

Office for
**Budget
Responsibility**

Devolved tax and spending forecasts

March 2025

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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 This document presents forecasts for the fully devolved taxes and for devolved elements of income tax. It also presents illustrative projections for some taxes that are yet to be devolved. And it provides the 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. For the first time, it also presents estimates for the income tax block grant adjustment and the corresponding illustrative income tax net position. This is an illustrative forecast of the difference between the income tax revenue that the devolved governments receive and the funding that is deducted from the block grant to account for the devolution of income tax.
- 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 used to produce our UK-wide forecasts when producing these devolved tax forecasts. This is largely because there is not 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 our *March 2025 EFO*.
- 1.7 The *March 2025 EFO* describes the timetable that was followed in producing these UK-wide forecasts. The pre-measures economy forecast was closed on 24 February and the pre-measures fiscal forecast on 4 March. Indirect effects of new policy announcements were then incorporated and the forecast was finalised on 21 March.
- 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 12 and 13 February; and
 - A **final set of forecasts** was produced on 18 March, 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 and the **income tax net position** derived from the income tax block grant adjustments;
 - 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**; and

Annex A provides illustrative forecasts for **taxes not yet devolved** – aggregates levy, air passenger duty, and VAT assignment.

2 Forecasts required for the block grant adjustments

Introduction

- 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 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 on its equivalent taxes and benefits, with adjustments made reflecting the terms of the respective devolution agreement.³
- 2.3 The tax BGAs are 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 For income tax, the England and Northern Ireland forecast used to derive the BGA is calculated by subtracting the Scottish and Welsh revenues from the whole of the UK forecast that we produce. 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 For the first time, in this chapter we also present figures for the income tax block grant adjustment and the corresponding illustrative income tax net position. This is an illustrative projection of the difference between the income tax revenue that the devolved governments receive, and the funding that is deducted from the block grant to account for the devolution of income tax. For devolved governments the net position is effectively the most relevant

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.

measure of the budgetary impact of devolved taxes. A positive value means that revenues exceed the deducted BGA, whereas a negative value means that there is a shortfall between income tax and the deducted BGA.

2.5 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
- illustrative projections of the latest income tax net positions for Scotland and Wales; and
- England and Wales forecasts for the social security spending devolved to Scotland.

Scottish receipts and income tax block grant adjustment

Receipts

2.6 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 there provide explanations for differences between the two).

2.7 Total England and Northern Ireland equivalent tax forecasts for those taxes that are fully or partially devolved grow by 6.5 per cent on average a year over the forecast period. This is stronger growth than the OBR's Scottish tax forecasts, which grow by 5.8 per cent on average a year. The difference is largely due to stronger income tax growth which represents the largest component of partially or fully devolved taxes.

2.8 The table therefore shows that the Scottish share of England and Northern Ireland equivalent taxes, those taxes used for the calculations of the block grant adjustments, falls gently from 2025-26 onwards.⁶ Taking each component in turn:

- The Scottish income tax share rises slightly in 2023-24 and 2024-25 but then falls from 2025-26 (from 7.6 per cent to 7.3 per cent in 2029-30). This decline is largely driven by our baseline assumption that income tax bands will rise in line with CPI inflation (to align with Scottish Fiscal Commission assumptions) one year earlier than for the rest of the UK instead of remaining frozen. We explain this in more detail in Chapter 3.
- For **property transaction taxes**, the Scottish share rises from 6.9 per cent in 2024-25 to 7.4 per cent in 2025-26, before falling sharply to 5.8 per cent in 2029-30.

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.

⁶ The percentages represented here are different from those in Chapter 3 as these are a share of England and Northern Ireland revenues, while those in Chapter 3 are as a share of total UK revenues, so include Scotland and Wales in the denominator. Additionally, we present figures in Chapter 3 on both a full income tax liabilities basis and on a pre-measures basis, whereas those included here are on an NSND and post-measures basis.

- Scottish **landfill tax** receipts as a share of their UK Government equivalent follow a downward trend, with receipts falling from 14.5 per cent in 2023-24 to 11.0 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 equivalent

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total Scottish devolved taxes		17,974	20,405	21,934	22,866	23,663	24,336	25,129
<i>of which:</i>								
Scottish income tax ¹	15,169	17,121	19,414	20,840	21,714	22,408	22,982	23,685
LBTT (Scotland)		784	934	1,052	1,127	1,229	1,328	1,417
Scottish landfill tax		68	57	42	25	26	26	27
Total England and Northern Ireland (ENI)		240,406	270,138	291,256	308,098	322,189	334,911	349,041
<i>of which:</i>								
NSND income tax	206,333	228,320	256,051	276,735	290,553	302,102	312,149	324,279
Property taxes		11,615	13,587	14,121	17,181	19,859	22,535	24,521
Landfill tax		471	500	400	364	229	226	242
		Scotland as a share of ENI						
Total Scottish devolved taxes		7.5	7.6	7.5	7.4	7.3	7.3	7.2
<i>of which:</i>								
Scottish income tax ¹	7.4	7.5	7.6	7.5	7.5	7.4	7.4	7.3
LBTT (Scotland)		6.8	6.9	7.4	6.6	6.2	5.9	5.8
Scottish landfill tax		14.5	11.4	10.5	6.9	11.2	11.5	11.0

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

Source: OBR

Income tax block grant adjustment and net tax position

2.9 In this section, for the first time, we present illustrative Scottish net income tax positions for all years of the forecast based on the updated March forecast. The Scottish net income tax position is Scottish income tax less the Scottish income tax BGA. A positive figure means that Scottish revenues are projected to exceed the funding that is deducted from the Scottish block grant to account for the devolution of income tax, while a negative figure means that Scottish revenues are projected to be lower than the funding deducted.

2.10 Scottish income tax is based on the SFC forecast, while the BGA is derived from the OBR forecast of England and Northern Ireland (ENI) income tax.⁷ Our Autumn forecasts are used by the Treasury to set the BGA for budgets in the following financial year, while the SFC's forecast that accompanies the Scottish Government Budget is used for Scottish income tax. The budgetary position beyond the next financial year is therefore not yet set, meaning that the projection beyond this period is purely for illustrative purposes.

⁷ The BGA is initially set at the relevant amount of UK Government revenue in the respective geographic area in the year prior to devolution. For Scotland, this is then grown by the growth in ENI revenues in each year multiplied by the population growth rate in Scotland as a share of ENI population growth. The official calculation of the BGA is produced by HM Treasury.

- 2.11 Table 2.2 shows that the income tax net position stood at £260 million in 2022-23. The illustrative net position is then forecast to rise to £851 million before declining gently over the next two years to £603 million in 2025-26. This positive net position is largely driven by Scottish Government policy decisions to raise income tax rates beyond those of the rest of the UK, and have a lower higher rate threshold than the rest of the UK, which we describe in more detail in Chapter 3. This results in additional revenue beyond the block grant that is deducted from the Scottish Government to account for income tax devolution.
- 2.12 Beyond 2025-26, the net position is projected to widen further, reaching £1.8 billion in 2029-30. This is despite the assumption that income tax thresholds are uprated with CPI inflation beyond this point, which aligns with the SFC’s baseline policy position and should weaken growth in Scottish revenues relative to the BGA. The further increase in the net position is therefore due to different OBR and SFC forecasts for wage growth. The SFC wage growth forecast from December 2024 is materially higher than the OBR’s updated forecast leading to more growth in income tax in the medium term. We discuss these points further in Chapter 3.

Table 2.2: Scottish income tax and BGA and net position

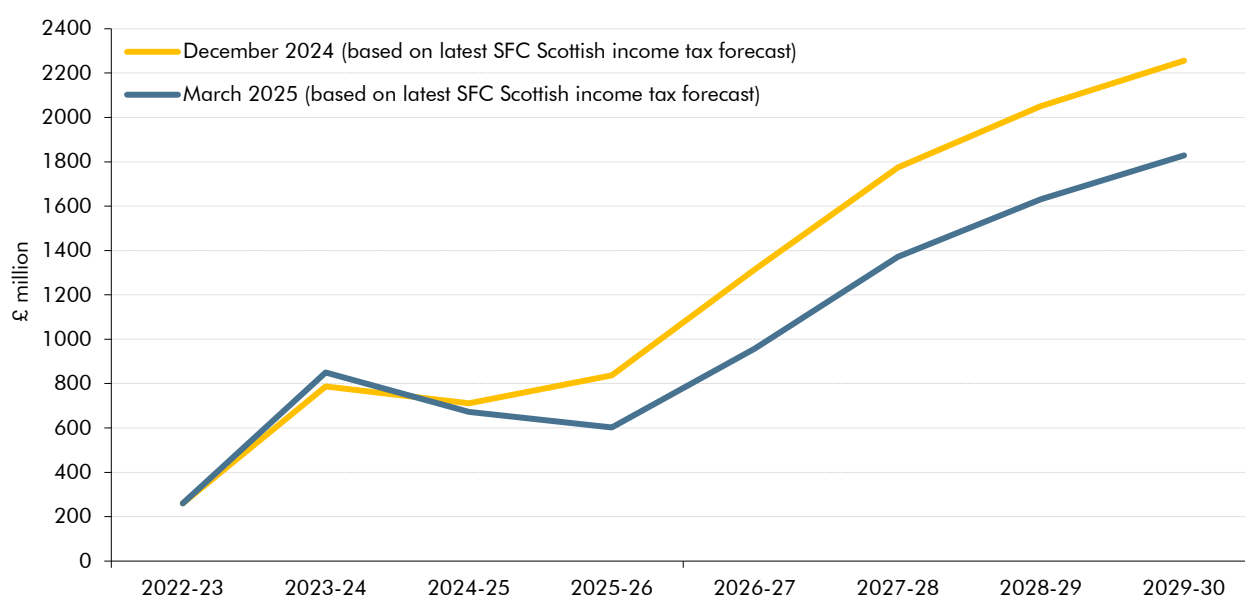
	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Scottish income tax (SFC)	15,169	17,315	19,099	20,477	21,782	22,980	23,913	24,930
Scottish income tax BGA	14,909	16,464	18,426	19,874	20,825	21,608	22,282	23,101
Income tax net position	260	851	673	603	958	1,372	1,631	1,829

Note: BGA figures and the corresponding income tax net position are based on HMT calculations of OBR forecasts. These numbers can sometimes be revised slightly following each forecast, so should be treated as provisional at the time of publication.

Source: HMRC, SFC, OBR

- 2.13 The income tax net position has fallen by around £370 million a year from 2025-26 onwards since the SFC’s income tax forecast in December 2024 (Chart 2.1). This is driven by upward revisions to the ENI income tax forecast which increase the BGA, helped by a stronger earnings growth forecast which move our earnings growth forecast for the UK closer to the SFC’s forecast for Scotland in the near term. Changes in the Scottish population share have a relatively modest impact on the BGA.

Chart 2.1: Scottish income tax net position using SFC income tax forecasts



Source: SFC, OBR

Welsh receipts and income tax block grant adjustment

Receipts

- 2.14 Total England and Northern Ireland equivalent tax forecasts for those taxes that are fully or partially devolved grow at 6.5 per cent on average a year, around the same rate as the Welsh tax forecasts, at 6.4 per cent, over the forecast period. Income tax growth is the main driver of growth in each, as this represents the largest component of partially or fully devolved taxes.
- 2.15 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).
- 2.16 The differences are generally modest, with the Welsh share of England and Northern Ireland equivalent taxes, which are used for the calculations of the block grant adjustments, remaining constant at 1.4 per cent until 2029-30. Taking each tax in turn:
- The share of Welsh rates of **income tax** also remains constant at 1.3 per cent, with growth rates very similar between Wales, and England and Northern Ireland.
 - The Welsh share of **property transaction taxes** rises in 2024-25 to 2.5 per cent, and then falls across the forecast period to 2.0 per cent in 2029-30.
 - For **landfill taxes**, the Welsh share rises from 6.3 per cent in 2023-24 to 13.6 per cent in 2027-28, before declining slightly in the final two years of the forecast period.

Table 2.3: Devolved Welsh taxes relative to rest of UK equivalent

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total Welsh devolved taxes		3,247	3,703	3,969	4,167	4,361	4,526	4,708
<i>of which:</i>								
Welsh Government income tax (WRIT basis) ¹	2,618	2,948	3,331	3,586	3,754	3,911	4,040	4,189
Land transaction tax		270	338	350	382	419	456	489
Landfill disposals tax		30	34	33	32	31	30	30
Total England and Northern Ireland (ENI) equivalent		240,406	270,138	291,256	308,098	322,189	334,911	349,041
<i>of which:</i>								
NSND income tax	206,333	228,320	256,051	276,735	290,553	302,102	312,149	324,279
SDLT		11,615	13,587	14,121	17,181	19,859	22,535	24,521
Landfill tax		471	500	400	364	229	226	242
		Wales as a share of ENI						
Total Welsh devolved taxes		1.4	1.4	1.4	1.4	1.4	1.4	1.3
<i>of which:</i>								
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	2.5	2.2	2.1	2.0	2.0
Landfill disposals tax		6.3	6.9	8.2	8.7	13.6	13.4	12.3

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

Source: OBR

2.17 Table 2.4 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 in 2022-23 to 3.6 per cent in 2023-24, after which it remains stable. Shares for all Welsh bands rise beyond their 2022-23 level, with the basic rate share rising from 4.5 to 4.6 per cent, the higher rate share rising from 2.2 to 2.6 per cent and the additional rate share rising from 0.6 per cent to 0.8 per cent.

Table 2.4: Welsh rates and rest of UK equivalent by band

	£ billion							
	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	3.6	3.8	3.9	4.0	4.2
of which:								
Basic rate	2.2	2.5	2.8	3.0	3.1	3.2	3.3	3.4
Higher rate	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6
Additional rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
England and Northern Ireland NSND income tax (WRIT basis)	75.1	82.7	92.4	99.4	104.1	108.0	111.6	115.9
of which:								
Basic rate	49.6	54.4	60.3	64.2	67.1	69.2	71.6	74.4
Higher rate	15.3	15.7	17.9	19.7	20.8	21.8	22.2	22.7
Additional rate	10.2	12.6	14.1	15.4	16.3	17.0	17.8	18.8
	Wales as a share of ENI WRIT-equivalent							
Welsh rates	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Basic rate	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Higher rate	2.2	2.4	2.5	2.5	2.6	2.6	2.6	2.6
Additional rate	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.8

Source: OBR

Income tax block grant adjustment and net tax position

- 2.18 In this section, for the first time, we present illustrative Welsh net income tax positions for all years of the forecast based on the updated March forecast. The Welsh net income tax position is the Welsh rate of income tax less the Welsh income tax BGA. A positive figure means that Welsh revenues will exceed the funding that is deducted from the Welsh block grant to account for the devolution of income tax, while a negative figure means that Welsh revenues are lower than the funding deducted.
- 2.19 Our Autumn forecasts are used by the Treasury to set the BGA for the budget for the following financial year, but here we present the illustrative net income tax position for all years of the forecast based on the updated March 2025 forecast. The budgetary position in future years will not necessarily change as indicated here, because the projections will be updated again before being used for budgetary purposes. The Welsh income tax BGA is grown as a share of the ENI WRIT equivalent cash growth for each income tax band.⁸
- 2.20 Table 2.5 shows that the income tax net position for Wales was £83 million in 2022-23, and is expected to rise to £181 million in 2023-24 and increase each year thereafter, growing to £380 million in 2029-30, driven by stronger growth in WRIT than the income tax BGA. This is explained by:
- **Weaker relative growth in ENI equivalent revenues** than WRIT. These are forecast to grow by 6.4 per cent a year on average from 2022-23 to 2029-30, compared to 7.0 per cent growth in WRIT.

⁸ The share used is the Welsh population share multiplied by the comparability factor for each band, which is the level of income tax per person in Wales relative to ENI at the point of devolution. The comparability factor is used to account for Welsh income tax per person being lower than ENI income tax per person at the point of devolution. The official BGA calculation is produced by HM Treasury.

Forecasts required for the block grant adjustments

- The Welsh rate of income tax and BGA being **more dependent on basic rate revenues** than ENI-equivalent revenue. The growth in ENI revenue is more strongly concentrated in the additional rate, with annual average growth of 9.2 per cent compared to 6.0 per cent growth in basic rate revenue from 2022-23 to 2029-30. But this represents just 2 per cent of the income tax BGA in 2022-23 compared to 14 per cent of ENI revenue, meaning that growth in the BGA is weaker than overall ENI income tax growth. WRIT growth by band is nevertheless stronger, with annual growth of 15.0 per cent in the additional rate band, and 6.5 per cent growth in the basic rate band.
- **Comparability factor and population share.** The fall in the Welsh population share over the forecast period, compounded by the comparability factor applied to this, also serves to reduce the growth in the income tax BGA relative to ENI WRIT-equivalent growth.

Table 2.5: March 2025 Welsh rates of income tax and BGA and net position

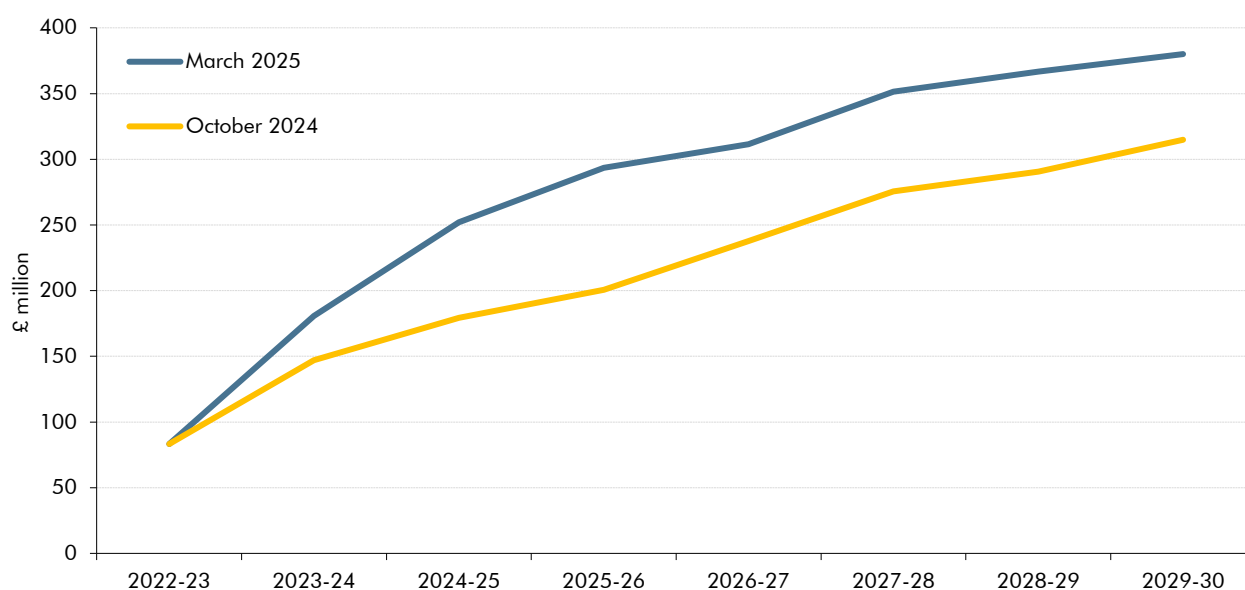
	£ million							
	Outturn		Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Welsh rate of income tax	2,618	2,948	3,331	3,586	3,754	3,911	4,040	4,189
Welsh income tax BGA	2,535	2,767	3,079	3,292	3,442	3,559	3,673	3,809
Income tax net position	83	181	252	294	312	352	367	380

Note: BGA figures and the corresponding income tax net position are based on HMT calculations of OBR forecasts. These numbers can sometimes be revised slightly following each forecast, so should be treated as provisional at the time of publication.

Source: HMRC, OBR

2.21 Chart 2.2 shows that the net tax position has increased by £70 million a year on average from 2023-24 onwards since our October 2024 forecast. This is driven by sharper increases in the WRIT forecast, which has increased by £105 million a year on average, than the equivalent ENI income tax forecast, which has risen by £35 million a year on average, since October. Changes due to the population share have been minimal.

Chart 2.2: March 2025 Welsh income tax net position projection and change since October



Source: OBR

Scottish social security

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

Table 2.6: Social security spending in England and Wales

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Carer's allowance	3,735	4,224	4,465	4,781	4,885	4,958	5,118
Personal independence payment ¹	21,790	25,943	28,539	31,550	33,190	34,971	37,585
Disability living allowance ¹	6,858	7,673	8,012	8,408	8,699	8,834	8,747
Attendance allowance ¹	6,673	7,738	8,303	8,900	9,250	9,581	9,964
Industrial injuries disablement benefit	721	754	737	734	718	698	677
Severe disablement allowance	56	54	49	44	38	31	24
Cold weather payment	30	24	36	36	36	36	36
Winter fuel payment ¹	1,847	311	316	305	295	291	294

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

Forecasts required for the block grant adjustments

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.⁹
- 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 in replacement to 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.¹⁰ Throughout the chapter we compare our March 2025 forecasts published alongside the Spring Statement to our October 2024 forecasts.

Methodology

- 3.5 The three main stages in generating our forecasts for Scottish and Welsh income tax are:¹¹
- 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.

⁹ An 'effective personal allowance', however, can be achieved by using a zero-rate band.

¹⁰ 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.

¹¹ 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. While full liabilities data for the UK in 2023-24 are not yet available, there is provisional information about self-assessment income tax payments in respect of that year.
- 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 will be £252.3 billion in 2023-24, £24.8 billion (10.9 per cent) higher than in 2022-23, and then rise by a further £31.0 billion (12.3 per cent) to reach £283.3 billion in 2024-25, both broadly unchanged since our October forecast. This increase is driven by strong nominal earnings growth combined with frozen tax thresholds.
- 3.9 Receipts then continue to rise over the rest of the forecast to reach £357.9 billion in 2029-30. Year-on-year growth is forecast to be 8.0 per cent in 2025-26 again due to strong forecast nominal earnings growth combined with frozen personal tax thresholds. Year-on-year growth then generally slows over the forecast period to reach 3.8 per cent by 2029-30, as nominal earnings growth slows in later years of the forecast and the personal tax threshold freezes end from 2028-29 onwards.
- 3.10 Relative to October, receipts have been revised up by £6.1 billion (1.9 per cent) a year on average from 2025-26 onwards. Around 80 per cent of this increase is explained by upward revisions to our pre-measures forecast, driven by higher PAYE outturn in 2024-25 and stronger-than-expected nominal earnings growth in 2025-26. The remainder relates to the effects of UK Government policy decisions announced since the Autumn Budget which yield amounts rising to £1.7 billion in 2029-30. A package of compliance and tax debt measures explain most of the direct effects of Government policy, while the indirect effects of wider policy announcements yield amounts rising to £1.1 billion in 2029-30.

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
October forecast	227.6	253.2	282.4	301.9	315.3	327.2	337.9	351.0
March forecast	227.6	252.3	283.3	306.0	321.2	333.8	344.7	357.9
Difference		-0.9	0.9	4.1	5.9	6.6	6.8	6.9
<i>of which:</i>								
UK NSND outturn alignment		0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pre-measures forecast		-1.0	0.7	3.5	5.0	5.5	5.3	5.1
UK Government policies			0.0	0.5	0.8	1.0	1.4	1.7
<i>of which:</i>								
Direct effects			0.0	0.2	0.3	0.3	0.4	0.6
Indirect effects			0.0	0.4	0.5	0.7	1.0	1.1

Source: OBR

Scottish and Welsh shares

3.11 We forecast the shares to apply to the UK NSND forecast by using HMRC's 2022-23 Survey of Personal Incomes (SPI). This is an annual sample of around 910,000 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 rose in 2018-19 and then remained stable in 2019-20 before falling in 2020-21 for Scotland whilst peaking in Wales, before both fell in 2021-22. In the latest outturn year, 2022-23, both shares have risen slightly. This may partly be explained by the freeze in the personal tax threshold that began in the year, which could disproportionately impact Scotland and Wales.

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

	Per cent					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Scotland	6.53	6.73	6.72	6.58	6.46	6.61
Wales	2.64	2.66	2.66	2.74	2.64	2.67

Source: OBR

3.12 We use the 2022-23 SPI data to calculate an initial share of UK NSND income tax liabilities for both Scotland and Wales. We then project these SPI-based shares over the forecast period, making adjustments for:¹²

- **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 '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

¹² 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 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 nine 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 that were published in July 2024.

3.13 Table 3.3 reports our latest forecast for the Scottish share and revisions since October. It is presented on a pre-measures basis because the impact of new policy measures is subsequently captured in cash terms rather than via the share. The Scottish share is forecast to rise from 6.67 per cent in 2022-23 to 6.85 per cent in 2024-25, due to Scottish Government decisions to increase SIT rates further relative to those set by the UK Government. The share falls thereafter, reaching 6.62 per cent in 2029-30, due to the assumption that bands rise in line with CPI inflation from 2027-28 onwards, in comparison to the thresholds being frozen in the rest of the UK until the following year, in 2028-29. The reclassification of £2 billion of carried interest receipts to income tax since October also reduces the Scottish share slightly from 2027-28 onwards. Scottish Budget measures largely explain the increase relative to October, but this is somewhat offset by weaker-than-expected Scottish RTI outturn in 2024-25.

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
October forecast	6.67	6.78	6.82	6.73	6.70	6.66	6.62	6.59
March forecast ¹	6.67	6.79	6.85	6.81	6.76	6.71	6.67	6.62
Difference	0.00	0.00	0.04	0.08	0.06	0.05	0.04	0.03
RTI index (2022-23=100)		99.8	99.6	99.6	99.6	99.6	99.6	99.6
Change since October		0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Index of relative population growth (2024-25=100)		100.0	100.0	99.6	99.4	99.1	98.7	98.4
Change since October		0.0	0.7	0.6	0.6	0.6	0.6	0.6

¹March 2025 is shown on a pre-measures basis because the effect of measures is captured in cash terms rather than via the share.

Source: OBR

3.14 Table 3.4 shows that the Welsh share is stable at 1.17 per cent of UK NSND income tax from 2025-26 onwards. It has been revised up from October (on a pre-measures basis), reflecting stronger RTI outturn data in 2024-25 and an increase in the Welsh population

share, together with revisions that we have made to improve our Welsh forecast methodology (detailed in paragraph 3.20).

Table 3.4: Welsh rates of income tax 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
October forecast	1.15	1.15	1.15	1.15	1.15	1.16	1.16	1.16
March forecast ¹	1.15	1.17	1.18	1.17	1.17	1.17	1.17	1.17
Difference	0.00	0.01	0.02	0.02	0.02	0.02	0.02	0.01
<i>RTI index (2022-23=100)</i>		100.2	100.3	100.3	100.3	100.3	100.3	100.3
<i>Change since October</i>		0.0	0.7	0.7	0.7	0.7	0.7	0.7
<i>Index of relative population growth (2024-25=100)</i>		100.0	100.0	100.0	100.1	100.2	100.2	100.1
<i>Change since October</i>		0.0	0.1	0.2	0.3	0.5	0.7	0.7

¹March 2025 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

3.15 Table 3.5 presents our latest Scottish income tax forecast and the changes since October. Scottish income tax is forecast to increase from £15.2 billion in 2022-23 to £17.1 billion in 2023-24, up £2.0 billion (12.9 per cent). Year-on-year growth then slows over the forecast period with receipts reaching £23.7 billion in 2029-30. This largely reflects growth in the UK NSND forecast. Relative to October, the forecast is up by £0.6 billion a year on average from 2025-26 onwards. This reflects:

- The upward revision to our pre-measures **UK NSND forecast**. This increases receipts by £211 million a year on average from 2025-26, driven by PAYE receipt increases. UK NSND forecast changes account for almost 40 per cent of the overall change in Scottish income tax since October.
- **Scottish Government policies** yield £206 million a year on average. The main contributor is the cash terms freeze to the higher-rate threshold in 2025-26 and 2026-27, with the advanced and top rates also being frozen in those years. The basic rate and intermediate rate thresholds will, however, rise by 3.5 per cent in 2025-26.
- Other **Scottish share changes** revise liabilities upwards by £184 million in 2025-26, with this impact diminishing over the forecast period to £31 million in 2029-30. The near-term increase is largely driven by the Scottish working-age population being larger than previously assumed. The Scottish share of the UK population is then expected to fall in future years, partially offsetting the effects of a larger population.
- The effect of **UK Government policies** increase Scottish liabilities by amounts increasing to £114 million in 2029-30. The indirect effects of policies yield £75 million while direct effects yield £39 million in 2029-30.

Table 3.5: Changes in Scottish NSND income tax since October

	£ million							
	Outturn		Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	15,169	17,177	19,247	20,320	21,110	21,803	22,379	23,121
March forecast	15,169	17,121	19,414	20,840	21,714	22,408	22,982	23,685
Difference		-56	168	520	604	605	603	564
<i>of which:</i>								
Scottish share modelling		3	108	184	80	55	57	31
Scottish Government policies		0	0	59	249	245	240	238
UK NSND forecast changes		-69	48	235	215	229	203	172
UK NSND outturn alignment		10	10	8	8	8	8	8
UK Government policies			2	35	53	69	96	114
<i>of which:</i>								
Other direct effects			2	10	19	20	29	39
Indirect effects			0	25	35	49	68	75

Source: OBR

Comparison with Scottish Fiscal Commission forecasts

- 3.16 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. 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.
- 3.17 Differences in modelling approaches, data used, and judgements applied can all contribute to differences between our and the SFC's forecasts. This is compounded by the fact that we produce our forecasts at different times, so the latest data will have moved on in between each forecast. 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. Tables 3.6 and 3.7 compare our current forecast to the SFC's latest forecast, which was published in December.
- 3.18 Table 3.6 compares the determinants used in our respective forecasts. Ours relate to the UK as a whole, whereas the SFC's are specific to Scotland. It shows that:
- **We expect average nominal earnings growth** to be strong in the near term due to a combination of recent public sector pay settlements and resilient private sector pay growth. Over the medium term we expect earnings growth to slow as firms pass on the costs of the employer NICs increase and the labour share falls from current elevated levels as companies seek to increase margins. Overall, our forecast has cumulative growth 2.8 percentage points below the SFC's forecast by 2029-30.

- **We forecast stronger employment growth** than the SFC throughout the forecast period. This leaves employment growth 3.3 percentage points above the SFC's forecast in 2029-30 on a cumulative basis.
- **Overall, this leaves our forecast for the growth in wages and salaries** higher in the near term than the SFC but then lower in later years. The forecasts have broadly converged by 2029-30.

Table 3.6: SFC Scottish determinants compared to OBR UK-wide determinants

	Percentage change on a year earlier						
	Outturn 2023-24	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
Employment							
SFC (December)	1.2	0.2	0.1	0.3	0.3	0.3	0.2
OBR	0.8	1.2	0.7	0.6	0.7	0.6	0.7
Difference	-0.4	1.0	0.7	0.4	0.4	0.3	0.5
Average nominal earnings							
SFC (December)	6.4	4.3	3.7	2.8	2.9	2.9	2.9
OBR	6.9	4.6	3.6	2.1	2.0	2.2	2.5
Difference	0.4	0.3	-0.1	-0.7	-0.9	-0.6	-0.4
Wages and salaries							
SFC (December) ¹	7.9	4.6	3.8	3.1	3.2	3.2	3.2
OBR	7.6	6.0	4.2	2.6	2.6	2.7	3.1
Difference	-0.3	1.5	0.4	-0.4	-0.6	-0.5	-0.1
Index: 2023-24 = 100							
Employment							
SFC (December)		100.2	100.3	100.5	100.8	101.1	101.3
OBR		101.2	101.9	102.6	103.3	103.9	104.7
Difference		1.0	1.6	2.0	2.5	2.8	3.3
Average nominal earnings							
SFC (December)		104.3	108.3	111.3	114.6	117.9	121.3
OBR		104.6	108.4	110.8	113.0	115.5	118.4
Difference		0.3	0.2	-0.5	-1.5	-2.3	-2.8
Wages and salaries							
SFC (December) ¹		104.6	108.6	111.9	115.5	119.1	122.9
OBR		106.0	110.5	113.4	116.3	119.5	123.2
Difference		1.5	1.9	1.5	0.8	0.3	0.2

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

Source: SFC, OBR

3.19 Table 3.7 breaks down our forecast for UK NSND income tax and compares our and the SFC's respective forecasts for Scottish income tax. We forecast stronger growth in 2024-25 but significantly weaker growth from 2027-28 onwards. This leaves our Scottish income tax forecast £1.2 billion (5.0 per cent) lower than the SFC's most recent forecast by 2029-30. This is primarily driven by our weaker medium-term growth for nominal earnings relative to the SFC's. In cumulative terms, our forecast is 56 per cent higher in 2029-30 than 2022-23, while the SFC forecast is 64 per cent higher.

Table 3.7: SFC Scottish income tax forecast compared to OBR UK NSND forecast

	£ million								
	Outturn 2022-23	Forecast							
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30		
SFC (December)									
SIT (a)	15,169	17,315	19,099	20,477	21,782	22,980	23,913	24,930	
OBR									
UK NSND	227,555	252,316	283,287	306,046	321,161	333,804	344,727	357,910	
of which:									
UK ex. SIT and WRIT	209,768	232,247	260,542	281,620	295,693	307,485	317,704	330,036	
WRIT	2,618	2,948	3,331	3,586	3,754	3,911	4,040	4,189	
SIT (b)	15,169	17,121	19,414	20,840	21,714	22,408	22,982	23,685	
OBR vs. SFC (b-a)		-194	315	363	-68	-572	-931	-1,245	
		Percentage change on a year earlier							
SFC (December)									
SIT (a)		14.1	10.3	7.2	6.4	5.5	4.1	4.3	
OBR									
UK ex. SIT and WRIT		10.7	12.2	8.1	5.0	4.0	3.3	3.9	
SIT (b)		12.9	13.4	7.3	4.2	3.2	2.6	3.1	
OBR vs. SFC (b-a)		-1.3	3.1	0.1	-2.2	-2.3	-1.5	-1.2	
		Index (2022-23=100)							
SFC (December)									
SIT (a)		114.1	125.9	135.0	143.6	151.5	157.6	164.3	
OBR									
UK ex. SIT and WRIT		110.7	124.2	134.3	141.0	146.6	151.5	157.3	
SIT (b)		112.9	128.0	137.4	143.1	147.7	151.5	156.1	
OBR vs. SFC (b-a)		-1.3	2.1	2.4	-0.4	-3.8	-6.1	-8.2	

Source: SFC, OBR

Welsh forecast

3.20 Table 3.8 sets out our latest forecast for the Welsh rates of income tax and a breakdown of the changes since October, while Table 3.9 shows the forecast by tax band. Welsh liabilities are forecast to grow from £2.6 billion in 2022-23 to £2.9 billion in 2023-24, up £0.3 billion (12.6 per cent) but with year-on-year growth declining to £149 million (3.7 per cent) by 2029-30. Relative to October, receipts have been revised up by £128 million (3.4 per cent) a year on average from 2025-26 onwards. This reflects:

- **Welsh share changes** increase the forecast by £77 million on average a year from 2025-26 onwards. This reflects both the recent strength in RTI outturn data and a refinement in our approach to calculating overall growth in Welsh liabilities¹³;

¹³ We now use a more bottom-up approach to producing the Welsh share, by aligning each band to the latest in-year shares in the RTI data, rather than calculating overall growth in WRIT and then apportioning by band thereafter, which should improve our forecasting methodology.

- Increases to the **UK NSND forecast** leave the forecast £36 million higher a year on average from 2025-26 onwards, driven by the recent strength in PAYE outturn and upwards revisions to our nominal earnings growth forecast; and
- The **effect of UK Government policies** yields £20 million by 2029-30, with two-thirds of this driven by the indirect effects of the policy package.

Table 3.8: Changes in the Welsh rates of income tax forecast since October

	£ 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
March forecast	2,618	2,948	3,331	3,586	3,754	3,911	4,040	4,189
Difference		24	73	123	119	129	137	130
<i>of which:</i>								
Welsh share modelling		34	63	76	71	76	84	78
UK NSND outturn alignment		2	2	1	1	1	1	1
UK NSND forecast changes		-12	8	40	37	40	35	30
UK Government policies			0	6	9	12	16	20
<i>of which:</i>								
Other direct effects			0	2	3	4	5	7
Indirect effects			0	4	6	8	12	13

Source: OBR

Table 3.9: 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
March forecast	2,618	2,948	3,331	3,586	3,754	3,911	4,040	4,189
<i>of which:</i>								
Basic rate	2,225	2,481	2,779	2,967	3,093	3,208	3,319	3,444
Higher rate	333	373	443	498	532	565	577	593
Additional rate	61	93	109	121	129	137	144	153
	Per cent							
Basic rate	85.0	84.2	83.4	82.7	82.4	82.0	82.2	82.2
Higher rate	12.7	12.7	13.3	13.9	14.2	14.5	14.3	14.2
Additional rate	2.3	3.2	3.3	3.4	3.4	3.5	3.6	3.6

Source: OBR

Box 3.1: Evaluating our forecasts for devolved income tax

Outturn data for 2022-23 was published in July 2024, so we can now evaluate our forecasts for Scottish income tax and the Welsh rates in that year. Doing so is important for transparency and helps us to understand and identify ways to improve our methodology and modelling. We have concluded from previous evaluations of devolved income taxes that they have generally improved with time as we incorporate more outturn data from across the UK's three income tax systems, as well as the improved use of RTI data. Because of the lag in publishing income tax outturn data for Scotland and Wales, we can only analyse our devolved income tax forecasts well after the end of the year to which they relate.

Table A compares our March 2022 forecasts for Scottish income tax and the Welsh rates in 2022-23 to the eventual outturn. This was a particularly difficult period to forecast given the economy was recovering from the unprecedented impact of the pandemic. It shows that:

- **Scottish income tax liabilities** were £359 million (2.4 per cent) higher than forecast. Over 80 per cent of the overall difference is explained by economic determinants, which outperformed our forecast by £297 million. This reflects a stronger increase in UK-wide wages and salaries in 2022-23 than expected in the March 2022 forecast, which was a result of the higher-than-expected increase in inflation and nominal earnings. Fiscal modelling contributed £27 million, reflecting fiscal drag as a consequence of the unanticipated strength in earnings generating greater number of taxpayers in higher rate bands. Subsequently announced policies explain a further £35 million, a result of the cancellation of the Health and Social Care levy incorporated in our March 2022 forecast.
- **Liabilities for the Welsh rates** were only £27 million (1.0 per cent) lower than forecast. Economic determinants generated higher revenues than expected reflecting the stronger-than-expected nominal earnings growth outlined above. This was more than offset by the fiscal modelling difference which is due to 2021-22 outturn, used as the base year for the March 2022 forecast, being weaker-than-anticipated and the Welsh share of UK outturn being lower than expected, at 1.15 per cent rather than the 1.17 per cent forecast.

Table A: Scottish income tax and Welsh rates of income tax in 2022-23: March 2022 forecast versus outturn

	£ million					
	Forecast	Outturn	Difference	of which:		
				Economic determinants	Fiscal modelling	Policy changes
Scottish income tax	14,810	15,169	359	297	27	35
Welsh rates of income tax	2,645	2,618	-27	53	-81	1

Source: HMRC, 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 each of them.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 were during the pandemic, then we can use different country-specific assumptions.

4.3 Both forecasts involve three steps:

- first, an **in-year estimate** is produced, using the latest outturn and our forecasts for property market determinants in 2024-25;
- next, the **pre-measures forecast** is produced, drawing on several models to project the property market over the forecast period and then calculate the expected revenue; and
- finally, estimates of the effects of any **new policy measures** are added to produce the post-measures forecast.

Latest property market forecasts

4.4 The LBTT and LTT forecasts are based on the property market forecasts shown in Table 4.1. These are largely consistent with our UK-wide forecasts published in the March 2025 *Economic and fiscal outlook (EFO)*.²

4.5 House prices are forecast to grow by an average of 2.6 per cent from 2024-25 onwards. Relative to October, prices have been revised up by an average of 1.3 percentage points in 2025-26, with slightly weaker growth from 2027-28.

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.

² The commercial forecasts are consistent with our post-measures forecast in the *EFO*. The residential forecasts exclude the effect of the planning reforms announced by the Government, which only impact England.

- 4.6 Residential transactions are forecast to rebound strongly in 2024-25, up 13.1 per cent year-on-year, an even sharper rebound than we forecast in October. Transactions are then forecast to be somewhat weaker than our previous forecast until 2027-28, before settling around the same growth rate in the final two years of the forecast period.
- 4.7 Commercial property prices are forecast to grow at 2.1 per cent in 2024-25 and then grow modestly over the forecast period, with price growth remaining broadly unchanged from 2026-27 onwards relative to October. Commercial transactions are expected to fall in 2025-26 but recover in the following year, with growth rates broadly unchanged from 2027-28 onwards.

Table 4.1: Forecasts for property prices and transactions

	Percentage change on a year earlier						
	Outturn 2023-24	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
House prices							
October forecast	-0.8	2.5	1.1	2.4	2.9	3.0	3.0
March forecast	-0.9	2.6	2.5	2.6	2.7	2.8	2.8
Difference	-0.1	0.1	1.3	0.1	-0.2	-0.2	-0.2
Housing transactions							
October forecast	-17.1	11.7	5.7	6.2	6.0	4.1	2.7
March forecast	-17.2	13.1	5.2	4.8	5.6	4.4	2.7
Difference	0.0	1.3	-0.5	-1.4	-0.4	0.2	0.0
Commercial property prices							
October forecast	-9.2	-0.5	3.3	1.8	1.8	1.9	2.0
March forecast	-10.2	2.1	1.6	1.7	2.0	1.9	1.9
Difference	-0.9	2.5	-1.7	-0.1	0.2	0.0	-0.1
Commercial transactions							
October forecast	-3.2	1.3	1.5	1.9	1.8	1.7	1.7
March forecast	-3.2	3.3	-1.6	3.2	1.8	1.7	1.8
Difference	0.0	2.0	-3.2	1.3	-0.1	0.0	0.1

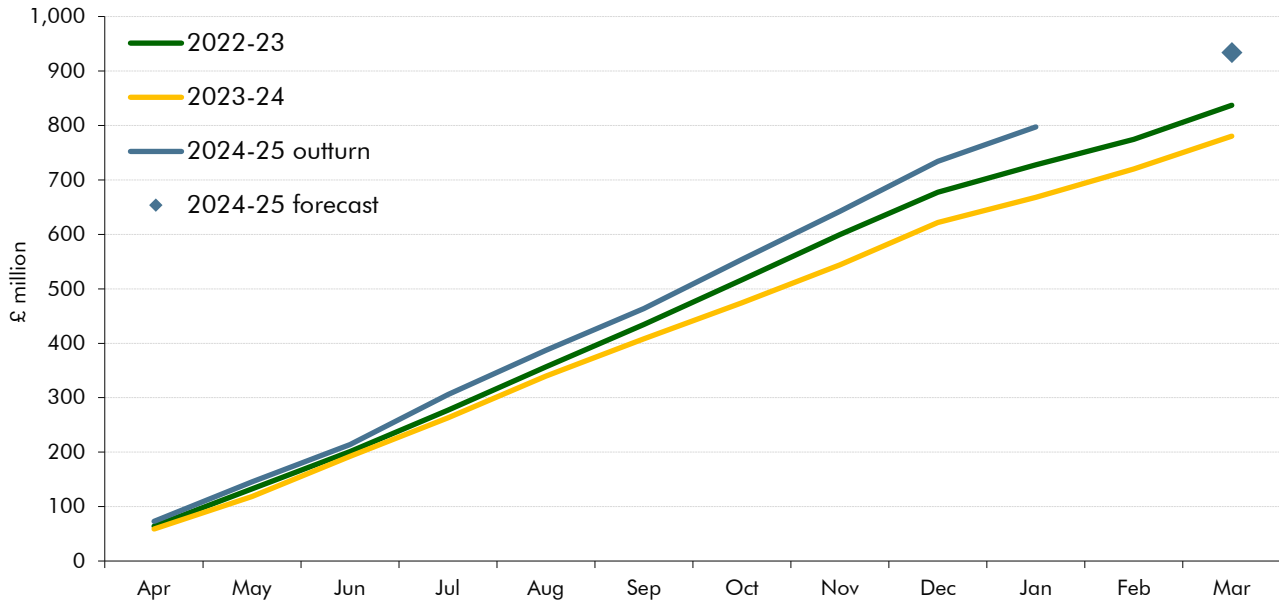
Source: OBR

Scottish land and buildings transaction tax

Latest LBTT outturn data

- 4.8 Total LBTT receipts in the first ten months of 2024-25 are up £129 million (19.4 per cent) relative to the same period in 2023-24, and £70 million (9.6 per cent) higher than 2022-23. We forecast receipts will be £934 million in 2024-25.

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. Receipts are expected to be £41 million lower in 2024-25 relative to the October forecast, driven by weaker-than-expected outturn. Overall the medium-term outlook is not dissimilar to the October forecast, with an average rise of £9 million a year from 2025-26 onwards.

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

	£ million						
	Outturn 2023-24	2024-25	2025-26	Forecast			
			2026-27	2027-28	2028-29	2029-30	
Total LBTT							
October forecast	784	975	1038	1120	1221	1319	1411
March forecast	784	934	1,052	1,127	1,229	1,328	1,417
Difference		-41	14	7	8	9	6
Residential LBTT (excluding ADS)							
October forecast	421	513	547	610	684	756	824
March forecast	421	492	543	605	676	747	811
Difference		-22	-4	-5	-9	-9	-13
Additional dwelling supplement (ADS)							
October forecast	176	234	252	261	278	295	309
March forecast	176	205	272	273	294	312	326
Difference		-29	20	12	16	17	17
Commercial LBTT							
October forecast	187	228	239	249	258	268	278
March forecast	187	237	237	249	259	269	279
Difference		10	-3	0	1	1	2

Source: OBR

Residential LBTT forecast (including the additional dwellings supplement)

4.10 Table 4.3 shows that residential receipts are expected to grow by 16.8 per cent on average in 2024-25 and 2025-26 and then by an average of 8.7 per cent a year. Relative to October, receipts for 2024-25 have been revised down by £51 million (6.8 per cent) largely due to weaker in-year outturn data. From 2025-26 onwards receipts have been revised up slightly, by an annual average of £8 million (0.9 per cent). Upward revisions to house price growth until 2026-27, and the impact of Scottish Government decisions (increasing the ADS rate from 6 per cent to 8 percent from December 2024) help to push up the forecast. This is almost entirely offset by weaker outturn data, which we expect to persist over the forecast period, alongside weaker transaction growth in later years of the forecast.

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

	£ million						
	Outturn		Forecast				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	597	747	799	871	963	1051	1134
March forecast	597	696	815	878	970	1059	1137
Difference		-51	16	7	7	7	4
<i>of which:</i>							
Price changes		0	19	22	22	20	17
Transaction changes		2	2	-9	-13	-11	-12
Outturn data and modelling		-58	-37	-38	-39	-41	-42
Policy changes		5	33	32	37	39	40

Source: OBR

Commercial LBTT forecast

4.11 Commercial LBTT receipts are expected to increase by £50 million (26.8 per cent) in 2024-25 before then falling slightly in 2025-26, due to a contraction in the volume of commercial transactions. Growth then averages 4.2 per cent a year for the remainder of the forecast. Relative to October, the forecast has been revised up by £10 million in 2024-25 due to in-year strength in outturn, but is broadly unchanged for the remainder due to a largely offsetting downgrade to our prices and transactions forecast.

Table 4.4: Commercial LBTT forecast: changes since October

	£ million						
	Outturn		Forecast				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	187	228	239	249	258	268	278
March forecast	187	237	237	249	259	269	279
Difference		10	-3	0	1	1	2
<i>of which:</i>							
Price changes		1	-4	-4	-4	-4	-4
Transaction changes		1	-6	-3	-3	-3	-3
Outturn data and modelling		7	8	8	8	8	8

Source: OBR

Comparison with the Scottish Fiscal Commission's latest forecast

4.12 Our LBTT forecast is generated from the same model that is used by the Scottish Fiscal Commission (SFC) so any differences between our forecasts largely relate to the timing of the forecast, different assumptions about the future direction of property markets and the interpretation of the latest outturn data. Our LBTT forecast is higher than the SFC's December forecast by an average of £102 million a year, driven mainly by higher residential LBTT (Table 4.5), which is explained by our transactions and prices growth being stronger than the SFC's on average toward the end of the forecast horizon.

Table 4.5: Comparison between Scottish Fiscal Commission and OBR forecasts

	£ million						
	Outturn 2023-24	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
Total LBTT							
SFC (December)	784	911	1019	1058	1102	1158	1223
OBR	784	934	1052	1127	1229	1328	1417
Difference	0	23	33	68	127	170	194
Residential LBTT (excluding ADS)							
SFC (December)	421	491	525	559	592	633	680
OBR	421	492	543	605	676	747	811
Difference	0	1	18	46	84	114	131
Additional dwellings supplement (ADS)							
SFC (December)	176	195	258	256	259	265	274
OBR	176	205	272	273	294	312	326
Difference	0	10	14	17	35	47	53
Commercial LBTT							
SFC (December)	187	226	235	243	252	260	269
OBR	187	237	237	249	259	269	279
Difference	0	12	2	6	7	9	10

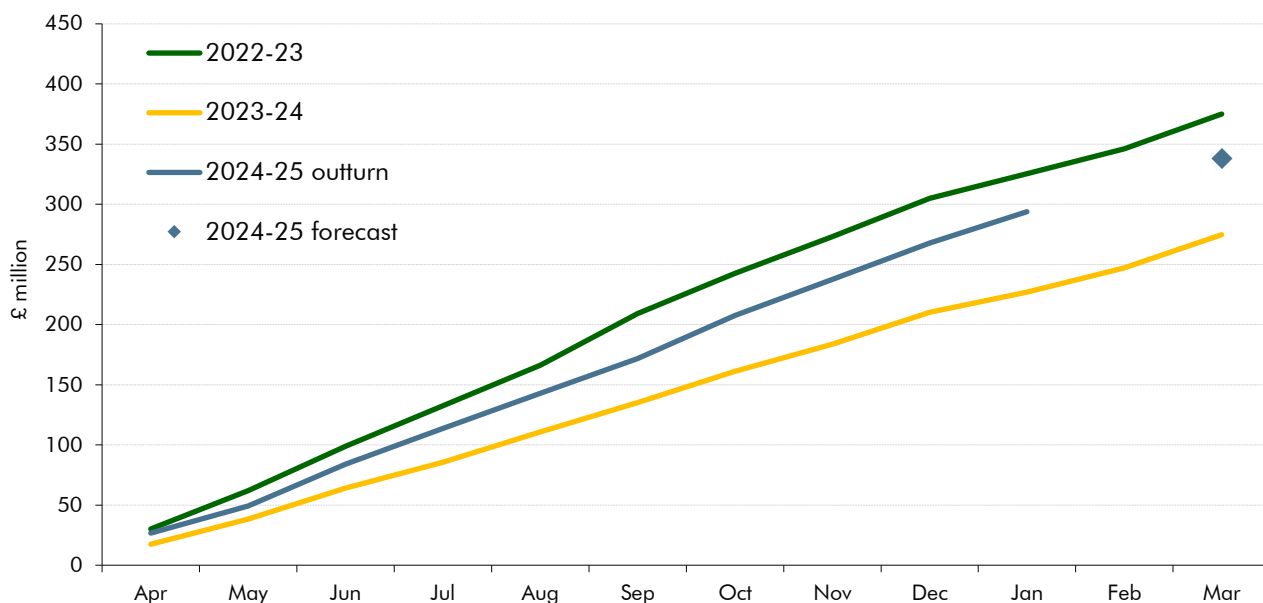
Source: OBR

Welsh land transaction tax forecast

Latest LTT outturn data

4.13 LTT receipts are up £58 million (26 per cent) in the first ten months of this year relative to the equivalent period last year, but are £43 million (13 per cent) lower than in 2022-23. Receipts are expected to reach £338 million by the end of 2024-25, £68 million (25 per cent) up on last year's outturn.

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



Source: WRA, OBR

LTT forecast

4.14 Table 4.6 sets out the latest LTT forecast and its components. LTT receipts are expected to grow by £68 million (25 per cent) in 2024-25 following the strong growth, with it then averaging out to 7.7 per cent a year for the remainder of the forecast period. Relative to October all three components of LTT have been revised up in every year of the forecast, with the total upgrade to receipts averaging £24 million (6.2 per cent) a year.

Table 4.6: Land transaction tax forecast: changes since October

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total LTT							
October forecast	270	316	325	358	396	431	465
March forecast	270	338	350	382	419	456	489
Difference		22	25	24	23	24	24
Residential (excluding additional properties)							
October forecast	140	168	182	205	232	258	283
March forecast	140	169	187	209	235	261	285
Difference		1	5	4	3	3	2
Additional properties							
October forecast	62	69	74	82	90	96	101
March forecast	62	73	89	95	103	110	115
Difference		3	15	13	12	14	14
Commercial							
October forecast	67	79	68	71	74	77	81
March forecast	67	96	74	78	82	85	89
Difference		17	6	7	7	8	8

Source: OBR

Residential LTT

4.15 Residential LTT receipts are expected to grow by an average of £33 million (12.1 per cent) a year. Receipts have been revised up by £15 million (4.8 per cent) on average a year relative to October. This largely reflects the impacts of the one percentage point increase in higher rates, additional resource for compliance and the change to the Multiple Dwellings Relief (MDR) policy (more information can be found in the December 2024 *Welsh Taxes Outlook*). This is compounded by upward revisions to the outlook for residential price growth relative to October.

Table 4.7: Residential LTT: changes since October

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	203	237	257	287	322	354	384
March forecast	203	242	276	304	338	371	400
Difference		5	19	17	16	17	16
<i>of which:</i>							
Price changes		0	7	8	8	8	7
Transaction changes		3	2	-2	-3	-3	-3
Policy changes		2	11	12	13	13	14
Outturn data and modelling		-1	0	-1	-2	-2	-2

Source: OBR

Commercial LTT forecast

4.16 Table 4.8 shows commercial LTT is expected to fall in 2025-26, dropping by £22 million (23.2 per cent) following very strong growth in 2024-25, which was partly driven by some large transactions. Thereafter, receipts grow by 4 million on average a year (4.7 per cent). Relative to October, receipts have been revised up by £17 million (22 per cent) in 2024-25, and by an average of £7 million (9.6 per cent) a year onwards. Recent strength in outturn data, half of which we expect to persist from 2025-26 onwards, explains the upward revisions throughout the forecast period.

Table 4.8: Commercial LTT: changes since October

	£ million						
	Outturn	Forecast					
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
October forecast	67	79	68	71	74	77	81
March forecast	67	96	74	78	82	85	89
Difference		17	6	7	7	8	8
<i>of which:</i>							
Price changes		2	1	1	1	1	1
Transaction changes		1	-1	0	0	0	0
Outturn data and modelling		14	6	6	6	7	7

Source: OBR

Box 4.1: Evaluating the March 2023 forecast of 2023-24 devolved property taxes

Table A compares the March 2023 forecast for 2023-24 Scottish and Welsh property transaction taxes to the latest outturn data. The overall differences were relatively similar in percentage terms. Outturn exceeded forecasts for Scotland by £73 million (10.3 per cent) but lower for Wales by £30 million (9.9 per cent).

Scottish LBTT

The £73 million difference between outturn and forecast reflects stronger-than-expected receipts across both residential sectors, slightly offset by lower-than-expected receipts in the commercial market:

- **Residential main rates receipts** exceeded the March 2023 forecast by £73 million (21 per cent). This is more than explained by the value of transactions being higher than forecasted, with some offset from the composition of transactions being less tax-rich than expected.
- **Additional dwelling supplement receipts** exceeded the March 2023 forecast by £11 million (6.4 per cent). This was also explained by the value of transactions exceeding our forecast, again partly offset by lower-than-expected prices in the upper end of the market, alongside higher-than-expected repayments.

- **Commercial receipts** were £11 million (5.4 per cent) below forecast. Prices and transactions were stronger than anticipated but this was more than offset by other factors such as more losses to reliefs than anticipated.

Welsh LTT

The £30 million shortfall relative to our March 2023 forecast reflects lower-than-expected receipts across all three markets:

- **Residential main rates receipts** were £5 million (3.6 per cent) less than forecast. This is mainly because outturn in the final quarter of 2022-23 was not available at the time of the forecast, and was lower than assumed in the forecast.
- **Higher rates on additional properties receipts** were £3 million (3.9 per cent) lower than forecast. This also relates to differences between the March 2023 forecast and the previous final quarter's outturn, as explained above.
- **Commercial property receipts** were £22 million (24.5 per cent) lower than forecast. Prices were lower than expected and fewer sales than expected were nearer the top of the price distribution.

Table B: Devolved property taxes in 2023-24: March 2023 forecast versus outturn

	£ million					
	Forecast	Outturn	Difference	of which:		
				Economic determinants	Fiscal modelling	Policy changes
Total LBTT forecast	711	784	73	216	-143	0
<i>of which:</i>						
Residential main rates	348	421	73	105	-32	0
Higher rates	166	176	11	79	-68	0
Commercial	198	187	-11	32	-43	0
Total LTT forecast	300	270	-30	-26	-3	0
<i>of which:</i>						
Residential main rates	145	140	-5	8	-14	0
Higher rates	65	62	-3	0	-2	0
Commercial	89	67	-22	-34	13	0

Source: SFC, Welsh Government, OBR

Taxes on property transactions

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. The Scottish and Welsh Governments have previously matched the standard rates set by the UK Government, but the Welsh Government's 10 December 2024 Draft Budget increased the lower rate beyond that in England and Northern Ireland, effective from April 2025.

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 three different rates).¹⁶ 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. The 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 forecast models, by multiplying the amount of liable waste projected to be 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, for example by accounting for future additions to incineration capacity, or implicitly through assumptions about the overall 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 assumption (as well as the UK Government's).

¹⁶ More information on our forecasts of landfill taxes is available in the 'forecasts in-depth' pages on our website.

Scottish landfill tax forecast

- 5.4 Table 5.1 sets out the 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.
- 5.5 We have revised down receipts in 2024-25 by £6 million (10 per cent) relative to October. This is explained by weaker-than-expected in-year outturn data. From 2025-26 onwards receipts have been revised up by an average of £8 million (40 per cent) a year. The Scottish Government's decision to increase rates to continue to align with UK rates that were announced in March 2024 and will come into effect in April 2025 explains an average of £5 million of the increase a year.¹⁷ A change to the assumption on the types of waste that will be landfilled after the BMW ban also contributes to the increase as we have revised up the estimate of the amount of waste that can still be landfilled beyond the ban and therefore will not be incinerated. Assumptions around this ban, and increases in incineration capacity, remain uncertain.

Table 5.1: Scottish landfill tax forecast: changes since October

	£ million						
	Outturn		Forecast				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	68	63	37	16	17	17	18
March forecast	68	57	42	25	26	26	27
Difference		-6	5	9	9	9	9
<i>of which:</i>							
Outturn data		-6	-5	0	0	0	0
Determinants		0	1	0	0	1	1
Incineration capacity and modelling		0	2	5	5	5	4
Policy changes		0	7	4	4	4	4

Source: OBR

Welsh landfill disposals tax forecast

- 5.6 Table 5.2 presents the latest Welsh LDT forecast. Relative to October, receipts have been revised up by an average of £2 million (7 per cent) a year. The £4 million upward revision in 2024-25 is partly explained by a one-off cash receipt. In the medium term, the forecast is slightly higher, mainly because of the decision in the December 2024 Welsh Government's Draft Budget to equalise the standard rate of LDT from £103.70 to £126.15 per tonne (matching England) and increase the lower rate from £3.30 to £6.30 per tonne (an increase of 91 per cent). One of the larger landfill sites in Wales is due to close in 2025-26. This

¹⁷ Our October 2024 forecast, published before the Scottish Government decision in December 2024 to align with the updated UK rates, assumed [the Scottish landfill tax rates would be lower from [April 2025].

presents a downside risk to the forecast as some waste which would have been landfilled there may be diverted to England or to alternative waste disposal methods.

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

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October forecast	30	30	31	30	30	29	27
March forecast	30	34	33	32	31	30	30
Difference		4	2	2	1	1	3
<i>of which:</i>							
Outturn data		4	1	1	1	1	1
Determinants		0	0	0	0	0	0
Modelling and other		0	-1	0	-1	-1	1
Policy		0	2	2	2	2	1

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 due to be devolved just 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 any business that quarries, dredges or imports these items. The UK Government has legislated to devolve the levy to Scotland and has committed to keeping devolution to Wales under review. The replacement tax, Scottish Aggregates Tax, was approved by the Scottish Parliament on 1 October 2024 and will be introduced on 1 April 2026.^{18,19} We will produce our first full forecast prior to its introduction.

A.3 To produce the current illustrative forecasts 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.²⁰ As Table A.1 shows, there has been very limited change since October due to minimal movement in the UK-wide receipts forecast since then.

Table A.1: Aggregates levy illustrative forecasts

	£ million					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK forecast						
October 2024	350	379	398	417	438	458
March 2025	376	384	403	423	445	466
Difference	25	5	5	6	7	7
Scottish forecast						
October 2024	57	62	65	68	72	75
March 2025	61	63	66	69	73	76
Difference	4	1	1	1	1	1
Welsh forecast						
October 2024	30	32	34	35	37	39
March 2025	32	32	34	36	38	39
Difference	2	0	0	1	1	1

Source: HMRC, ONS, OBR

¹⁸ Scottish Government, *Aggregates Tax and Devolved Taxes Administration (Scotland) Bill*, October 2024.

¹⁹ Revenue Scotland, *Revenue Scotland update on the Scottish Aggregates Tax (SAT)*, October 2024.

²⁰ 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.

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.²¹ 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 2023-24.²² We have revised our UK forecast down slightly, largely due to a weaker economic outlook.

Table A.2: Air passenger duty illustrative forecast

	£ million					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK forecast						
October 2024	4,213	4,706	5,499	5,807	6,124	6,462
March 2025	4,215	4,688	5,418	5,771	6,099	6,453
Difference	2	-18	-81	-36	-24	-9
Scottish forecast						
October 2024	368	411	481	508	535	565
March 2025	369	410	474	505	533	564
Difference	0	-2	-7	-3	-2	-1

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 would continue to be collected by HMRC and the Scottish Government would 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 continues to be presented 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

²¹ 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.

²² 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*.

relates to 2022, as our starting point and index this in line with population growth in Scotland relative to the UK as a whole.²³

Table A.3: VAT assignment illustrative forecast

	£ billion						
	Estimated outturn		Projection				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK	168.4	170.3	178.8	186.4	193.8	201.5	209.6
of which:							
Assigned to Scottish Government	7.4	7.5	7.8	8.1	8.4	8.7	9.1
VAT from Scotland retained by UK Government	7.4	7.5	7.8	8.1	8.4	8.7	9.1
VAT from the rest of the UK	153.6	155.3	163.1	170.1	176.9	184.0	191.4
	Per cent						
Assigned to Scottish Government	4.40	4.39	4.37	4.36	4.35	4.34	4.33
Scottish population share	8.0	8.0	8.0	8.0	7.9	7.9	7.9
Memo: index Scottish population share (2022-23 = 100)	99.6	99.3	99.0	98.8	98.5	98.3	98.0

Source: HMRC, ONS, OBR

²³ HM Revenue & Customs, HM Treasury, Scottish Government, *Scottish VAT assignment 2022 – experimental statistics*, November 2024.

Illustrative forecasts for taxes not yet devolved

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