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BRIEFING

A PROGRESSIVE FUTURE FOR INCOME TAX IN SCOTLAND?

THE EFFECTS OF CHANGING THE HIGHER RATE TAX THRESHOLD IN SCOTLAND FOR THE SCOTTISH GOVERNMENT DRAFT BUDGET 2019/20

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INTRODUCTION

The Scottish government begins the budget process for Scotland on 12 December 2018, publishing its draft budget for 2019/20. This will see the Scottish government set out its plans for devolved taxes and spending in devolved policy areas for the coming year. The draft budget will face parliamentary scrutiny over the coming months before being finalised, potentially with amendments, before the end of February 2019. Given the current make-up of the Scottish parliament, and the minority SNP government, the Scottish government will need one or more opposition parties to back their plans.

This briefing report looks ahead to the Scottish government's draft budget for 2019/20, focusing on some of the implications of changing the devolved higher rate tax threshold in Scotland.

Part one outlines the implications of increasing Scotland's thresholds with inflation or matching the UK government's announced tax cut for higher earners in the rest of the UK (rUK) from 2019/20. Part two proposes alternative options for Scotland's higher rate tax threshold,[1] alongside potential implications for social security spending and associated reductions in relative child poverty.

SCOTLAND'S DEVOLVED INCOME TAX

Following the devolution of further income tax powers to Scotland in 2016 the Scottish government now has power to set income tax rates and thresholds for income tax in Scotland on earnings above the personal allowance (which is reserved to the UK government). The Scottish government used these powers, firstly in 2017/18 to hold the higher rate tax threshold (the point at which higher earners begin to pay the higher rate of income tax) lower than in rUK. While not a tax increase in cash- or real-terms, this meant higher earners in Scotland did not receive a tax cut that higher earners in the rUK did. For 2018/19, in last year's budget, the Scottish government made more significant changes to the devolved income tax system in Scotland. This saw the introduction of two new income tax bands, and an increase in tax rates for higher and additional rate tax payers. Overall this saw reductions in income tax for lower earners and increases in taxes for higher earners in Scotland. This means Scotland now has a very different income tax structure to the rest of the UK.

CHOICES FOR 2019/20

For 2018/19, Scotland's higher rate tax threshold stands at £43,430, compared to the rUK threshold of £46,350. At last month's 2018 UK budget, the chancellor announced the higher rate income tax threshold in rUK is set to rise to £50,000 from April 2019. This constitutes a further tax cut for higher earners in rUK– and takes an opposite direction to the Scottish government's income tax choices so far. Ahead of the publication of the Scottish government's draft budget, there is a clear choice before the Scottish government in relation to how to respond to an increasing differential in the income tax paid by higher earners in rUK against that paid by higher earners in Scotland.

The Scottish government remains publicly committed to a progressive income tax agenda. Scotland's finance secretary Dereck Mackay has promised to take

1 The higher rate tax threshold is the level of earnings over which taxpayers pay the 'higher rate' of income tax. The 'higher rate' is set at 40 per cent in rUK and 41 per cent in Scotland.

“a more progressive approach” to income tax than UK chancellor Philip Hammond in Scotland’s 2019/20 budget (BBC 2018). One of the key decisions facing the Scottish government for this coming year is how much income higher earners can make before higher-rate tax rates kick in.

THE DEFAULT OPTION: INCREASING TAX THRESHOLDS WITH INFLATION

The Scottish government has not outlined its plans for the Scotland higher rate tax threshold for 2019/20 and beyond, but the default assumption, used by the Office for Budget Responsibility (OBR) and Scottish Fiscal Commission for projecting future Scotland devolved tax revenue, is that tax thresholds increase by inflation.

If tax thresholds in Scotland are indeed uprated with inflation, it would provide tax cuts in cash-terms to taxpayers in Scotland over the coming years. Higher earners would receive the largest cash-terms tax cuts. Table 1 outlines the cash-terms cuts that income tax payers in Scotland would receive over time if income tax thresholds are uprated with inflation.

TABLE 1

Annual cash-terms tax cuts for income tax payers in Scotland (2019/20)

Earnings	Increase in personal allowance	Increase in Scotland basic rate threshold	Increase in the Scotland intermediate rate threshold	Increase in Scotland higher rate tax threshold	Total
<£10,000	£0			£0	£0
£11,850	£0			£0	£0
£12,500	£123.50			£0	£123.50
£17,500	£123.50	£7.00		£0	£130.50
£25,000	£123.50	£7.00	£9.40	£0	£139.90
£40,000	£123.50	£7.00	£9.40	£0	£139.90
£45,000	£123.50	£7.00	£9.40	£282.00	£421.90
>£100,000	£123.50	£7.00	£9.40	£282.00	£421.90

Note: Planned changes announced in UK budget for 2019/20 will increase personal allowance (reserved to UK government). See annex (table A1) for projections of tax bands in Scotland in line with projected inflation.

This shows that the highest tax cuts in cash-terms would be provided to higher earners. Those earning under the previous personal allowance threshold of £11,850 personal allowance would not gain from the increases to the UK personal allowance or increases in Scotland’s tax bands. Those earning between £11,850 and £43,340 would gain up to £139.90 in cash-terms per year, from a combination of increases in the UK personal allowance, and the tax thresholds for the Scotland starter rate, basic rate and intermediate rate. However, it would be higher earners, those earning above £44,841 – the top 15 per cent of Scotland’s income tax payers - that would benefit the most, with a total tax cut (in cash-terms) of £421.90 (made up of £123.50 from the UK personal allowance increase, and £298.40 from increases in devolved Scotland tax thresholds). Earners above £100,000 would receive less than this as the UK personal allowance is withdrawn from income tax payers above this amount.

PART 1
HOW MUCH WOULD IT COST TO MATCH THE UK GOVERNMENT TAX CUT FOR HIGHER EARNERS?

Table 2 shows the baseline assumption for Scotland's higher rate tax threshold[2] uprated with inflation as against the new plans for rUK taxpayers announced by the UK government in the autumn budget 2018.

TABLE 2

Higher-rate tax threshold projections for Scotland and rUK

	Scotland higher rate tax threshold	rUK higher rate tax threshold
2019/20	£44,840	£50,000
2020/21	£45,470	£50,000
2021/22	£46,390	£51,015
2022/23	£47,370	£52,095

Source: IPPR Scotland calculations uprating the Scotland higher rate tax threshold with inflation (using OBR Sep inflation forecasts) against stated UK government policy for the rUK higher rate tax threshold.

We used the IPPR Scotland tax-benefit model to analyse the costs and impact of a decision to match the UK government's £50,000 higher-rate tax threshold in Scotland, and to increase it in line with rUK over the coming years through to the end of the next Scottish government spending review (2022/23).

2 The Scottish government's draft budget for 2018/19 outlined that the total fiscal resource budget limit for 2018/19 was £26.860 billion and that (RDEL) protected spending for the NHS, police and social security was £14.040 billion, leaving £12.820 billion of non-protected spending in 2018/19.

TABLE 3

Effect on devolved income tax revenue of Scottish government applying planned rUK higher-rate tax threshold change in Scotland (real-terms, 2018/19 prices)

	Static revenue change (not including behavioural response)	Dynamic revenue change (including behavioural response)
2019/20	-£310m	-£280m
2020/21	-£280m	-£260m
2021/22	-£290m	-£260m
2022/23	-£290m	-£260m
Total (cumulative)	-£1160m	-£1060m

Source: IPPR Scotland tax-benefit model. See methodological note.

Options modelled here and throughout this report account for the increase of the personal allowance threshold scheduled from 2019/20 for the UK as a whole as this power is reserved to UK government.

IMPLICATIONS

Our analysis shows that the costs of matching in Scotland the UK government's decision to cut taxes for higher earners in rUK could be significant, at a cost of £280 million in 2019/20, and £1.06 billion in real terms (2018/19 prices)[3] between 2019/20 and 2022/23 (the last year of the forthcoming spending review). Equally, in 2019/20 it would provide a tax cut (in cash-terms) of £1,314 for every higher rate tax payer in Scotland compared to 2018/19.

This could have a significant impact on public spending in Scotland, particularly if the costs for this tax cut were to be found in reductions in spending among non-protected departments (those outside of health, police and social security). A reduction in spending for non-protected departments worth £280 million would amount to a reduction in spending of 2.0 per cent in non-protected departments in Scotland.[4]

If the Scottish government, and Scottish parliament more widely, wish to end public spending cuts, then far from being able to afford tax cuts, the Scottish government may need to consider measures to increase tax revenue in 2019/20 and across the spending review period to 2022/23.

3 Real terms figures are all based on 2018/19 prices using GDP deflators at market prices from the UK government's 2018 budget. See:https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-october-2018-budget-2018.

4 The Scottish government draft budget for 2018/19 outlined that the total fiscal resource budget limit for 2018/19 was £26.860 billion and that (RDEL) protected spending for the NHS, police and social security was £14.040 billion, leaving £12.820 billion of non-protected spending in 2018/19.

PART 2
OPTIONS FOR RAISING TAX REVENUE IN SCOTLAND

We also wanted to consider options for raising additional tax revenue in Scotland. Given the Scottish government's commitment to a more progressive income tax system (BBC 2018), we were interested in options that protect and potentially enhance the more progressive nature of the income tax system in Scotland.

With this in mind, we considered three options:

- **Option 1:** Capping the increases to the higher rate tax threshold in Scotland to no more than 1 per cent each year for four years from 2019/20 to 2022/23, and increasing Scotland's basic and intermediate rate thresholds by inflation over this time. This would bring the top 19 per cent of earners in Scotland that pay income tax into the higher rate by 2022/23.
- **Option 2:** Freezing the higher rate tax threshold in Scotland in cash-terms for three years between 2019/20 and 2021/22, and increasing Scotland's basic and intermediate rate thresholds by inflation. This would bring the top 20 per cent of earners in Scotland that pay income tax into the higher rate by 2021/22, while also ensuring the bottom 56 per cent of taxpayers in Scotland - all those earning under just under £27,000 (£26,999.52) – pay less income tax in Scotland compared to rUK in 2019/20.
- **Option 3:** Freezing the higher rate tax threshold in Scotland in cash-terms for three years between 2019/20 and 2021/22, and increasing Scotland's basic rate threshold by £2,650, and the intermediate rate threshold by inflation. This would bring the top 20 per cent of earners in Scotland that pay income tax into the higher rate, while also ensuring the bottom 63 per cent of taxpayers in Scotland - all those earning under just under £30,000 (£29,982.85) - pay less income tax in Scotland compared to rUK in 2019/20.

We included the increases in the UK personal allowance and compared these options to the baseline of Scotland's existing income tax system, uprated over time with inflation.

Table 4 outlines the cash-terms benefits to earners throughout the income spectrum from each of our three options. For income tax rates and thresholds for each of our income tax options see the annex (table A2). Those earning above £100,000 would benefit less as the personal allowance is gradually withdrawn from those with an annual income of over £100,000 across the UK.

TABLE 4

Cash-terms benefits that would be provided to income tax payers in Scotland in 2019/20 under each IPPR Scotland tax change option (annual)

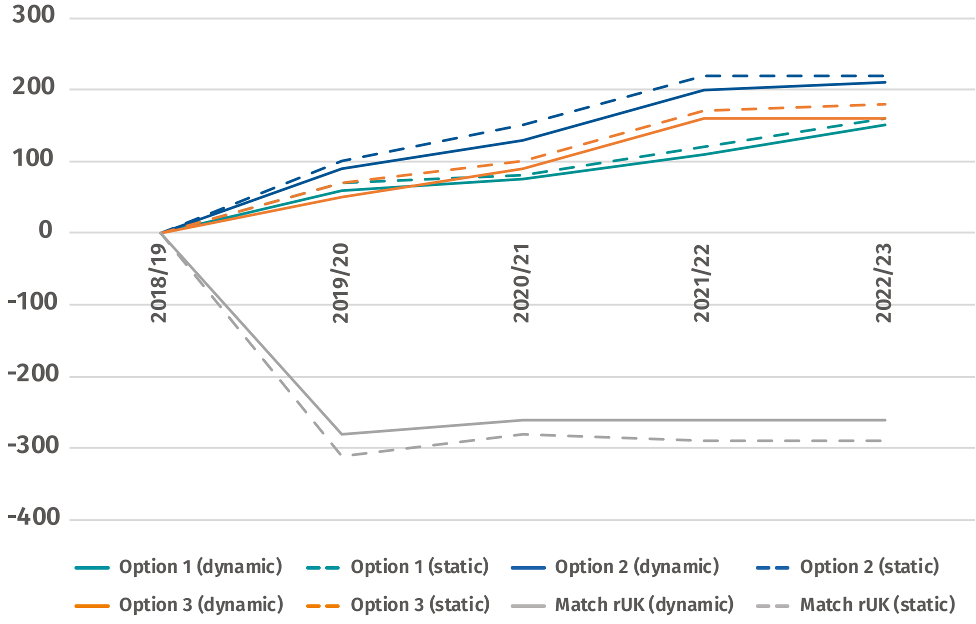
Earnings	Baseline	Option 1	Option 2	Option 3
<£10,000	£0	£0	£0	£0
£11,850	£0	£0	£0	£0
£12,500	£123.50	£123.50	£123.50	£123.50
£14,942.20 (minimum wage)	£130.50	£130.50	£130.50	£141.42
£17,500	£130.50	£130.50	£130.50	£157.00
£25,000	£139.90	£139.90	£139.90	£166.40
£40,000	£139.90	£139.90	£139.90	£166.40
£45,000	£421.90	£226.90	£139.90	£166.40
>£100,000	£421.90	£226.90	£139.90	£166.40

REVENUE RAISED BY IPPR SCOTLAND INCOME TAX OPTIONS

We used the IPPR Scotland tax-benefit model to model each of our income tax options for each year between 2019/20 and 2022/23 (the last year of the forthcoming spending review). Figure 1 demonstrates the effect on tax revenue raised by each option in static and dynamic terms (including behavioural effects).

FIGURE 1

Change in income tax revenue from options for Scotland's higher rate tax threshold, £ millions (real terms, 2018/19 prices)



Source: IPPR Scotland tax-benefit model.
Note: Revenue-raised is in comparison to the baseline scenario which assumes thresholds rise with inflation. See methodological note.

IMPLICATIONS FOR PUBLIC SPENDING

Our analysis shows that the revenue raised by our income tax options could be significant (see table A3 in annex for full breakdown of revenue raised). Option 1, capping increases in the higher rate tax threshold to 1 per cent, could provide additional revenue of £60 million in 2019/20, rising to £150 million by 2022/23, and a total cumulative additional £420 million in real terms (2018/19 prices)[5] between 2019/20 and 2022/23 (the last year of the forthcoming spending review). Option 2, freezing the higher rate tax threshold in cash-terms, could bring in additional revenue of £90 million in 2019/20, rising to £210 million by 2022/23, and a total cumulative £630 million in real terms (2018/19 prices) between 2019/20 and 2022/23. Option 3, which would extend the starter rate in Scotland and freeze the higher rate tax threshold, could bring in additional revenue of £50 million in 2019/20, rising to £160 million by 2022/23, and a cumulative total of £460 million in real terms (2018/19 prices) between 2019/20 and 2022/23.

This could have a significant impact on public spending in Scotland. Freezing the higher rate tax threshold in Scotland (option 2) could provide up to a maximum of £90 million in additional revenue per year in 2019/20 or £210 million per year by 2022/23 (in 2018/19 prices). To give an idea of scale, if this additional revenue had been provided to the Scottish government's budget for day-to-day spending for non-protected departments (those outside of health, police and social security) in this year (2018/19) this could have provided additional revenue equivalent to 0.7 per cent and 1.6 per cent of non-protected department budgets respectively, an increase to the general resource grant to local authorities by 1.3 per cent and 3.1 per cent respectively, an increase in college budgets of 15.3 per cent and 35.7 per cent respectively, and boosted skills spending in Scotland by 38.7 per cent and 90.2 per cent respectively.[6] In 2019/20 this would be the equivalent of funding 2,200 teachers or 2,800 nurses per year, rising to over 5,200 teachers or 6,500 nurses by 2022/23.[7]

IMPLICATIONS FOR CHILD POVERTY AND INEQUALITY

We used the IPPR Scotland tax-benefit model to analyse the impact of benefits changes that could be funded through our income tax options, and their effect on child poverty and inequality by household type.

The Scottish government has committed to new child poverty targets, with unanimous support from across the Scottish parliament. These include a legal target to reduce relative child poverty to no more than 10 per cent (after housing costs, against 60 per cent of median income) by 2030. If these targets are met, this would see the number of children in relative poverty in Scotland fall from latest estimates for 2014–17 of around 230,000 children in relative poverty to likely under 100,000 by 2030 (Scottish Government 2018). Earlier this year, IPPR Scotland undertook analysis of the potential cost of reducing child poverty in Scotland (Gunson et al 2018), finding that reducing poverty to target levels would require significant levels of investment. At the same time, recent analysis has projected that without action, the relative child poverty rate in Scotland could reach close to 40 per cent by 2030/31 (Reed et al 2018).

5 Real terms figures are all based on 2018/19 prices using GDP deflators at market prices from the UK government's 2018 budget. See: https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-october-2018-budget-2018

6 The Scottish government's draft budget for 2018/19 outlined that the total fiscal resource budget limit for 2018/19 was £26.860 billion and that (RDEL) protected spending for the NHS, police and social security was £14.040 billion, leaving £12.820 billion of non-protected spending in 2018/19. The draft budget also outlined budget lines for fiscal resource for local authorities, colleges and skills spending which we have used to calculate percentage increases.

7 Costings estimated on 2018/19 pay bands for teachers in Scotland, at £30,714 + NI and pension contributions, and 2017/18 pay bands for NHS nurses in Scotland, at £24,793 + NI and pension contributions. See: https://www.eis.org.uk/pay-and-conditions-of-service/salary-scales and https://www.rcn.org.uk/employment-and-pay/nhs-pay-scales-2017-18

The Scottish government has committed to introduce an income supplement in Scotland, by 2022, with the aim of reducing child poverty and to help it to meet its targets. Our analysis shows the impacts of investing funds from our income tax options outlined above into topping-up existing benefits. However, it should not be taken as an assumption as to the required ambition, scale or shape of the proposed income supplement, nor the delivery mechanism for introducing it.

Table 5 shows the cost of removing, or in-effect removing, the two-child limit and benefit cap in Scotland over the next three years. It shows that freezing the higher rate tax threshold in cash-terms would provide sufficient revenue to afford to in-effect remove the two-child limit and benefit cap in Scotland in 2019/20. The cost of removing the two-child limit is likely to increase each year, compared to a UK baseline, as greater numbers of third and subsequent children are born after the UK government's cut-off date of April 2017.

Removing, or effectively removing, the two-child limit and benefit cap in Scotland is an important first step in calculating the impact of additional spending on social security in Scotland. Without modelling their removal, the two-child limit and benefit cap would limit the effectiveness of any additional spend on social security in Scotland within the options modelled here.

TABLE 5

The impact of ending the two-child limit and benefit cap in Scotland

	Cost	Change in relative child poverty (AHC, 60% median)
2019/20	£80m	-15,000
2020/21	£100m	-20,000
2021/22	£120m	-25,000

Source: IPPR Scotland tax-benefit model.
Note: Relative child poverty is against a UK poverty line of 60 per cent median income, after housing costs. Costings assume a full roll-out of UC equivalent and full take-up. Latest figures, for 2014-17, show there are an estimated 230,000 children in relative poverty in Scotland after housing costs, by the same measure of relative poverty (Scottish Government 2018). See methodological note.

Table 6 shows what the impact of each of our tax options outlined above would be if invested into potential options for additional social security spend in Scotland.

TABLE 6

Options for social security spending from changes to higher rate tax threshold in Scotland (2021/22 projections, cash-terms)

	Option 1 – No two-child limit, no benefit cap	Option 2 – £20 top-up to UC child element, no two-child limit, no benefit cap	Option 3 – £10 top-up to UC child element, no two-child limit, no benefit cap
Income tax revenue change	+£120m	+£230m	+£180m
Benefit cost	-£120m	-£230m	-£180m
Child poverty reduction	-25,000	-40,000	-30,000

Source: IPPR Scotland tax-benefit model.
Note: Relative child poverty is against a UK poverty line of 60 per cent median income, after housing costs. Costings assume a full roll-out of UC equivalent and full take-up. Income tax revenue change are presented in static and cash-terms. Latest figures, for 2014-17, show there are an estimated 230,000 children in relative poverty in Scotland (Scottish Government 2018). See methodological note.

This shows that increasing the higher rate tax threshold in Scotland by 1 per cent in cash-terms for each the next four coming years (option 1) could provide sufficient funds on its own by the year 2021/22 to cover the costs of ending, or effectively ending, the two-child limit and benefit cap in Scotland. Whether delivered through existing social security powers (such as local government powers) or through the newly devolved social security powers, this could reduce relative child poverty in Scotland by 25,000 by 2021/22.

Going further, and freezing the higher rate tax threshold in Scotland in cash terms over the next three years (option 2), could be enough on its own to provide sufficient funds to effectively end the two-child limit and provide the equivalent of a £20 top-up to the child element of universal credit by 2021/22 (whether through a Scotland stand-alone payment or through topping-up UK benefit payments in Scotland), reducing relative child poverty by 40,000 by 2021/22.

Providing a further tax cut to earners above £17,200 but freezing the higher rate tax threshold in cash terms for the next three years (option 3) could be enough to in-effect end the two-child limit and benefit cap and provide the equivalent of a £10 per month top-up to the child element of universal credit in Scotland by 2021/22, taking 30,000 children out of relative poverty.

Table 7 shows distributional analysis of these social security changes by household type. It shows that using existing or newly devolved powers in Scotland to in-effect end the two-child limit and benefit cap in Scotland, and to provide an equivalent of a top-up to the child element of universal credit of £10 or £20 per month (whether through a Scotland stand-alone payment or through topping-up existing UK benefits in Scotland) could raise the average weekly income of single parent families by 3 per cent and nearly 3.9 per cent respectively. This shows the disproportionate impact that some UK benefit reforms have had on lone parent families, and that investing in additional social security payments to reduce relative child poverty could benefit lone parent families to an even greater extent than other types of families.

TABLE 7

Mean percentage change in weekly household income in Scotland, by family type (2021/22 projections)

Policy change	Single adult with children	Couple with children
End benefit cap, end 2-child limit	2.0%	0.9%
End benefit cap, end 2-child limit + £10 to UC child element	3.0%	1.2%
End benefit cap, end 2-child limit + £20 UC child element	3.9%	1.4%

Source: IPPR Scotland tax benefit model.
Note: Distributional analysis does not account for proposed income tax changes, as there are a number of options to fund the proposed reforms.

CONCLUSIONS

The Scottish government has committed to reducing relative child poverty to less than 10 per cent of children in Scotland by 2030. It has stated its opposition to austerity and its support for ending real-terms public spending cuts in Scotland. Last year's tax reforms also demonstrated the Scottish government's willingness to commit to some progressive reforms on income tax for earners in Scotland.

Our analysis shows that a number of simple changes to the income tax thresholds could deliver a more progressive income tax system in Scotland, ensuring that we avoid giving the largest cash-terms tax cuts to higher earners next year, and could provide significant additional investment for public services worth up to £210 million per year and £630 million in cumulative terms between now and the end of the spending review period in 2022/23 (based on 2018/19 prices). If provided to non-protected departments in Scotland this year, this would have been enough to provide additional revenue worth 1.6 per cent of Scotland's annual non-protected budget (RDEL).

If invested in additional spending on social security in Scotland, this additional tax revenue could make significant progress in reducing relative child poverty in advance of the Scottish government's current plans for introduction of an income supplement by 2022. These funds, in addition to the Scottish government's developing plans for its income supplement, could lift an additional 40,000 children out of poverty in 2021/22.

Matching the UK government's tax cut for higher earners, on the other hand, could be costly in Scotland. It would provide the largest tax cuts for 2019/20 to higher earners (a tax cut of £1,314 in cash-terms for higher earners). At a cost of up to £280 million per year (2018/19 prices), and at a total cost of over £1 billion over the next four years (2018/19 prices) it is questionable whether a tax cut for higher earners is affordable given the Scottish government's aim to end public spending cuts, and given ambitious policy agendas in Scotland on poverty, attainment and inclusive growth.

Increasing the higher rate tax threshold in Scotland by less than inflation, or indeed freezing it in cash-terms, could be a progressive alternative that ensures all income tax payers in Scotland see a tax cut in cash-terms, while also raising tax revenue that could contribute to reducing or ending spending cuts and in making progress on the Scottish government's targets on poverty and inequality.

METHODOLOGICAL NOTES

- All income tax revenue figures have been adjusted to factor-out dividend income, which is not devolved to Scotland. These adjustments are made using UK-wide data on the proportion of income tax revenue from dividend income as no equivalent data is available for Scotland.
- Dynamic figures are adjusted for forecast behaviour change, according to Scottish Fiscal Commission forecasts. Behaviour change projections are particularly uncertain and should be treated cautiously.
- Revenue-raised for tax options is in comparison to the baseline scenario which assumes thresholds rise with inflation.
- The personal allowance is reserved and so applies across the UK in these calculations.

- Income tax revenue has been rounded to the nearest 10 million so columns may not sum.
- Real-terms figures use the latest UK budget 2018 GDP deflators to adjust for inflation.
- Child poverty figures have been rounded to the nearest 5,000.
- Relative child poverty is against a UK poverty line of 60 per cent median income, after housing costs.
- Costings assume a full roll-out of UC equivalent and full take-up.

ANNEX

TABLE A1
projections for income tax thresholds in Scotland over time, if uprated with inflation

	Tax Rate	2018/19	2019/20	2020/21	2021/22	2022/23
Personal Allowance		11,850	12,500	12,500	12,755	13,025
Starter Rate	19p	11,851 – 13,850	12,501 – 14,550	12,501 – 14,590	12,756 – 14,886	13,026 – 15,201
Basic Rate	20p	13,851 – 24,000	14,550- 24,940	14,590 – 25,185	14,887 – 25,715	15,202 – 26,240
Intermediate Rate	21p	24,001 – 43,430	24,941- 44,840	25,186 – 45,470	25,716 - 46,390	26,241 - 47,370
Higher Rate	41p	43,430- 150,000	44,841-150,000	45,471-150,000	46,391-150,000	47,371-150,000
Additional Rate	46p	150,000+	150,000+	150,000+	150,000+	150,000+

TABLE A2
Tax thresholds under IPPR Scotland options for increasing tax revenue in 2019/20 (£)

	Tax Rate	Baseline	Option 1 – Cap HRTT increase at 1%	Option 2 – Freeze HRTT in cash-terms	Option 3 – Freeze HRTT, increase starter band	Last year (2018/2019)
Personal Allowance	nil	12,500	12,500	12,500	12,500	11,850
Starter Rate	19p	12,501 – 14,550	12,501 – 14,550	12,501 – 14,550	12,501 – 17,200	11,851 – 13,850
Basic Rate	20p	14,550- 24,940	14,550- 24,940	14,550- 24,940	17,201- 24,940	13,851 – 24,000
Intermediate Rate	21p	24,941- 44,840	24,941- 43,865	24,941- 43,430	24,941- 43,430	24,001 – 43,430
Higher Rate	41p	44,841-150,000	43,866-150,000	43,430- 150,000	43,430- 150,000	43,430- 150,000
Additional Rate	46p	150,000+	150,000+	150,000+	150,000+	150,000+

TABLE A3
Change in income tax revenue from options for Scotland's higher rate tax threshold, £ million (real terms, 2018/19 prices)

	Option 1		Option 2		Option 3		Match rUK	
	Static	Dynamic	Static	Dynamic	Static	Dynamic	Static	Dynamic
2019/20	70	60	100	90	70	50	-310	-280
2020/21	80	75	150	130	100	90	-280	-260
2021/22	120	110	220	200	170	160	-290	-260
2022/23	160	150	220	210	180	160	-290	-260
Total (cumulative)	420	290	690	630	510	460	-1160	-1060

See note from figure 1 and methodological note.

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