

Office for
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Devolved tax and spending forecasts

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1 Introduction

Background

- 1.1 The Office for Budget Responsibility (OBR) was established in 2010 to provide independent and authoritative analysis of the UK's public finances. Alongside the UK Government's Budgets and other fiscal statements, we produce forecasts for the economy and the public finances, which are published in our *Economic and fiscal outlook (EFO)*.
- 1.2 In this document we present forecasts for the fully devolved taxes and for devolved elements of income tax. We also present illustrative projections for some taxes that are yet to be devolved. And we provide forecasts that the UK, Scottish and Welsh Governments use as part of their agreed block grant funding mechanisms, which largely flow from those devolved taxes that we forecast.
- 1.3 Further information on fiscal devolution in the UK and our role is available in the *Scotland, Wales, and Northern Ireland* section of our website.

Methodology

- 1.4 It is not possible to fully replicate the methodologies that we use to produce our UK-wide forecasts when producing these devolved tax forecasts. This is largely because we lack sufficiently detailed or timely data that is required to produce forecasts for Scotland or Wales on the same basis. As a result, we therefore generally use approaches based on estimating and projecting representative shares of relevant UK-wide tax streams in Scotland and Wales. We then adjust these shares if the evidence suggests that there are factors contributing to either divergence or convergence over the forecast horizon. For the fully devolved taxes our forecasts, do however, benefit from timely outturn data.
- 1.5 The methodologies and the forecasts represent the collective view of the three independent members of the OBR's Budget Responsibility Committee (BRC). The BRC takes full responsibility for the judgements that underpin them. We have also drawn heavily on the work and expertise of numerous officials in preparing these forecasts, including in the Welsh Government, Scottish Fiscal Commission, Scottish Government, HM Revenue and Customs, HM Treasury and the Department for Work and Pensions. We are grateful for their expertise, hard work, and patience.

Forecast timetable

- 1.6 The devolved tax and spending forecasts in this document are consistent with the central forecast for the UK economy and public finances presented in the October 2024 *EFO*.

- 1.7 The October 2024 *EFO* describes the timetable that was followed in producing these UK-wide forecasts. The pre-measures economy forecast was closed on 26 September and the pre-measures fiscal forecast on 7 October. We then incorporated the indirect effects of new policy announcements and finalised our forecasts on 25 October.
- 1.8 The process for producing the devolved forecasts in this report has been as follows:
- Officials in HMRC, the Scottish Fiscal Commission and the Welsh Government produced **draft Scottish and Welsh tax forecasts** using our preliminary UK economy and fiscal forecasts;
 - These were **scrutinised by the BRC** in two challenge meetings attended by those officials on 19 September and 23 September; and
 - A **final set of forecasts** was produced on 21 October, using our final economy forecast which included the impact of UK Government policies.

Structure of this report

- 1.9 The rest of this document is structured as follows:
- Chapter 2 presents forecasts that the respective Governments use as **inputs to the block grant calculations**, as set out in fiscal framework agreements;
 - Chapter 3 covers non-savings non-dividend **income tax** in Scotland and Wales;
 - Chapter 4 covers **land and buildings transaction tax** and **land transaction tax**;
 - Chapter 5 covers **Scottish landfill tax** and **landfill disposals tax**;
 - Annex A provides illustrative forecasts for **taxes not yet devolved** – aggregates levy, air passenger duty, and VAT assignment; and
 - Annex B provides a **comparison of the Scottish Fiscal Commission's forecasts to OBR forecasts**.

2 Forecasts required for the block grant adjustments

- 2.1 **The block grant** is the mechanism through which the UK Government provides the majority of funding to the devolved governments and is allocated from within the departmental spending limits set by the Treasury.¹ Changes to block grants are determined by the Barnett formula, which is driven by changes in planned spending by the UK Government on programmes which are devolved in Scotland, Wales or Northern Ireland.²
- 2.2 When a tax is devolved, the block grant is reduced by an amount equivalent to the revenue that would have been raised by the UK Government had those taxes not been devolved. An upward adjustment applies when, as is the case in Scotland, social security spending is partially devolved. These **block grant adjustments (BGAs)** are calculated separately for each tax and benefit. They are initially set at the relevant amount of UK Government revenue or spending in the respective geographic area in the year prior to devolution. Changes over time are then linked to the amounts collected or spent by the UK Government in the rest of the UK in its equivalent taxes and benefits, with adjustments made reflecting the terms of the respective devolution agreements.³
- 2.3 The block grant adjustment is initially based on our forecasts for the rest of the UK Government's revenue from taxes that have been devolved, which is equivalent to the estimated revenue from those taxes in England and Northern Ireland.⁴ These forecasts are produced based on the difference between our forecasts for Scottish and Welsh devolved or partially devolved taxes, and our forecasts for these revenues for the whole of the UK. For Scottish devolved social security the block grant adjustment is based on the forecast for spending on the devolved elements in England and Wales. We produce these forecasts but are not responsible for the block grant adjustment calculations, which are produced by the Treasury.
- 2.4 In this chapter we provide a summary of the forecasts used in the block grant adjustment:
- forecasts for revenues from the devolved taxes and the UK Government's revenue from the taxes equivalent to those that have been devolved;⁵ and
 - England and Wales forecasts for the social security spending devolved to Scotland.

¹ Annually Managed Expenditure (AME) funding is also provided to the devolved administrations separately to the block grant.

² The OBR has no direct involvement in the setting of the block grant but our forecasts are used as the basis for the spending settlements for both Scotland and Wales.

³ See the respective fiscal framework agreements.

⁴ This was on an England, Wales and Northern Ireland basis for Scotland prior to Welsh devolution of relevant receipts.

⁵ For the devolved taxes covered in this report, the corresponding UK Government taxes are income tax liabilities excluding those on savings and dividend income, stamp duty land tax and landfill tax, all from England and Northern Ireland.

Scottish taxes

2.5 Table 2.1 compares our latest forecasts for the taxes devolved to Scotland and their UK Government equivalents (we explore these in more detail in later chapters and provide explanations for differences between the two). The table shows that the Scottish share falls gently from 2025-26 onwards. Taking each component in turn:

- The Scottish **income tax** share rises slightly in 2023-24 but then falls from 2025-26 (from 7.5 per cent to 7.3 per cent in 2029-30). This decline is largely driven by a change to our baseline threshold assumptions, which we now assume will rise in line with CPI inflation (to align with Scottish Fiscal Commission assumptions) instead of being frozen. We explain this in more detail in Chapter 3.
- For **property transaction taxes**, the Scottish share rises in 2024-25, from 6.8 per cent to 7.8 per cent, before falling sharply to 6.1 per cent in 2029-30.
- Scottish **landfill tax** receipts as a share of their UK Government equivalent follow a much sharper downward trend, with receipts falling from 15 per cent in 2023-24 to just 6.5 per cent in 2029-30. This is the result of the biodegradable municipal waste ban in Scotland from 2025-26 onwards (explained in more detail in Chapter 5).

Table 2.1: Devolved Scottish taxes relative to rest of UK block grant equivalent⁶

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total Scottish devolved taxes		18,029	20,285	21,395	22,246	23,040	23,716	24,550
of which:								
Scottish income tax ¹	15,169	17,177	19,247	20,320	21,110	21,803	22,379	23,121
LBTT (Scotland)		784	975	1038	1120	1221	1319	1411
Scottish landfill tax		68	63	37	16	17	17	18
Total England and Northern Ireland (ENI)		241,277	268,736	288,490	302,851	315,946	327,987	341,982
of which:								
NSND income tax	206,333	229,196	255,528	273,464	285,582	296,484	306,267	318,294
Property taxes		11,610	12,713	14,652	16,909	19,213	21,456	23,415
Landfill tax		471	494	374	361	248	264	273
Scotland as a share of ENI								
Total Scottish devolved taxes		7.5	7.5	7.4	7.3	7.3	7.2	7.2
of which:								
Scottish income tax ¹	7.4	7.5	7.5	7.4	7.4	7.4	7.3	7.3
LBTT (Scotland)		6.8	7.7	7.1	6.6	6.4	6.1	6.0
Scottish landfill tax		14.5	12.8	9.9	4.5	6.7	6.5	6.5

¹ Currently outturn data is only available for 2022-23, and 2023-24 remains a forecast for income tax. For other forecasts, the latest outturn is 2023-24.

Source: OBR

⁶ Correction on 6 November 2024: In the original version of the published *Devolved tax and spending forecasts* the ENI property taxes and landfill taxes figures were incorrect.

Welsh taxes

2.6 Table 2.3 compares our latest forecasts for the taxes devolved to Wales and their UK Government equivalents (we explore these in more detail in later chapters). The differences are generally modest, with the Welsh share remaining constant at 1.3 per cent. Taking each tax in turn:

- The share of Welsh rates of **income tax** also remains constant at 1.3 per cent, with growth rates being very similar between Wales, and England and Northern Ireland.
- The Welsh share of **property transaction taxes** rises in 2024-25, and then falls from 2.5 per cent in 2024-25 to 2.0 per cent in 2029-30.
- For **landfill taxes**, the Welsh share rises from 6.1 per cent in 2024-25 to 11.6 per cent in 2027-28, before declining slightly in the final two years of the forecast period.

Table 2.2: Devolved Welsh taxes relative to rest of UK block grant equivalent⁷

	£ million							
	Outturn 2022-23	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total Welsh devolved taxes		3,223	3,604	3,818	4,023	4,207	4,364	4,552
of which:								
Welsh Government income tax (WRIT basis) ¹	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
Land transaction tax		270	316	325	358	396	431	465
Landfill disposals tax		30	30	31	30	30	29	27
Total England and Northern Ireland (ENI) equivalent		241,277	268,736	288,490	302,851	315,946	327,987	341,982
of which:								
NSND income tax	206,333	229,196	255,528	273,464	285,582	296,484	306,267	318,294
SDLT		11,610	12,713	14,652	16,909	19,213	21,456	23,415
Landfill tax		471	494	374	361	248	264	273
Wales as a share of ENI								
Total Welsh devolved taxes		1.3	1.3	1.3	1.3	1.3	1.3	1.3
of which:								
Welsh Government income tax (WRIT basis) ¹	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Land transaction tax		2.3	2.5	2.2	2.1	2.1	2.0	2.0
Landfill disposals tax		6.3	6.1	8.3	8.3	12.0	11.1	9.8

¹ Currently outturn data is only available for 2022-23, and 2023-24 remains a forecast for income tax. For other forecasts, the latest outturn is 2023-24.

Source: OBR

2.7 Table 2.3 compares **Welsh rates of income tax by band** to their UK Government equivalents on a 'Welsh rate of income tax' basis. This shows that the Welsh overall share rises from 3.5 per cent to 3.6 per cent in 2027-28, after which it remains stable. Shares for all Welsh bands rise over the forecast period, with the basic-rate share rising from 4.5 to 4.6 per cent,

⁷ Correction on 6 November 2024: In the original version of the published *Devolved tax and spending forecasts* the ENI property taxes and landfill taxes figures were incorrect.

the higher-rate share rising from 2.2 to 2.7 per cent and the additional-rate share rising from 0.7 per cent to 0.8 per cent.

Table 2.3: Welsh rates and rest of UK equivalent by band

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Welsh rates	2.6	2.9	3.3	3.5	3.6	3.8	3.9	4.1
of which: Basic rate	2.2	2.5	2.7	2.9	3.0	3.1	3.2	3.3
Higher rate	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.6
Additional rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
England and Northern Ireland NSND income tax (WRIT basis)	75.1	83.0	92.3	98.3	102.6	106.2	109.6	113.9
of which: Basic rate	49.6	54.6	60.3	63.7	66.3	68.3	70.5	73.2
Higher rate	15.3	15.7	17.8	19.3	20.2	21.1	21.5	22.1
Additional rate	10.2	12.7	14.1	15.3	16.0	16.7	17.6	18.6
Wales as a share of ENI WRIT-equivalent								
Welsh rates	3.5	3.5	3.5	3.5	3.5	3.6	3.6	3.6
Basic rate	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6
Higher rate	2.2	2.4	2.4	2.4	2.5	2.5	2.6	2.6
Additional rate	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8

Source: OBR

Scottish social security

2.8 Table 2.4 reports our England and Wales social security forecasts, which are used to calculate block grant adjustments for Scottish Government funding.

Table 2.4: Social security spending in England and Wales⁸

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Carer's allowance	3,735	4,188	4,448	4,740	5,047	5,325	5,642
Personal independence payment ¹	21,656	25,989	28,721	31,520	34,472	37,436	40,942
Disability living allowance ¹	6,850	7,572	7,950	8,362	8,747	8,937	8,947
Attendance allowance ¹	6,673	7,647	8,101	8,504	8,846	9,148	9,503
Industrial injuries disablement benefit	736	753	740	729	717	697	676
Severe disablement allowance	56	54	48	41	34	27	20
Cold weather payment	30	36	36	36	36	36	36
Winter fuel payment ¹	1,854	337	330	319	308	307	311

Note: These forecasts are for spending in England and Wales on benefits which have now been devolved to Scotland. Winter fuel payments were devolved from April 2024, cold weather payments were devolved in April 2022, carer's allowance was devolved in September 2018, and all other benefits in this table were devolved in April 2020.

This does not include the disability cost of living payments in 2023-24.

Source: OBR

⁸ Correction on 6 November 2024: In the original version of the published *Devolved tax and spending forecasts* some of the social security forecast figures were incorrect.

3 Income tax

Introduction

- 3.1 Scottish income tax (SIT) and the Welsh rates of income tax (WRIT) are levied on non-savings, non-dividend (NSND) income, assessed on a liabilities basis. This includes earnings from employment, self-employment, pensions and property. Income tax on savings and dividends is reserved to the UK Government and accounts for around 10 per cent of total income tax revenue at the UK level, and somewhat less than that in Scotland and Wales.
- 3.2 Income tax has been partially devolved to Scotland since April 2016. Since April 2017 the Scottish Government has received full NSND income tax liabilities from taxpayers in Scotland. The Scottish Parliament has the power to vary all rates and thresholds separately (other than the personal allowance) and to create new bands paying different rates.¹
- 3.3 WRIT has been devolved since April 2019. The existing basic, higher and additional rates of income tax levied by the UK Government are reduced by 10p in the pound for those individuals defined as Welsh taxpayers. The Welsh rates levied on top of these reduced UK rates are set by the Welsh Senedd. The Welsh rates have been kept at 10p for each band of income tax since being devolved, thereby keeping income tax rates in Wales at the same levels as those that are paid by taxpayers in England and Northern Ireland.
- 3.4 This chapter presents our approach to forecasting SIT and WRIT revenues and our latest forecasts for each of them.² Throughout the chapter we compare our October 2024 forecasts to our March 2024 forecasts published alongside the Spring Budget.

Methodology

- 3.5 The three main stages in generating our forecasts for Scottish and Welsh income tax are:³
- first, we generate a **UK-wide forecast for NSND income tax liabilities** from the full UK income tax forecast published in our *Economic and fiscal outlook (EFO)*;
 - second, we calculate the **Welsh and Scottish shares** of UK-wide NSND liabilities and apply these to the UK forecast; and
 - third, we add the effects of **policy measures** announced since our previous forecast.

¹ An 'effective personal allowance' however, can be achieved by using a zero-rate band.

² For a more detailed explanation of the structure of both Scottish income tax and the Welsh rates, and of how we produce our forecasts for each, see our March 2019 *Devolved tax and spending forecasts*. Further discussion of the Welsh rates can also be found in our *Welsh taxes outlook* and in Mathews, P., *OBR Working Paper No.14: Devolved income tax: forecasting by tax bands*, September 2018.

³ Murphy Corkhill, J., M. Hanson, and S. Johal, *OBR Working Paper No.21: Developments in devolved income tax*, October 2023, provides a deep dive into our devolved income tax forecasts.

- 3.6 Unlike the fully devolved taxes, comprehensive and timely information on income tax is only available for UK-wide receipts. Outturn data on liabilities, for Scotland, Wales and the UK as a whole, are published with a long lag reflecting the time it takes for self-assessment income tax to be paid (largely in the January of the tax year that follows the year in which liabilities were incurred). This means that our estimates for past years can change as a result of new data becoming available, as well as the forecasts themselves changing. The latest outturn year for which Scottish and Welsh income tax liabilities are available is 2022-23.
- 3.7 The Welsh Government's fiscal framework agreement requires us to forecast the income tax liabilities associated with each band of income tax for Wales, which we publish alongside the full WRIT forecast.

UK forecast

- 3.8 We forecast that UK-wide NSND income tax liabilities in 2023-24 will be £25.6 billion (11.3 per cent) higher than in 2022-23. This 2023-24 estimate has been revised down since March by £6.7 billion. A downward adjustment to PAYE accruals in 2023-24 explains £2.9 billion (over 40 per cent) of this revision, with lower-than-expected 2022-23 outturn and revisions to self-assessment (SA) receipts explaining the remainder.
- 3.9 Receipts are then forecast to grow by £29.2 billion (11.5 per cent) in 2024-25, and then by £13.7 billion ([4.5] per cent) on average a year from 2025-26 onwards. Receipts have been revised up by £10.4 billion (3.5 per cent) a year on average from 2024-25 onwards relative to the March forecast. This is driven by significant increases in forecast PAYE receipts, mainly due to a stronger nominal earnings forecast, partly offset by lower SA receipts and the lower-than-expected PAYE outturn in 2023-24.
- 3.10 The forecast also includes the direct effect of a number of receipts policies announced in the Autumn Budget, with the largest ones being:
- a package that increases **employer National Insurance contributions (NICs)**, mainly via an increase to the rate and a lower secondary threshold. While this is the largest Budget measure, it has a relatively limited direct impact on UK NSND income tax liabilities, lowering them by just £90 million a year from 2026-27 onwards as a result of assumed behavioural effects which reduce income tax receipts, mainly from increased tax-motivated incorporations;
 - providing HMRC with the funds to hire around 5,000 full-time equivalent staff to boost tax compliance and a series of other **compliance and tax debt measures**, which is estimated to increase UK NSND yield by £1.8 billion a year on average; and
 - several changes to the **taxation of assets**, which combine to raise UK NSND income tax by £1.4 billion a year from 2025-26 onwards. These changes are mainly the result of the removal of the 50 per cent reduction in tax on foreign income that arises in 2025-26 within the reformed non-domicile tax regime in that year, with changes to the capital gains tax regime explaining the increase beyond 2025-26.

- 3.11 Alongside the direct effects of tax rises, the significant overall fiscal loosening in this Budget provide a further short-term increase to NSND liabilities via their **indirect effects** on the economy. The boost to demand raises NSND income tax by £3.7 billion next year before declining to £0.4 billion in 2029-30, as the temporary fiscal stimulus fades.

Table 3.1: UK NSND income tax forecast

	£ billion							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	229.2	259.9	275.8	288.6	302.5	316.5	329.2	
October forecast	227.6	253.2	282.4	301.9	315.3	327.2	337.9	351.0
Difference		-6.7	6.6	13.3	12.8	10.8	8.7	
of which:								
UK NSND outturn alignment		-1.9	-2.1	-2.3	-2.4	-2.5	-2.5	
Pre-measures forecast		-4.8	6.7	9.1	8.7	7.8	6.4	
UK Government policies		0.0	2.1	6.5	6.4	5.4	4.9	4.8
of which:								
Direct effects		0.0	0.4	2.7	2.9	3.0	3.5	4.5
Indirect effects		0.0	1.7	3.7	3.5	2.4	1.4	0.4

Source: OBR

Scottish and Welsh shares

- 3.12 We forecast the shares to apply to the UK NSND forecast by using HMRC's 2021-22 Survey of Personal Incomes (SPI). This is an annual sample of around 880,000 individuals in contact with HMRC during the year through the PAYE, self-assessment or repayment claim systems. Table 3.2 shows that the SPI-based Scottish and Welsh shares of all UK income tax liabilities declined in 2017-18, rose in 2018-19 and then remained stable in 2019-20. The Scottish share then declined in pandemic-hit 2020-21, but the Welsh share rose. In the latest year of data, 2021-22, both the Scottish and Welsh shares have fallen.

Table 3.2: Scottish and Welsh shares of all income tax liabilities

	Per cent					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	6.75	6.53	6.73	6.72	6.58	6.46
Wales	2.72	2.64	2.66	2.66	2.74	2.64

Source: OBR

- 3.13 We use the 2021-22 SPI data to calculate an initial share of UK NSND income tax liabilities for both Scotland and Wales.⁴ We then project these SPI-based shares over the forecast period, making adjustments for:⁵

- **Population.** We use an index based on ONS population projections to reflect the different projected growth rates of the adult population in Scotland and Wales. This

⁴ Our March forecast still used the 2019-20 SPI because the 2020-21 SPI was more heavily impacted by the pandemic.

⁵ Murphy Corkhill, J., M. Hanson, and S. Johal, *OBR Working Paper No.21: Developments in devolved income tax*, October 2023, explores the shares in depth, including how and why they have changed over time.

‘population index’ combines two separate indices – one each for adults aged below and above the State Pension age of 66 – that are weighted by the proportion of NSND income tax paid by each group. This aims to capture the effects of different trends in population ageing on top of different trends in the population sizes on the Scottish and Welsh shares of income tax.

- **Earnings.** We adjust the shares in line with the share of total employee earnings as reported in HMRC’s real-time information (RTI) from the PAYE system, enabling us to draw on more up-to-date information for the majority of income taxpayers. This includes judgements based on data for the first four months of 2024-25 that reflect both historical patterns of RTI shares through the fiscal year and year-end bonus outturn (where particularly strong growth often skews receipts towards England).
- **Previously announced policies.** Changes in the costings of existing UK Government policies, for example the multi-year freezes in income tax thresholds, can affect the Scottish and Welsh shares.
- **Outturn.** We align our forecasts to the 2022-23 Scottish and Welsh income tax outturn statistics published in July 2024.

3.14 Table 3.3 reports our latest forecast for the Scottish share and revisions since March. It is presented on a pre-measures basis because the impact of new policy measures is captured subsequently in cash terms rather than via the share. The Scottish share rises until 2024-25, partly due to the Scottish Government raising SIT rates relative to those in the rest of the UK, but then falls over the forecast period. Relative to March the Scottish share has been revised down from 2025-26 onwards, by amounts increasing to 0.13 percentage points in 2028-29. This largely reflects our revised assumption that the higher-rate, advanced-rate and top-rate thresholds all rise in line with CPI inflation over the forecast period (explained in paragraph 3.16 below). It also partly reflects weaker in-year RTI outturn in 2024-25 and updated population data.

Table 3.3: Scottish share of NSND income tax

	Per cent of UK total for non-savings, non-dividend liabilities							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	6.62	6.74	6.81	6.78	6.75	6.73	6.74	
October forecast ¹	6.67	6.78	6.82	6.75	6.69	6.66	6.61	6.57
Difference	0.04	0.05	0.00	-0.03	-0.05	-0.08	-0.13	
RTI index (2022-23=100)		99.8	99.8	99.8	99.8	99.8	99.8	99.8
Change since March		-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	
Index of relative population growth (2023-24=100)		100.0	99.3	99.0	98.7	98.5	98.1	97.8
Change since March		0.0	-0.3	-0.3	-0.3	-0.3	-0.3	

¹October 2024 is shown on a pre-measures basis because the effect of measures is captured in cash terms rather than via the share.
Source: OBR

3.15 Table 3.4 shows that while the Welsh share is stable at 1.15 per cent of UK NSND income tax in every year, it has been very slightly revised down relative to March (again on a pre-measures basis). This largely reflects weaker RTI outturn data in 2023-24 and the first four months of 2024-25.

Table 3.4: Welsh share of NSND income tax

	Per cent of UK total for non-savings, non-dividend liabilities							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	1.16	1.17	1.17	1.17	1.17	1.17	1.17	
October forecast ¹	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Difference	-0.01	-0.01	-0.02	-0.02	-0.02	-0.01	-0.01	
RTI index (2022-23=100)		100.2	99.7	99.7	99.7	99.7	99.7	99.7
Change since March		-0.2	-0.8	-0.8	-0.8	-0.8	-0.8	
Index of relative population growth (2023-24=100)		100.0	99.9	99.8	99.7	99.7	99.5	99.4
Change since March		0.0	-0.1	-0.1	-0.1	-0.1	-0.1	

¹October 2024 is shown on a pre-measures basis because the effect of measures is captured in cash terms rather than via the share.

Source: OBR

Scottish forecast

3.16 Table 3.5 presents our latest Scottish income tax forecast and the changes since March. Scottish income tax increases by around £2.0 billion a year in 2023-24 and 2024-25 (12.6 per cent on average), and then increases by an average of £0.7 billion (3.4 per cent) a year from 2026-27. Relative to March, the forecast has been revised up by £0.5 billion on average from 2024-25. This is due to:

- the large **upward revision to our pre-measures UK NSND forecast**, driven by increases to our PAYE forecast (partly offset by a reduction in self-assessed liabilities). This increases the forecast by an average of £0.5 billion from 2024-25 onwards. UK outturn alignment changes offset this by £0.2 billion.
- Revising our assumption on the **uprating of Scottish thresholds**, such that they are now assumed to rise in line with CPI inflation over the forecast period. We previously assumed that the higher-rate and, advanced-rate thresholds would all remain frozen in cash terms and that the top-rate threshold was aligned to the UK additional rate threshold, but have changed this assumption in line with the Scottish Fiscal Commission's (SFC's) change, which they set out in their *Fiscal Update* in August.⁶ This lowers yields by £0.1 billion in 2025-26, rising to £0.7 billion in 2029-30. Other changes that affect the Scottish share are relatively modest.
- The effect of **UK Government policies** increase Scottish liabilities by £0.4 billion from 2025-26 onwards. In 2025-26 and 2026-27 it is the indirect effects of the wider Budget package which provide the largest boost to Scottish liabilities (£0.3 billion in 2025-26), before then diminishing over the remainder of the forecast. Thereafter the

⁶ Scottish Fiscal Commission, *Fiscal Update*, August 2024.

direct impacts of measures provide a larger boost to Scottish liabilities, largely the result of the asset tax rises announced in the Budget.

Table 3.5: Changes in Scottish NSND since March

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	15,181	17,513	18,785	19,563	20,404	21,313	22,194	
October forecast	15,169	17,177	19,247	20,320	21,110	21,803	22,379	23,121
Difference		-336	461	756	706	490	185	
<i>of which:</i>								
Scottish indexation freeze		0	0	-106	-237	-344	-516	-706
Scottish share modelling		114	11	29	73	88	89	
UK NSND forecast changes		-320	455	618	588	526	426	
UK NSND outturn alignment		-131	-146	-152	-158	-163	-168	
UK Government policies			140	368	440	383	354	368
<i>of which:</i>								
Asset tax rises			10	42	123	147	174	250
HMRC anti-avoidance and compliance			11	62	62	63	66	69
Other direct effects			1	7	15	8	18	24
Indirect effects			119	257	240	165	96	25

Source: OBR

Comparison with Scottish Fiscal Commission forecasts

- 3.17 Our forecasts for NSND income tax in England and Northern Ireland are used in calculating the Scottish Government's block grant adjustments (BGAs). The income tax BGA reduces the funding received by the Scottish Government to reflect the devolution of income tax revenues themselves. The Scottish Government bases its spending decisions on both the BGAs, which reflect our forecasts, and the Scottish Fiscal Commission's (SFC's) forecasts for tax revenues in Scotland. As a result, differences between our respective forecasts for growth in revenues can affect the overall budget in any given year – although ultimately resources are aligned to revenue outturns via a reconciliation process over subsequent years.
- 3.18 Differences in modelling approaches, data used, and judgements applied can all contribute to differences between our and the SFC's forecasts. To facilitate comparisons, as agreed with the SFC we publish a standard set of income tax comparison tables that we each update alongside new forecasts. However, the cancellation of the SFC's May forecast due to the announcement of the General Election means that its most recent forecast was published in December last year. The gap between this previous SFC forecast and ours means that making a detailed comparison and analysing differences between the forecasts is less informative than usual at this stage. We have still included the comparison tables for reference in Annex B. We will provide updated comparisons and analysis of the differences after the SFC's next forecast is published in December.

Welsh forecast

3.19 Table 3.6 sets out our latest forecast for the Welsh rates of income tax and a breakdown of the changes since March, while Table 3.7 shows the forecast by tax band. Welsh liabilities are forecast to grow by £189 million (5.4 per cent) a year on average from 2024-25. Relative to March, we have revised up liabilities by an average of £70 million a year. This reflects:

- **The upward revisions to our UK NSND forecast**, which increase the forecast by £90 million, with UK NSND outturn changes partially offsetting this;
- **Welsh share changes** decrease the forecast by £49 million on average from 2024-25, and are largely the result of lower-than-expected RTI outturn; and
- The effect of **UK Government policies** yields £65 million from 2025-26, with around three-quarters of this driven being by the indirect effects of policies in 2025-26, before diminishing over the rest of the forecast period.

Table 3.6: Changes in the Welsh rates of income tax since March

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	2,649	3,032	3,233	3,377	3,534	3,700	3,845	
October forecast	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
Difference	-31	-109	24	85	101	81	58	
of which:								
Welsh share modelling		-31	-52	-54	-48	-46	-46	
UK NSND outturn alignment		-22	-25	-26	-27	-28	-29	
UK NSND forecast changes		-56	78	106	102	91	74	
UK Government policies			23	58	74	64	59	68
of which:								
Asset tax rises			2	8	23	28	34	51
HMRC anti-avoidance and compliance			1	6	7	7	7	8
Other direct effects			0	1	4	2	2	5
Indirect effects			20	43	40	27	16	4

Source: OBR

Table 3.7: Forecast of Welsh rates of income tax by tax band

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
of which:								
Basic rate	2,225	2,464	2,726	2,881	3,010	3,118	3,219	3,348
Higher rate	333	371	430	471	505	537	550	569
Additional rate	61	89	101	111	120	126	134	143
Per cent								
Basic rate	85.0	84.3	83.7	83.2	82.8	82.5	82.5	82.5
Higher rate	12.7	12.7	13.2	13.6	13.9	14.2	14.1	14.0
Additional rate	2.3	3.0	3.1	3.2	3.3	3.3	3.4	3.5

Source: OBR

4 Taxes on property transactions

Introduction

- 4.1 There are three different property transaction tax systems operating in the UK: stamp duty land tax (SDLT) in England and Northern Ireland; land and buildings transaction tax (LBTT) in Scotland; and land transaction tax (LTT) in Wales. This chapter summarises our approach to forecasting LBTT and LTT and presents our latest forecasts for both.¹

Methodology

- 4.2 Our forecasts for property transaction taxes start with our UK-wide property market forecasts. We typically assume that Scottish and Welsh prices and transactions will move in line with those of the UK as a whole, as they have historically tended to. But if there are clear reasons to depart from that, as there have been during and since the pandemic, then we can use different country-specific assumptions. In this forecast we use our standard approach of assuming similar price movements in each UK property market.
- 4.3 Both forecasts involve three steps:
- first, we produce an **in-year estimate**, using the latest outturn data and our forecasts for property market determinants in 2024-25;
 - next, we produce our **pre-measures forecast**, drawing on several models to project the property market over the forecast period and then calculate the expected revenue; and
 - finally, we add estimates of the effects of any **new policy measures** to produce our post-measures forecast.

Latest property market forecasts

- 4.4 Our LBTT and LTT forecasts are based on the property market forecasts shown in Table 4.1. These are the same as those used for our UK-wide forecasts and published in the October 2024 *Economic and fiscal outlook*. This reflects that the property markets in each country have followed broadly similar paths in recent months.
- 4.5 We expect UK house prices to grow by an average of 2.5 per cent from 2024-25 onwards. Relative to March, we have revised up prices by almost 5 percentage points in 2024-25, but

¹ For more detailed explanations of the structure of these taxes and how we produce our forecasts for LBTT and LTT, see our March 2019 *Devolved tax and spending forecasts* or our December 2019 *Welsh taxes outlook*. Also see the 'forecast in-depth' section of our website.

growth is then weaker every year from 2026-27 onwards, in part due to weaker nominal earnings growth in later years than we forecast in March.

- 4.6 We also expect residential transactions to rebound in 2024-25 (up to 11.7 per cent) following a sharp contraction last year. We then expect transactions to grow by 4.9 per cent a year on average. While our 2024-25 forecast has been revised up strongly relative to March, average growth is 4.3 percentage points lower than in our March forecast from 2026-27 onwards.
- 4.7 We expect a shallow fall in commercial property prices this year (down 0.5 per cent), and then grows modestly over the remainder of the forecast, with prices being broadly unchanged since March over the medium term. Commercial transactions are also largely unchanged relative to March, with annual growth rates being relatively stable, averaging 1.7 per cent.

Table 4.1: Forecasts for residential property prices and transactions

	Percentage change on a year earlier						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
House prices							
March forecast	-0.7	-2.4	0.5	2.6	3.5	3.7	
October forecast	-0.8	2.5	1.1	2.4	2.9	3.0	3.0
Difference	-0.1	4.9	0.7	-0.2	-0.6	-0.7	
Housing transactions							
March forecast	-17.6	0.9	5.2	9.8	10.8	8.4	
October forecast	-17.1	11.7	5.7	6.2	6.0	4.1	2.7
Difference	0.4	10.9	0.5	-3.6	-4.9	-4.3	
Commercial property prices							
March forecast	-6.2	2.0	1.0	1.6	1.8	1.9	
October forecast	-9.2	-0.5	3.3	1.8	1.8	1.9	2.0
Difference	-3.0	-2.5	2.3	0.2	0.0	0.0	
Commercial transactions							
March forecast	-4.5	1.1	1.3	1.7	1.9	1.9	
October forecast	-3.2	1.3	1.5	1.9	1.8	1.7	1.7
Difference	1.3	0.2	0.2	0.2	-0.1	-0.3	

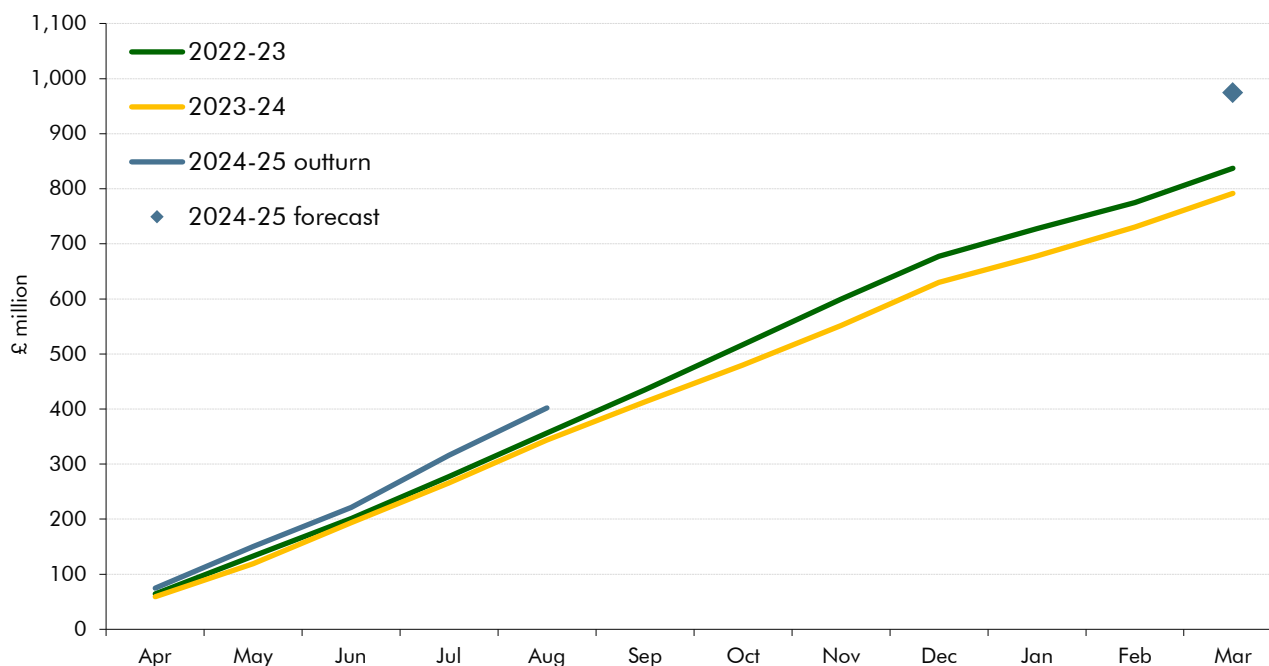
Source: OBR

Scottish land and building transaction tax

Latest LBTT outturn data

- 4.8 Total LBTT receipts in the first five months of 2024-25 are up £58 million (17 per cent) relative to the same period in 2023-24, and £45 million (13 per cent) higher than the same period in 2022-23. We expect this strength to be sustained over the rest of the year, leaving receipts £183 million above 2023-24 levels (an increase of 23 per cent).

Chart 4.1: Cumulative monthly LBTT receipts: 2022-23 to 2024-25



Source: Revenue Scotland, OBR

LBTT forecast

4.9 Table 4.2 sets out our latest LBTT forecast. Following the stronger growth now expected in 2024-25, we expect receipts to rise by 8 per cent on average a year from 2025-26 to the end of the forecast period. Consistent with the strong outturn in the year-to-date, receipts are forecast to be £151 million higher in 2024-25 than we assumed in March. This is likely to have been driven both by stronger-than-expected prices (which we expected to fall in the March forecast) and transactions (which have rebounded far more strongly than we anticipated). Receipts then remain higher in every year, up £158 million (15 per cent) on average. While receipts are up in all three elements of LBTT, the residential main rates LBTT forecast explains around 60 per cent of this difference.

Table 4.2: Land and buildings transaction tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total LBTT							
March forecast	840	824	866	948	1062	1190	
October forecast	784	975	1,038	1,120	1,221	1,319	1,411
Difference		151	172	171	158	129	
Residential LBTT (excluding ADS)							
March forecast	438	425	447	507	590	677	
October forecast	421	513	547	610	684	756	824
Difference		88	100	102	95	79	
Additional dwelling supplement (ADS)							
March forecast	210	200	215	230	253	284	
October forecast	176	234	252	261	278	295	309
Difference		35	37	31	26	11	
Commercial LBTT							
March forecast	192	199	204	211	220	229	
October forecast	187	228	239	249	258	268	278
Difference		29	35	37	38	38	

Source: OBR

Residential LBTT forecast (including the additional dwellings supplement)

4.10 Table 4.3 shows that we expect residential receipts to be £150 million (25 per cent) higher in 2024-25 than in the previous year. We then expect receipts to grow by an average of 8.7 per cent a year thereafter. Relative to March, we have revised up receipts by £121 million (16 per cent) a year on average. This is initially explained by stronger-than-expected growth in prices and transactions in the near term. Thereafter, updated outturn and other modelling changes largely explain the increases relative to March, mainly driven by an update to the base year of data.

Table 4.3: Residential LBTT forecast (including ADS): changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	648	625	662	737	842	961	
October forecast	597	747	799	871	963	1051	1134
Difference		123	137	134	120	90	
of which:							
Price changes		41	51	56	57	53	
Transaction changes		54	60	40	5	-34	
Outturn data and modelling		28	26	38	59	72	

Source: OBR

Commercial LBTT forecast

- 4.11 We expect commercial LBTT receipts to rise by £41 million (22 per cent) in 2024-25 before settling at a very stable growth rate from 2026-27 onwards, averaging 3.8 per cent a year. Relative to March, we have increased our forecast by £36 million (17 per cent) a year on average. The prices and transactions forecasts are broadly unchanged since March, with updates to outturn explaining the majority of the increase.

Table 4.4: Commercial LBTT forecast: changes since March

	£ million						
	Outturn		Forecast				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	192	199	204	211	220	229	
October forecast	187	228	239	249	258	268	278
Difference		29	35	37	38	38	
of which:							
Price changes		-3	3	3	3	3	
Transaction changes		0	1	1	1	1	
Outturn data and modelling		31	32	33	34	35	

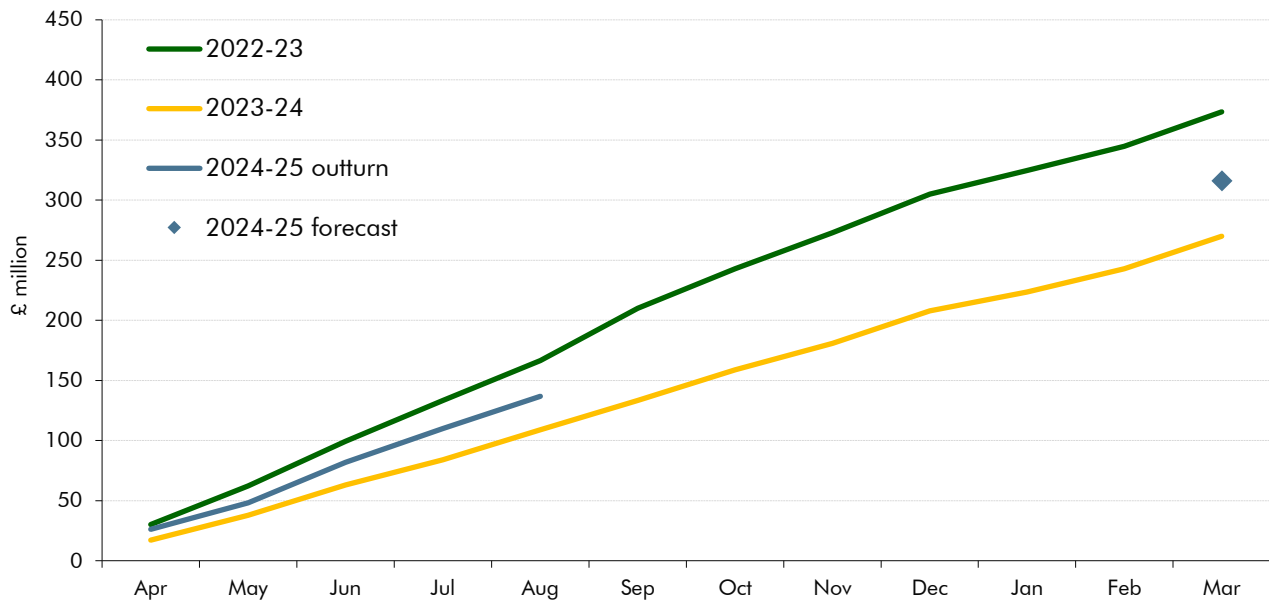
Source: OBR

Welsh land transaction tax forecast

Latest LTT outturn data

- 4.12 LTT receipts are higher in the first five months of this year than the corresponding period last year, by £28 million (26 per cent), but are £30 million (18 per cent) lower than the same period in 2022-23 (Chart 4.2). We now expect receipts to reach £316 million by the end of 2024-25.

Chart 4.2: Cumulative monthly LTT receipts: 2022-23 to 2024-25



Source: WRA, OBR

LTT forecast

4.13 We expect LTT receipts to grow by £46 million (17.1 per cent) in 2024-25, following the strength seen in so far this year, (Table 4.5). Growth weakens in 2025-26, before increasing again and averaging 9.4 per cent from 2026-27 onwards. Relative to March, LTT receipts are higher in every year of the forecast by an average of £33 million. This is driven by increased resilience in the property market pushing up our forecast of prices and transactions.

Table 4.5: Land transaction tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total LTT							
March forecast	272	267	282	319	368	428	
October forecast	270	316	325	358	396	431	465
Difference		48	42	40	29	3	
Residential (excluding additional properties)							
March forecast	140	135	144	168	202	238	
October forecast	140	168	182	205	232	258	283
Difference		33	38	37	30	20	
Additional properties							
March forecast	62	63	68	78	90	111	
October forecast	62	69	74	82	90	96	101
Difference		7	7	5	0	-15	
Commercial							
March forecast	67	70	71	73	76	79	
October forecast	67	79	68	71	74	77	81
Difference		9	-2	-2	-2	-2	

Source: OBR

Residential LTT

4.14 Table 4.6 shows that residential LTT has been revised up by an average of £32 million (12 per cent) a year relative to March. This is driven by a stronger outlook for the UK housing market, driven by the improvements in the residential prices and transactions, while being partly offset by modelling changes.

Table 4.6: Residential LTT: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	203	198	212	246	292	349	
October forecast	203	237	257	287	322	354	384
Difference		39	45	41	30	5	
of which:							
Price changes		22	26	28	29	28	
Transaction changes		25	27	20	8	-6	
Outturn data and modelling		-7	-8	-7	-7	-18	

Source: OBR

Commercial LTT forecast

4.15 Commercial LTT is expected to increase by £9 million in 2024-25, relative to what we assumed in March. Receipts have then been revised down by of an average of £2 million (2 per cent) from 2025-26 onwards (Table 4.7). There have been stronger receipts than expected in recent months, partly due to one large transaction. We have assumed that the

large transaction is a one-off and therefore its effect is not pushed forward to the rest of the forecast.

Table 4.7: Commercial LTT: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	67	70	71	73	76	79	
October forecast	67	79	68	71	74	77	81
Difference		9	-2	-2	-2	-2	
of which:							
Price changes		-2	0	0	0	0	
Transaction changes		0	0	0	0	0	
Outturn data and modelling		11	-3	-2	-2	-2	

Source: OBR

5 Landfill taxes

Introduction

- 5.1 Landfill tax is levied on all waste disposed of at a landfill site unless it is specifically exempt. Scottish landfill tax replaced the UK equivalent with effect from April 2015 while landfill disposals tax (LDT) came into effect in Wales from April 2018. Up until 2024-25, the Scottish and Welsh Governments have matched the main rates set by the UK Government.¹

Methodology

- 5.2 Our forecasts are driven by the tax base (the amount of waste sent to landfill) and the effective tax rate that will be paid (largely driven by policy decisions on rates, but also by the composition of waste sent to landfill, as there are up to three different rates).² The volume of waste sent to landfill has largely been on a downward trend, both in absolute terms and relative to the size of the economy. Our forecast methodology involves three main steps:
- establishing an **in-year estimate** by drawing on the latest administrative data (and other relevant sources) to estimate the level of receipts in the current fiscal year;
 - producing a **pre-measures forecast** using our forecast models, by multiplying the amount of liable waste sent to landfill (the tax base) by the relevant duty rate; and
 - generating a post-measures forecast by adding the effects of any **new policy measures**.
- 5.3 Both the Scottish and Welsh forecast models take account of alternatives to landfill, either explicitly (as with future additions to incineration capacity) or implicitly (through assumptions about trends in waste sent to landfill). We assume that the tax rates for Scottish landfill tax and Welsh LDT rise in line with RPI inflation in each year of the forecast, consistent with each Government's default indexation assumptions (as well as the UK Government's).

Scottish landfill tax forecast

- 5.4 Table 5.1 sets out our forecast for Scottish landfill tax receipts. The overall downward trend reflects increases in recycling and growth in alternative infrastructure such as incineration capacity. The Scottish Government has legislated to ban biodegradable municipal waste (BMW) going to landfill from 31 December 2025, which largely explains the sharp fall in Scottish receipts from 2025-26 onwards, both in absolute terms and relative to the UK.

¹ Other than the treatment of payments to respective communities' funds in lieu of tax, the fiscal effects of which are small, landfill taxation is very similar across the UK.

² More information on our landfill taxes forecasts is available in the 'forecasts in-depth' pages on our website.

- 5.5 Relative to March, we have revised receipts up in 2024-25 by £5 million (8 per cent). This is entirely explained by higher-than-expected outturn in the first quarter of 2024-25. This effect is offset in 2025-26 by increased incineration capacity, resulting in a £5 million reduction in revenues. Changes beyond that are more modest, driven by a change to our assumptions on the waste that will be landfilled after the BMW ban. Assumptions around this ban, and increases in incineration capacity, remain uncertain.

Table 5.1: Scottish landfill tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	73	59	42	15	15	16	
October forecast	68	63	37	16	17	17	18
Difference		5	-5	1	1	1	
of which:							
Outturn data		5	4	0	0	0	
Determinants		0	1	1	1	1	
Incineration capacity and modelling		0	-11	1	1	1	

Source: OBR

Welsh landfill disposals tax forecast

- 5.6 Table 4.2 presents our latest Welsh LDT forecast. Revenues remain broadly stable until 2028-29, following sharp falls in prior years. Relative to March, receipts have been revised up by an average of £4 million (15 per cent) a year from 2024-25 onwards. This is explained by stronger-than-expected standard-rate waste receipts, which generated higher outturn in the first quarter 2024-25. We expect this strength to persist across the forecast period. The Welsh Government has not made any policy announcements regarding rates in 2025-26. This implies a smaller increase in rates than in England and Northern Ireland and we expect some additional waste crossing the border into Wales.

Table 5.2: Welsh landfill disposals tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March forecast	30	28	27	26	25	25	
October forecast	30	30	31	30	30	29	27
Difference		2	4	4	5	5	
of which:							
Outturn data		2	2	2	2	2	
Determinants		0	0	0	0	0	
Modelling and other		0	2	2	3	3	

Source: OBR

A Illustrative forecasts for taxes not yet devolved

- A.1 In this annex we present illustrative forecasts for three taxes that are yet to be devolved. The aggregates levy is due to be devolved to both Scotland and Wales, while air passenger duty and VAT assignment are only due to be devolved to Scotland.

Aggregates levy

- A.2 The aggregates levy is a tax on the commercial exploitation of rock, sand and gravel. It is due from businesses that quarry, dredge or import these items. The UK Government has legislated to devolve the levy to Scotland and has committed to keeping devolution to Wales under review. Scottish devolution was initially held up by litigation which concluded in February 2019, and a UK Government review of the UK-wide levy, which reported in July 2020.¹ The replacement tax, Scottish Aggregates Tax, will now be introduced on 1 April 2026, after being approved by the Scottish Parliament on 1 October 2024.^{2,3} We therefore expect to produce our first full forecast prior to its introduction.
- A.3 We use the average of the most recent estimated Scottish and Welsh shares of UK-wide aggregates levy receipts produced by the ONS and the Scottish Government, relating to 2022-23 and 2023-24 respectively.⁴ As Table A.1 shows, there is a small downward revision in the Welsh share, as a result of downward revisions to our UK forecast. The Scottish forecast, however, is up relative to March due to updated share estimates in the latest statistics more than offsetting the downward revision to the UK forecast to which it applies.

¹ Scottish Government, *Breaking New Ground? Developing a Scottish tax to replace the UK Aggregates Levy: consultation*, Sept 2022.

² Scottish Government, *Aggregates Tax and Devolved Taxes Administration (Scotland) Bill*, October 2024.

³ Revenue Scotland, *Revenue Scotland update on the Scottish Aggregates Tax (SAT)*, October 2024

⁴ For the Scottish share we use the average of both estimates: from the ONS' *Country and Regional Public Sector Finances* (15.6 per cent) and the Scottish Government's *Government Expenditure and Revenues Scotland* (17.1 per cent). For the Welsh share we use the ONS estimate of 8.5 per cent.

Table A.1: Aggregates levy illustrative forecast

	£ million					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK forecast						
March 2024	383	399	417	437	461	
October 2024	350	379	398	417	438	458
Difference	-33	-21	-19	-20	-22	
Scottish forecast						
March 2024	58	61	63	66	70	
October 2024	57	62	65	68	72	75
Difference	-1	1	2	2	2	
Welsh forecast						
March 2024	33	34	36	38	40	
October 2024	30	32	34	35	37	39
Difference	-3	-2	-2	-2	-3	

Source: HMRC, ONS, OBR

Air passenger duty

A.4 Air passenger duty (APD) is an excise duty that applies to passengers on flights leaving UK airports. Many passengers, including children or those connecting between flights, are exempt. The tax paid is determined by the final destination and class of travel.⁵ The Scotland Act 2016 includes provisions for the devolution of APD to Scotland. Our Scottish APD forecast is purely illustrative, as the final timing of devolution has not been set.

A.5 Our forecast is based on the average of the most recent estimated Scottish shares of total UK-wide APD receipts produced by the ONS and the Scottish Government, which relate to 2022-23 and 2023-24.⁶ We have revised up our UK forecast from 2026-27 onwards due to an increase in passenger numbers and a UK policy change in October 2024 to increase duty rates, which feeds through to higher Scottish receipts.

⁵ Destinations fall into three bands based on distance from London. Band A applies to flights with a terminus less than 2,000 miles from London; Band B to flights with a terminus more than 2,000 miles but less than 5,500 miles from London; and Band C to flights with a terminus over 5,500 miles from London.

⁶ 9.1 per cent from the ONS' *Country and Regional Public Sector Finances* and 8.4 per cent from the Scottish Government's *Government Expenditure and Revenues Scotland*.

Table A.2: Air passenger duty illustrative forecast

	£ million					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK forecast						
March 2024	4,451	4,943	5,187	5,519	5,857	
October 2024	4,213	4,706	5,499	5,807	6,124	6,462
Difference	-238	-237	312	288	267	
Scottish forecast						
March 2024	389	432	453	482	512	
October 2024	368	411	481	508	535	565
Difference	-20	-20	28	26	24	

Source: HMRC, ONS, OBR

VAT assignment

- A.6** The Scotland Act 2016 makes provision for the first 10p of standard rate VAT, and the first 2.5p of reduced rate VAT, generated in Scotland to be assigned to the Scottish Government. VAT will continue to be collected by HMRC and the Scottish Government will not have the power to change the collection or administration of the VAT regime in Scotland, or to change VAT rates or the VAT base.
- A.7** The UK and Scottish Governments initially agreed to commence VAT assignment from 2019-20 but this was delayed, and we are not aware of a subsequently agreed date. Therefore our forecast is, once again, simply for illustrative purposes.
- A.8** The formal methodology for VAT assignment is being developed by HMRC, the Treasury and the Scottish Government. We have no role in validating or approving the chosen methodology. For this projection (Table A.3) we take the latest estimated share, which relates to 2021, as our starting point and index this in line with population growth in Scotland relative to the UK as a whole.⁷

⁷ HM Revenue & Customs, HM Treasury, Scottish Government, *Scottish VAT assignment 2021 – experimental statistics*, September 2023. 2022 figures are due to be published in November.

Table A.3: VAT assignment illustrative projection

	£ billion						
	Estimated outturn		Projection				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK	168.9	169.9	179.4	188.2	196.3	204.3	212.4
of which:							
Assigned to Scottish Government	7.3	7.3	7.7	8.1	8.4	8.7	9.0
VAT from Scotland retained by UK Government	7.3	7.3	7.7	8.1	8.4	8.7	9.0
VAT from the rest of the UK	154.3	155.3	164.0	172.1	179.5	186.9	194.3
	Per cent						
Assigned to Scottish Government	4.32	4.30	4.29	4.28	4.27	4.26	4.25
Scottish population share	8.1	8.0	8.0	8.0	8.0	7.9	7.9
Memo: index Scottish population share (2021-22 = 100)	98.4	98.1	97.8	97.5	97.3	97.1	96.8
Source: HMRC, ONS, OBR							

B Comparisons to Scottish Fiscal Commission forecasts

Table B.1: Income tax: SFC Scottish determinants compared to OBR UK-wide determinants

	Percentage change on a year earlier						
	Outturn 2023-24	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Employment							
SFC (December)	0.5	-0.1	0.1	0.2	0.3	0.3	
OBR	0.2	0.2	1.0	0.7	0.7	0.6	0.6
Difference	-0.3	0.4	1.0	0.5	0.4	0.4	
Average nominal earnings							
SFC (December)	6.6	3.6	3.0	2.9	3.0	3.1	
OBR	7.2	4.5	3.0	2.1	2.0	2.3	2.6
Difference	0.6	0.9	0.0	-0.8	-1.0	-0.7	
Wages and salaries							
SFC ¹ (December)	7.3	3.5	3.0	3.1	3.3	3.3	
OBR	7.4	4.9	3.8	2.5	2.5	2.8	3.0
Difference	0.1	1.4	0.8	-0.5	-0.8	-0.6	
Index: 2023-24 = 100							
Employment							
SFC (December)		99.9	99.9	100.1	100.4	100.6	100.6
OBR		100.2	101.3	101.9	102.6	103.3	103.9
Difference		0.4	1.3	1.8	2.2	2.6	
Average nominal earnings							
SFC (December)		103.6	106.7	109.8	113.1	116.6	116.6
OBR		104.5	107.6	109.9	112.1	114.7	117.7
Difference		0.9	0.9	0.1	-1.0	-1.9	
Wages and salaries							
SFC ¹ (December)		103.5	106.6	109.9	113.5	117.3	117.3
OBR		104.9	108.8	111.6	114.4	117.5	121.1
Difference		1.4	2.2	1.7	0.9	0.2	

¹Refers to the SFC's total nominal earnings series.

Source: SFC, OBR

Table B.2: SFC Scottish income tax forecast compared to OBR UK NSND forecast¹

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
SFC								
SIT December 2024 ¹	15,309	17,357	18,844	19,873	20,856	22,056	22,981	
SIT August (a) ²		17,357	18,844	19,732	20,624	21,727	22,489	
OBR								
UK NSND	227,555	253,184	282,403	301,927	315,271	327,241	337,887	351,031
of which:								
UK ex. SIT and WRIT	209,768	233,084	259,899	278,145	290,526	301,656	311,605	323,850
WRIT	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
SIT (b)	15,169	17,177	19,247	20,320	21,110	21,803	22,379	23,121
OBR vs. SFC (b-a)		-180	403	588	486	76	-110	
Percentage change on a year earlier								
SFC (December)								
SIT (a)		13.4	8.6	4.7	4.5	5.3	3.5	
OBR								
UK ex. SIT and WRIT		11.1	11.5	7.0	4.5	3.8	3.3	3.9
SIT (b)		13.2	12.1	5.6	3.9	3.3	2.6	3.3
OBR vs. SFC (b-a)		-0.1	3.5	0.9	-0.6	-2.1	-0.9	3.3
Index (2022-23=100)								
SFC (December)								
SIT (a)		113.4	123.1	128.9	134.7	141.9	146.9	
OBR								
UK ex. SIT and WRIT		111.1	123.9	132.6	138.5	143.8	148.5	154.4
SIT (b)		113.2	126.9	134.0	139.2	143.7	147.5	152.4
OBR vs. SFC (b-a)		-0.1	3.8	5.1	4.5	1.8	0.6	

¹The SFC Scottish income tax figure for 2021-22 is pre-outturn. This is the SFC's last official forecast of Scottish income tax.

²This refers to the SFC's illustrative August forecast with their revised indexation assumptions included.

Source: SFC, OBR

¹ Correction on 8 November 2024: In the original version of the published *Devolved tax and spending forecasts* the UK NSND, UK ex. SIT and WRIT and SIT figures were incorrect.

Table B.3: Comparison between SFC and OBR LBTT forecast

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total LBTT							
SFC (December)	813	730	795	907	998	1,072	
OBR	784	975	1038	1120	1221	1319	1411
Difference	-28	245	243	212	222	248	
Residential LBTT (excluding ADS)							
SFC (December)	427	361	393	472	539	589	
OBR	421	513	547	610	684	756	824
Difference	-6	152	154	138	146	167	
Additional dwellings supplement (ADS)							
SFC (December)	183	160	182	203	215	224	
OBR	176	234	252	261	278	295	309
Difference	-6	74	70	58	64	72	
Commercial LBTT							
SFC (December)	203	209	220	232	245	259	
OBR	187	228	239	249	258	268	278
Difference	-16	19	19	16	13	9	

Source: OBR

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