This means that, after taking the personal allowance into account, taxpayers in Scotland pay 41% on earnings between £43,663 and £150,000.

The HMRC website provides information on the [different income tax thresholds in place across the UK in each year since 2018-19](#).

The [SPICe briefing on the 2022-23 Scottish budget](#) sets out the income tax policies for 2022-23 for both Scotland and rUK. (Note that the heading for Table 2 in the briefing should read **2022-23**). All the thresholds set out here include the personal allowance of £12,570. As noted above, the higher rate threshold is unchanged from 2021-22 across the whole of the UK.

## Implications of the different higher rate threshold in Scotland

- The lower higher rate threshold in Scotland means that taxpayers in Scotland start to pay higher rate tax sooner than they would in the rest of the UK.
- If Scotland had the same higher rate threshold as the rUK, then all individuals earning above £43,662 would pay less income tax than they do under the current Scottish income tax policy. For example, an individual earning £50,000 would pay £1,267.60 less income tax in Scotland if Scotland had the same higher rate threshold as the rUK (£50,270).
- If Scotland had the same higher rate threshold as the rUK, this would also reduce the amount of income tax revenue available for the Scottish Government to spend.
- In 2022-23, increasing the higher rate threshold to the same level as the rUK would reduce income tax revenues by an estimated **£520 million**. This estimate is based on SPICe calculations using the [UKMOD model](#). Individuals affected by this income tax change might also adapt their behaviour which could reduce income tax revenues even further.
- The Scottish Government would therefore have to reduce its spending plans by an equivalent amount.

- Once the Scottish Parliament has agreed the Scottish Government budget for 2022-23, including the [Scottish Rate Resolution](#), which sets the income tax policy that underpins the budget, income tax policy for 2022-23 can no longer be changed. These votes will take place in February 2022.
- A new Scottish Rate Resolution could in principle be lodged before the start of the new tax year in April 2022, but the budget would also need to be amended to reflect the revised income tax revenues. After that, the next opportunity for changing income tax policy would then be during the budget process for 2023-24.

**Nicola Hudson**  
**Senior Analyst**

17 January 2022

The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of petition briefings with petitioners or other members of the public. However, if you have any comments on any petition briefing you can email us at [spice@parliament.scot](mailto:spice@parliament.scot)

Every effort is made to ensure that the information contained in petition briefings is correct at the time of publication. Readers should be aware however that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

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## Annexe C

### Scottish Government submission of 18 January 2022

### PE1923/A – Align the Higher rate tax threshold to £37,501 in line with the rest of the UK

While the UK Government Autumn Budget and Spending Review announced what was described as a significant increase in Scotland's block grant, the reality is a cut in day-to-day funding for each year of the spending review compared to 2021-22 – in addition to the continuing challenges of Covid-19 and EU exit.

The average annual increase of £4.6 billion portrayed by the UK Government is only a rise after all 2021-22 Covid-19 and other one-off funding from the Block Grant is stripped out. In practical terms, between 2021-22 and 2022-23, resource funding is 7.1% less in real terms.

Alongside revenue funding, the UK Spending Review also fell short of the Scottish Government's ambitious capital spending plans – constraining our ability to invest in the infrastructure required to support our economy and public services, and deliver the green jobs and technology required to reach Net Zero. The equivalent reduction for Scotland's capital budget grant funding is a 9.7% real terms cut between 2021-22 and 2022-23.

The Scottish Fiscal Commission estimate that the Scottish Government's decisions on Income Tax since 2017-18 will add around £552 million to the Scottish Budget in 2022-23, compared to following UK Government Income Tax policies.

This implies that reverting to UK Income Tax rates and bands would mean £552 million less to invest in public services, our economy, and in priorities like our national mission to end child poverty. While reduced public spending would impact everyone, previous analysis undertaken by the Scottish Government finds that low income households are most likely to feel the impact of reduced public spending.

Furthermore, reverting to UK Income Tax rates and bands would predominately benefit high income earners. For example, a Higher Rate taxpayer earning £50,000 would see their take home pay increase by of £1,489, while a Top Rate taxpayer earning £160,000 would see a rise of £2,768.

The Scottish Government does not support a policy which would provide a tax break to high income earners while disproportionately impacting those on low incomes. Instead, we remain committed to a fairer and progressive system in Scotland. A system that protects low income earners whilst investing in the widest and best

funded range of free to access public services than in the UK, which includes universal free prescriptions and tuition fees.