

Office for
**Budget
Responsibility**

Devolved tax and spending forecasts

March 2026

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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)*. As set out in the fiscal frameworks agreed between the UK Government and the Scottish and Welsh Governments, respectively, we also produce forecasts for the devolved taxes. These devolved taxes contribute to our overall UK receipts forecast, as reported in the *EFO*.
- 1.2 This document presents forecasts for the fully devolved taxes and for devolved elements of income tax, alongside illustrative projections for some taxes that are yet to be devolved. It also provides the forecasts that the UK, Scottish and Welsh Governments use as part of their agreed block grant funding mechanisms. As part of this, we provide the latest projections of the block grant adjustment and net tax positions, which reflects the difference between the tax revenue that the devolved governments receive, and the funding that is deducted from the block grant to account for the tax devolution. Further information on fiscal devolution in the UK and our role is available in the *Scotland, Wales, and Northern Ireland* section of our website.
- 1.3 The methodologies and the forecasts represent the collective view of the 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 (HMRC), HM Treasury and the Department for Work and Pensions. We are grateful for their expertise, hard work, and patience.

Forecast timetable

- 1.4 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 2026 EFO*.
- 1.5 The *March 2026 EFO* describes the timetable that was followed in producing these UK-wide forecasts. The pre-measures economy forecast was closed on 2 February and the pre-measures fiscal forecast on 12 February. The forecast was finalised on 25 February, including the effects of new policy announcements.¹

¹ We judged that the policy package would not have a material impact on the economy forecast, so there are no indirect effects on receipts present in the forecasts used in this document.

1.6 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 27 and 28 January; and
- A **final set of forecasts** was produced on 25 February, which included the impact of UK Government policies.

Structure of this report

1.7 The rest of this document is structured as follows:

- Chapter 2 covers non-savings non-dividend **income tax** in Scotland and Wales;
- Chapter 3 covers **land and buildings transaction tax** and **land transaction tax**;
- Chapter 4 covers **other devolved taxes including Scottish landfill tax, Scottish aggregates tax and landfill disposals tax**;
- Chapter 5 presents forecasts that the respective Governments use as **inputs to the block grant calculations**, as set out in fiscal framework agreements and the **net tax position** derived from the block grant adjustments;
- Annex A provides illustrative forecasts for **taxes not yet devolved** – Welsh aggregates levy, Scottish air passenger duty, and Scottish VAT assignment; and
- Annex B provides **additional forecast tables** which underpin our devolved tax and spending forecasts.

2 Income tax

Introduction

2.1 This chapter presents our latest forecasts for Scottish income tax (SIT) and Welsh rates of income tax (WRIT).¹ Throughout the chapter we compare these latest March 2026 forecasts to our November 2025 forecasts published alongside the November 2025 Budget.

Methodology

2.2 There are three main stages in generating our forecasts for Scottish and Welsh rates of income tax:²

- 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 **UK Government policy measures** announced since our previous forecast.

UK forecast

2.3 We forecast that UK-wide NSND income tax liabilities were £275.9 billion in 2024-25, £24.8 billion (10 per cent) higher than in 2023-24. Receipts are then expected to continue to rise over the rest of the forecast to reach £381.6 billion in 2030-31. Year-on-year growth is forecast to be 6 per cent on average due to strong forecast nominal earnings growth over the next two years and frozen personal tax thresholds.

2.4 Receipts in 2024-25 are slightly higher than previously estimated, reflecting the latest self-assessed income tax (SA IT) receipts data from payments made in January 2026 that relate to 2024-25 liabilities. This additional strength is assumed to continue through the forecast, although in subsequent years it is more than offset by lower-than-expected 2025-26 pay as you earn (PAYE) receipts data. From 2028-29 onwards, slightly stronger forecast growth in nominal earnings raises receipts compared to November. There is also a small impact from the measures announced at the Scottish Budget, which we discuss in more detail in

¹ 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.

² 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.

paragraph 2.6. The effects of UK Government policy announcements made since the UK Government's November 2025 Budget are negligible.³

Table 2.1: UK NSND income tax forecast

| | £ billion | | | | | | | |
|------------------------------|-----------|------------|-------------|-------------|------------|------------|------------|------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 251.1 | 275.2 | 300.0 | 319.3 | 333.7 | 346.3 | 363.6 | 379.9 |
| March 2026 forecast | 251.1 | 275.9 | 299.9 | 318.8 | 333.8 | 347.1 | 364.6 | 381.6 |
| Difference | | 0.7 | -0.1 | -0.5 | 0.1 | 0.8 | 1.0 | 1.7 |
| <i>of which:</i> | | | | | | | | |
| Scottish Government policies | | 0.0 | 0.0 | -0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Other UKNSND changes | | 0.7 | -0.1 | -0.5 | 0.0 | 0.7 | 0.8 | 1.5 |

Source: OBR

Scottish and Welsh shares

- 2.5 Table 2.2 reports our latest forecast for the Scottish share and revisions since November.⁴ The Scottish share of UK NSND is forecast to rise over the next couple of years, due to previous Scottish Government decisions to increase SIT rates relative to those set by the UK Government. Thereafter, the SIT share falls due largely to the relative decline in the Scottish population index.
- 2.6 Compared with our November 2025 forecast, we have revised the Scottish share up by 0.02 percentage points in 2025-26, reflecting stronger Real Time Information (RTI) earnings data, which indicates a higher Scottish share of PAYE receipts. Thereafter, the change relative to November reflects Scottish Government announcements around the indexation of thresholds in its January 2026 Budget. The Scottish Government announced that the basic and intermediate thresholds will rise by 7.4 per cent in 2026-27 and that the higher, advanced and top rate thresholds will be frozen in 2027-28 and 2028-29. This compares to our previous forecast assumption that the corresponding tax bands would rise in line with CPI. The net result is to lower the Scottish share in 2026-27, as fewer people are brought into the basic and intermediate tax bands, but then to raise it in 2027-28 and 2028-29, as more taxpayers are brought into the higher, advanced and top rate tax bands. By 2030-31, the Scottish share is 0.04 percentage points higher than in our November 2025 forecast.

³ There is a small direct effect from UK Government policies announced since November on NSND income tax in England, totalling £6 million across the forecast period. This is included in the other UK NSND changes line in Table 2.1. The indirect effects of policy changes were assessed as too small to impact our economy forecast and so there are no indirect effects of UK Government policy on receipts.

⁴ The share is presented on a pre-measures basis as the direct effects of changes to UK Government policy since November, which only impact NSND income tax in England and so the denominator of the Scottish and Welsh shares, are captured in cash terms.

Table 2.2: Scottish share of NSND income tax on a pre-measures basis

| | Per cent of UK total for non-savings, non-dividend liabilities | | | | | | | |
|--|--|----------|---------|---------|---------|---------|---------|---------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 6.81 | 6.85 | 6.83 | 6.78 | 6.72 | 6.67 | 6.62 | 6.56 |
| March 2026 pre-measures forecast | 6.81 | 6.85 | 6.85 | 6.78 | 6.75 | 6.72 | 6.66 | 6.60 |
| Difference | 0.00 | 0.00 | 0.02 | -0.01 | 0.03 | 0.05 | 0.04 | 0.04 |
| <i>Memo: RTI index (2023-24=100)</i> | 100.0 | 99.5 | 99.8 | 99.8 | 99.8 | 99.8 | 99.8 | 99.8 |
| <i>Memo: Change since November</i> | | -0.08 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 |
| <i>Memo: Index of relative population growth (2025-26=100)</i> | 100.0 | 100.0 | 100.0 | 99.7 | 99.4 | 99.1 | 98.7 | 98.4 |
| <i>Memo: Change since November</i> | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: OBR

2.7 Table 2.3 shows that the Welsh rates share is forecast to rise through the forecast from 1.18 per cent to 1.19 per cent by the end of the forecast period.⁵ This primarily reflects the forecast growth in nominal earnings, coupled with threshold freezes, which raises the Welsh rates relative to UK NSND due to distributional differences in incomes between Wales and the rest of the UK. We explored this further in our January 2026 *Welsh taxes outlook (WTO)*. Compared with our November forecast, the Welsh rates share has been revised down slightly by 0.01 percentage points on average per year from 2025-26 onwards reflecting the latest RTI data which indicates a lower Welsh share of UK PAYE income tax.

Table 2.3: Welsh rates share of NSND income tax on a pre-measures basis

| | Per cent of UK total for non-savings, non-dividend liabilities | | | | | | | |
|--|--|----------|---------|---------|---------|---------|---------|---------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 1.18 | 1.19 | 1.19 | 1.19 | 1.20 | 1.20 | 1.20 | 1.20 |
| March 2026 pre-measures forecast | 1.18 | 1.19 | 1.19 | 1.19 | 1.19 | 1.19 | 1.19 | 1.19 |
| Difference | 0.00 | 0.00 | 0.00 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| <i>Memo: RTI index (2023-24=100)</i> | 100.0 | 99.8 | 100.3 | 100.3 | 100.3 | 100.3 | 100.3 | 100.3 |
| <i>Memo: Change since November</i> | | -0.05 | -0.09 | -0.09 | -0.09 | -0.09 | -0.09 | -0.09 |
| <i>Memo: Index of relative population growth (2025-26=100)</i> | 100.0 | 100.0 | 100.0 | 100.1 | 100.2 | 100.2 | 100.2 | 100.1 |
| <i>Memo: Change since November</i> | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: OBR

Scottish forecast

2.8 Table 2.4 presents our latest Scottish income tax forecast and the changes since November. Scottish income tax is forecast to have increased from £17.1 billion in 2023-24 to £18.9 billion in 2024-25, up £1.8 billion (11 per cent). Compared with November, the forecast is largely unchanged in the first three-years of the forecast but is then £0.2 billion higher from 2027-28. There are no impacts from UK Government policies announced since November, so the changes instead reflect:

- **Scottish Government policies** which initially lower Scottish receipts in 2026-27 by £54 million, but then raise the forecast by £146 million a year on average from 2027-28

⁵ This is presented on a pre-measures basis as the direct effects of UK Government policy announced since November are captured in cash terms.

onwards. This reflects the announcements that the Scottish Government will raise the basic and intermediate rate thresholds by 7.4 per cent in 2026-27 and freeze the higher, advanced and top rate thresholds in 2027-28 and 2028-29. Our previous policy assumption, in line with the Scottish Fiscal Commission, was that the corresponding tax bands would rise in line with CPI.

- **Scottish share modelling**, which raises receipts by £42 million a year on average from 2025-26 onwards reflecting a stronger in-year share of Scottish PAYE receipts.
- **UK NSND pre-measures changes**, which have an uneven profile reflecting the latest SA and PAYE receipts data, as described in paragraph 2.4.

Table 2.4: Changes in Scottish NSND income tax since November

| | £ million | | | | | | | |
|---|-----------|-----------|-----------|------------|-----------|------------|------------|------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 17,093 | 18,856 | 20,501 | 21,667 | 22,433 | 23,100 | 24,052 | 24,927 |
| March 2026 forecast | 17,093 | 18,893 | 20,539 | 21,606 | 22,522 | 23,328 | 24,282 | 25,176 |
| Difference | | 37 | 38 | -60 | 89 | 227 | 230 | 249 |
| <i>of which:</i> | | | | | | | | |
| Scottish Government policies | | 0 | 0 | -54 | 56 | 170 | 175 | 182 |
| Scottish share modelling (ex. Scottish Government policies) | | -13 | 47 | 54 | 62 | 46 | 36 | 9 |
| UK NSND pre-measures changes | | 50 | -10 | -60 | -29 | 10 | 18 | 58 |

Source: OBR

Comparison with Scottish Fiscal Commission forecasts

- 2.9 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.
- 2.10 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 including the impact of UK government or Scottish government policy measures. 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 2.5 and 2.6 compare our current forecast to the SFC's January 2026 forecast.

2.11 Table 2.5 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 forecast stronger **employment growth** than the SFC over the forecast period. This leaves employment growth 2.8 percentage points above the SFC's forecast in 2030-31 on a cumulative basis.
- We expect average **nominal earnings growth** to be weaker than the SFC. This leaves earnings growth 2.6 percentage points below the SFC's forecast in 2030-31 on a cumulative basis.
- Overall, this leaves our forecast for the **growth in wages and salaries** stronger in the near term but weaker by 2030-31, with our forecast for wages and salaries growth on a cumulative basis 0.02 percentage points below the SFC's forecast in that year.

Table 2.5: SFC Scottish determinants compared to OBR UK-wide determinants

| | Percentage change on a year earlier | | | | | | |
|---------------------------------|-------------------------------------|----------|---------|---------|---------|---------|---------|
| | Outturn 2024-25 | Forecast | | | | | |
| | | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Employment | | | | | | | |
| SFC (January 2026) | 0.2 | -0.3 | 0.1 | 0.4 | 0.5 | 0.5 | 0.5 |
| OBR | 1.3 | 1.3 | 0.1 | 0.9 | 0.8 | 0.7 | 0.6 |
| Difference | 1.0 | 1.6 | 0.0 | 0.5 | 0.4 | 0.2 | 0.1 |
| Average nominal earnings | | | | | | | |
| SFC (January 2026) | 5.8 | 5.2 | 2.9 | 2.7 | 2.7 | 2.8 | 2.8 |
| OBR | 5.6 | 4.6 | 3.2 | 2.2 | 2.1 | 2.3 | 2.4 |
| Difference | -0.2 | -0.6 | 0.3 | -0.5 | -0.6 | -0.5 | -0.3 |
| Wages and salaries | | | | | | | |
| SFC (January 2026) ¹ | 6.0 | 4.9 | 3.0 | 3.1 | 3.2 | 3.2 | 3.3 |
| OBR | 7.1 | 6.1 | 3.2 | 2.9 | 2.8 | 2.8 | 2.9 |
| Difference | 1.1 | 1.2 | 0.2 | -0.2 | -0.4 | -0.4 | -0.4 |
| 2024-25 = 100 | | | | | | | |
| Employment | | | | | | | |
| SFC (January 2026) | | 99.7 | 99.8 | 100.2 | 100.7 | 101.2 | 101.7 |
| OBR | | 101.3 | 101.4 | 102.3 | 103.1 | 103.9 | 104.5 |
| Difference | | 1.6 | 1.6 | 2.1 | 2.4 | 2.7 | 2.8 |
| Average nominal earnings | | | | | | | |
| SFC (January 2026) | | 105.2 | 108.2 | 111.1 | 114.1 | 117.3 | 120.5 |
| OBR | | 104.6 | 107.9 | 110.3 | 112.6 | 115.1 | 118.0 |
| Difference | | -0.6 | -0.3 | -0.8 | -1.5 | -2.1 | -2.6 |
| Wages and salaries | | | | | | | |
| SFC (January 2026) ¹ | | 104.9 | 108.0 | 111.3 | 114.9 | 118.6 | 122.6 |
| OBR | | 106.1 | 109.4 | 112.6 | 115.8 | 119.1 | 122.5 |
| Difference | | 1.2 | 1.4 | 1.3 | 0.9 | 0.4 | 0.0 |

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

Source: SFC, OBR

2.12 Table 2.6 breaks down our forecast for UK NSND income tax and compares our and the SFC's respective forecasts for Scottish income tax. Our forecasts are similar until 2026-27, which covers the period for which the Scottish Government has set out detailed spending plans in the most recent Scottish Budget. The forecasts diverge thereafter, however. This leaves our Scottish income tax forecast £1.6 billion (6 per cent) lower than the SFC's most recent forecast by 2030-31, which is primarily driven by our weaker medium-term expectation for nominal earnings growth relative to the SFC's. The differences between the forecasts are an illustration of the risks and uncertainties that are inherent in any economic and fiscal forecast, in this case largely reflecting the uncertainty around the range of possible outcomes for nominal earnings which is a key driver of income tax receipts.

Table 2.6: SFC Scottish income tax forecast compared to OBR UK NSND forecast

| | £ million | | | | | | | |
|-------------------------------------|--------------------|-------------|------------|-------------|-------------|-------------|---------------|---------------|
| | Outturn 2023-24 | 2024-25 | 2025-26 | 2026-27 | Forecast | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| SFC (January 2026) | | | | | | | | |
| SIT (a) | 17,093 | 18,941 | 20,280 | 21,508 | 22,828 | 24,051 | 25,398 | 26,769 |
| OBR | | | | | | | | |
| UK NSND | 251,116 | 275,914 | 299,886 | 318,820 | 333,801 | 347,128 | 364,566 | 381,597 |
| of which: | | | | | | | | |
| UK ex SIT and WRIT | 231,055 | 253,736 | 275,778 | 293,433 | 307,315 | 319,671 | 335,945 | 351,880 |
| WRIT | 2,968 | 3,285 | 3,568 | 3,781 | 3,965 | 4,129 | 4,339 | 4,541 |
| SIT (b) | 17,093 | 18,893 | 20,539 | 21,606 | 22,522 | 23,328 | 24,282 | 25,176 |
| OBR vs. SFC (b-a) | 0 | -48 | 259 | 99 | -306 | -723 | -1,116 | -1,594 |
| Percentage change on a year earlier | | | | | | | | |
| SFC (January 2026) | | | | | | | | |
| SIT (a) | | 10.8 | 7.1 | 6.1 | 6.1 | 5.4 | 5.6 | 5.4 |
| OBR | | | | | | | | |
| UK ex SIT and WRIT | | 9.8 | 8.7 | 6.4 | 4.7 | 4.0 | 5.1 | 4.7 |
| SIT (b) | | 10.5 | 8.7 | 5.2 | 4.2 | 3.6 | 4.1 | 3.7 |
| OBR vs. SFC (b-a) | | -0.3 | 1.6 | -0.9 | -1.9 | -1.8 | -1.5 | -1.7 |
| 2023-24=100 | | | | | | | | |
| SFC (January 2026) | | | | | | | | |
| SIT (a) | | 110.8 | 118.6 | 125.8 | 133.6 | 140.7 | 148.6 | 156.6 |
| OBR | | | | | | | | |
| UK ex SIT and WRIT | | 109.8 | 119.4 | 127.0 | 133.0 | 138.4 | 145.4 | 152.3 |
| SIT (b) | | 110.5 | 120.2 | 126.4 | 131.8 | 136.5 | 142.1 | 147.3 |
| OBR vs. SFC (b-a) | | -0.3 | 1.5 | 0.6 | -1.8 | -4.2 | -6.5 | -9.3 |

Source: SFC, OBR

Welsh forecast

2.13 Table 2.7 sets out our latest forecast for the Welsh rates of income tax and a breakdown of the changes since November, while Table 2.8 shows the forecast by tax band. Welsh rates of income tax are forecast to have increased from £3.0 billion in 2023-24 to £3.3 billion in 2024-25, up £0.3 billion (11 per cent). Year-on-year growth then slows over the forecast period, with receipts reaching £4.5 billion in 2030-31. Relative to November, the forecast is

slightly weaker from 2025-26 onwards. There are no impacts from UK Government policies announced since November, so the changes instead reflect:

- **Welsh share modelling**, which reduces liabilities by £18 million per year on average from 2025-26 onwards as a result of the latest HMRC RTI data which indicates a lower share of Welsh rates PAYE income tax.
- **Revisions to our pre-measures UK NSND forecast**, which have an uneven profile of revisions as described in paragraph 2.4.

Table 2.7: Changes in the Welsh rates of income tax forecast since November

| | £ million | | | | | | | |
|------------------------------|-----------|----------|------------|------------|------------|------------|------------|-----------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 2,968 | 3,277 | 3,585 | 3,804 | 3,990 | 4,148 | 4,353 | 4,550 |
| March 2026 forecast | 2,968 | 3,285 | 3,568 | 3,781 | 3,965 | 4,129 | 4,339 | 4,541 |
| Difference | | 8 | -16 | -23 | -25 | -18 | -15 | -9 |
| <i>of which:</i> | | | | | | | | |
| Welsh share modelling | | -1 | -15 | -13 | -20 | -20 | -18 | -20 |
| UK NSND pre-measures changes | | 9 | -2 | -11 | -5 | 2 | 3 | 11 |

Source: OBR

Table 2.8: Welsh rates of income tax by tax band

| | £ million | | | | | | | |
|---------------------|-----------|----------|---------|---------|---------|---------|---------|---------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| March 2026 forecast | 2,968 | 3,285 | 3,568 | 3,781 | 3,965 | 4,129 | 4,339 | 4,541 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 2,506 | 2,745 | 2,958 | 3,119 | 3,260 | 3,383 | 3,542 | 3,694 |
| Higher rate | 373 | 436 | 491 | 534 | 569 | 603 | 643 | 685 |
| Additional rate | 89 | 104 | 118 | 128 | 136 | 143 | 153 | 162 |
| | Per cent | | | | | | | |
| Basic rate | 84.4 | 83.6 | 82.9 | 82.5 | 82.2 | 81.9 | 81.7 | 81.3 |
| Higher rate | 12.6 | 13.3 | 13.8 | 14.1 | 14.4 | 14.6 | 14.8 | 15.1 |
| Additional rate | 3.0 | 3.2 | 3.3 | 3.4 | 3.4 | 3.5 | 3.5 | 3.6 |

Source: OBR

Box 2.1: Evaluating previous forecasts for devolved income tax

HMRC published 2023-24 outturn data for Scottish income tax and Welsh rates of income tax in July 2025, which enables us to assess the performance of our forecasts for that year. This is important for transparency and accountability, while also helping us to understand and identify ways to improve our forecasts. In this box, we evaluate our March 2023 forecasts for Scottish and Welsh rates receipts in 2023-24 compared to eventual outturn.

Our March 2023 forecasts were produced against the backdrop of high inflation and rises in interest rates. The forecast drew on the UK-wide economic projections set out in the March 2023 *EFO*, the 2019-20 Survey of Personal Incomes, UK-wide PAYE outturn data from 2020-21, and RTI data from December 2022. Table A shows our forecasts compared with the eventual outturn. It shows that:

- Scottish income tax receipts** were £976 million (6 per cent) higher than forecast. Economic determinants account for £372 million of this difference reflecting stronger UK-wide growth in wages and salaries, which grew by 6.4 per cent compared to our forecast of 4.0 per cent. The majority of the error, however, is explained by fiscal modelling differences (£596 million). Around three-quarters of the fiscal modelling error is explained by our underestimate of the Scottish share of UK NSND receipts. Scotland has a more progressive structure of taxation, which makes the Scottish share sensitive to changes in nominal earnings. Part of the explanation for the underestimate of the Scottish share is therefore likely to reflect our underestimate of nominal earnings growth, as the effective tax rate on incomes rose faster in Scotland as more Scottish taxpayers moved into higher tax bands compared with the rest of the UK. Policy announcements since our forecast explain only a small proportion of the difference (£8 million).
- Welsh rates of income tax receipts** were £111 million (4 per cent) higher than forecast. Economic determinants explain £66 million of this difference, again reflecting higher-than-expected UK-wide growth in wages and salaries. Fiscal modelling explains most of the remainder (£45 million), with around half of this explained by a higher-than-expected Welsh rates share of UK NSND receipts. The difference relating to subsequently announced policies is small (£0.3 million).

Table A: Scottish income tax and Welsh rates of income tax in 2023-24: March 2023 forecast versus outturn

| | £ million | | | of which: | | |
|---------------------------|-----------|---------|------------|-----------------------|------------------|----------------|
| | Forecast | Outturn | Difference | Economic determinants | Fiscal modelling | Policy changes |
| Scottish income tax | 16,117 | 17,093 | 976 | 372 | 596 | 8 |
| Welsh rates of income tax | 2,857 | 2,968 | 111 | 66 | 45 | 0 |

Source: HMRC, OBR

3 Taxes on property transactions

Introduction

3.1 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 forecasts for LBTT and LTT.¹ For more information on the forecast methodology, please see our November 2025 *Devolved tax and spending forecasts*.

Latest property market forecasts

3.2 The LBTT and LTT forecasts are based on the property market forecasts shown in Table 3.1. These are largely consistent with our UK-wide forecasts published in the March 2026 *Economic and fiscal outlook (EFO)*.²

3.3 The forecast for residential transactions has increased since November, with transactions now expected to be 4.8 percent higher than they were in 2024-25. Thereafter, growth is slightly lower than November for most of the forecast. This is because the medium-term outlook for residential transactions remains largely unchanged, but stronger-than-expected outturn supported by lower mortgage rates boosts transactions in the short term.

3.4 The commercial property prices forecast has been revised down significantly for 2025-26, with price growth 9 percentage points lower than forecast in November, which is partially offset by slightly stronger growth in commercial transactions. This reflects weaker outturn on average prices in 2025, although it should be noted that commercial prices are often volatile due to large transactions having a disproportionate effect.

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 residential forecasts exclude the effect of policies that do not impact devolved administrations, such as the planning reforms announced by the Government in March 2025.

Table 3.1: Forecasts for property prices and transactions

| | Percentage change on a year earlier | | | | | | |
|-----------------------------------|-------------------------------------|----------|---------|---------|---------|---------|---------|
| | Outturn | Forecast | | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| House prices | | | | | | | |
| November 2025 forecast | 2.3 | 2.1 | 2.7 | 3.0 | 3.1 | 3.0 | 2.8 |
| March 2026 forecast | 2.1 | 2.0 | 2.9 | 3.1 | 3.0 | 2.9 | 2.7 |
| Difference | -0.2 | 0.0 | 0.2 | 0.1 | -0.1 | -0.1 | -0.1 |
| Housing transactions | | | | | | | |
| November 2025 forecast | 12.9 | 1.5 | 3.6 | 3.4 | 2.9 | 2.8 | 1.5 |
| March 2026 forecast | 12.8 | 4.8 | 3.4 | 2.1 | 2.0 | 2.0 | 1.7 |
| Difference | 0.0 | 3.2 | -0.3 | -1.3 | -0.9 | -0.8 | 0.2 |
| Commercial property prices | | | | | | | |
| November 2025 forecast | 2.6 | 11.5 | -1.9 | 1.8 | 1.9 | 1.8 | 2.0 |
| March 2026 forecast | 2.1 | 2.5 | 2.4 | 1.8 | 1.9 | 1.9 | 2.0 |
| Difference | -0.5 | -9.0 | 4.3 | -0.1 | 0.0 | 0.0 | 0.1 |
| Commercial transactions | | | | | | | |
| November 2025 forecast | 6.5 | -5.2 | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |
| March 2026 forecast | 6.6 | -1.3 | 1.2 | 1.6 | 1.6 | 1.5 | 1.5 |
| Difference | 0.1 | 3.9 | -0.3 | 0.1 | 0.1 | 0.0 | 0.0 |

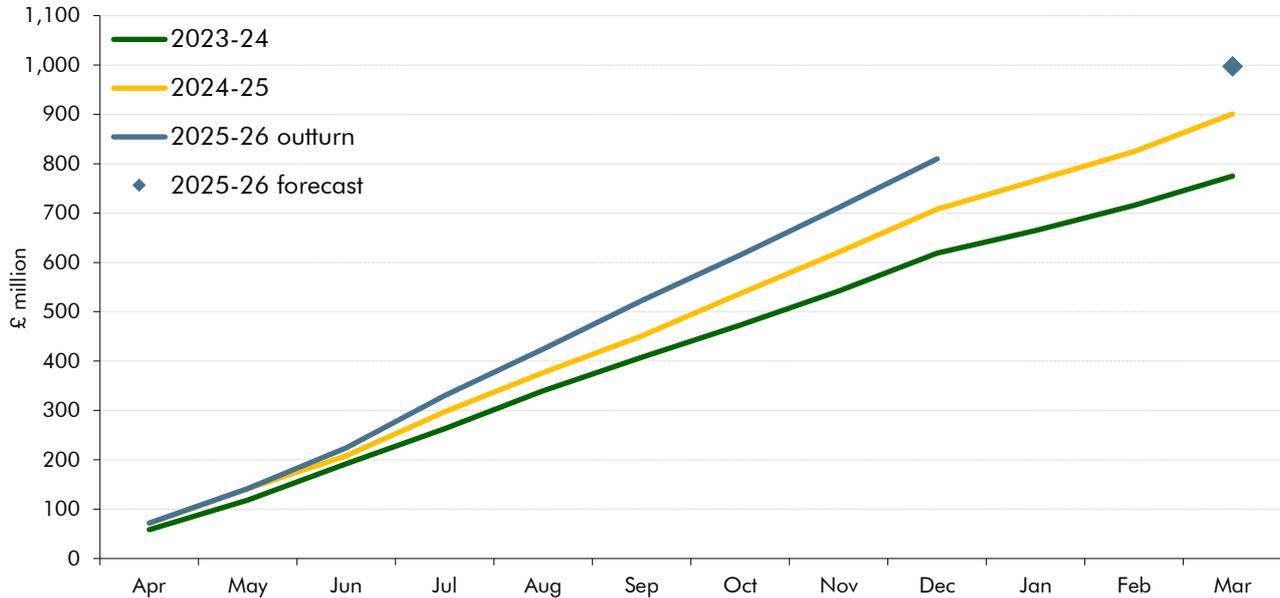
Source: OBR

Scottish land and buildings transaction tax

Latest LBTT outturn data

- 3.5 Receipts for LBTT in the first nine months of 2025-26 are broadly on track with our November forecast, with receipts £0.1 billion higher than in the same period in 2024-25. We forecast that receipts will be £1.0 billion in the full-year 2025-26, which is broadly unchanged from our November forecast.

Chart 3.1: Cumulative monthly LBTT receipts: 2023-24 to 2025-26



Note: This is taken from monthly total tax liabilities from Revenue Scotland. The additional dwelling supplement (ADS) component is volatile and likely to be subject to downwards revisions once ADS repayments are accounted for.

Source: Revenue Scotland, OBR

LBTT forecast

- 3.6 Table 3.2 sets out the latest LBTT forecast. The forecast is on average lower by £45 million (4 per cent) a year compared to November. This is mostly driven by the additional dwelling supplement (ADS) component of LBTT, where outturn has been lower-than-expected largely due to higher-than-expected ADS repayments which lowers receipts. We have updated our modelling of ADS repayments to more accurately reflect outturn.
- 3.7 Relative to November, the commercial forecast is down by £12 million (5 per cent) in 2025-26, largely due to a decrease in commercial prices. Thereafter, the commercial forecast is largely unchanged.

Table 3.2: Land and buildings transaction tax forecast: changes since November

| | £ million | | | | | | |
|---|-----------|------------|------------|------------|------------|------------|------------|
| | Outturn | Forecast | | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total LBTT | | | | | | | |
| November 2025 forecast | 899 | 1,018 | 1,049 | 1,126 | 1,207 | 1,291 | 1,364 |
| March 2026 forecast | 899 | 998 | 1,031 | 1,078 | 1,152 | 1,227 | 1,300 |
| Difference | 0 | -20 | -18 | -48 | -55 | -64 | -64 |
| Residential LBTT (excluding ADS) | | | | | | | |
| November 2025 forecast | 485 | 533 | 573 | 629 | 689 | 751 | 805 |
| March 2026 forecast | 485 | 535 | 585 | 636 | 690 | 746 | 801 |
| Difference | 0 | 2 | 12 | 7 | 1 | -5 | -4 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | 0 | 2 | 3 | 2 | 1 | 0 |
| Transaction changes | 0 | 5 | 11 | 5 | 0 | -6 | -4 |
| Outturn data and modelling | 0 | -3 | -1 | -1 | 0 | 0 | 0 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additional dwelling supplement (ADS) | | | | | | | |
| November 2025 forecast | 180 | 227 | 219 | 232 | 244 | 257 | 265 |
| March 2026 forecast | 180 | 217 | 191 | 178 | 190 | 199 | 207 |
| Difference | 0 | -9 | -28 | -53 | -55 | -57 | -58 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transaction changes | 0 | 0 | 3 | 3 | 1 | -1 | 0 |
| Outturn data and modelling | 0 | -9 | -31 | -56 | -55 | -57 | -58 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial LBTT | | | | | | | |
| November 2025 forecast | 234 | 258 | 257 | 265 | 275 | 284 | 294 |
| March 2026 forecast | 234 | 246 | 254 | 263 | 272 | 282 | 292 |
| Difference | 0 | -12 | -2 | -2 | -2 | -2 | -2 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | -11 | -1 | -1 | -2 | -2 | -2 |
| Transaction changes | 0 | 3 | 3 | 3 | 4 | 4 | 4 |
| Outturn data and modelling | 0 | -4 | -4 | -4 | -4 | -4 | -4 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: OBR

Comparison with the Scottish Fiscal Commission's latest forecast

3.8 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 lower than the SFC's January 2026 forecast by an average of £16 million in the first three years and is higher by an average of £31 million a year thereafter. This largely reflects our forecast for residential transaction growth being higher than that of the SFC.

Table 3.3: Comparison between Scottish Fiscal Commission and OBR forecasts

| | £ million | | | | | | |
|--|-----------|----------|---------|---------|---------|---------|---------|
| | Outturn | Forecast | | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total LBTT | | | | | | | |
| SFC (January 2026) | 899 | 1,014 | 1,049 | 1,090 | 1,141 | 1,195 | 1,251 |
| OBR | 899 | 998 | 1,031 | 1,078 | 1,152 | 1,227 | 1,300 |
| Difference | 0 | -16 | -19 | -12 | 11 | 32 | 49 |
| Residential LBTT (excluding ADS) | | | | | | | |
| SFC (January 2026) | 485 | 543 | 584 | 619 | 656 | 694 | 734 |
| OBR | 485 | 535 | 585 | 636 | 690 | 746 | 801 |
| Difference | 0 | -9 | 1 | 18 | 34 | 52 | 66 |
| Additional dwellings supplement (ADS) | | | | | | | |
| SFC (January 2026) | 180 | 220 | 205 | 202 | 207 | 213 | 218 |
| OBR | 180 | 217 | 191 | 178 | 190 | 199 | 207 |
| Difference | 0 | -2 | -14 | -24 | -18 | -14 | -11 |
| Commercial LBTT | | | | | | | |
| SFC (January 2026) | 234 | 251 | 260 | 269 | 278 | 288 | 298 |
| OBR | 234 | 246 | 254 | 263 | 272 | 282 | 292 |
| Difference | 0 | -5 | -5 | -6 | -6 | -6 | -6 |

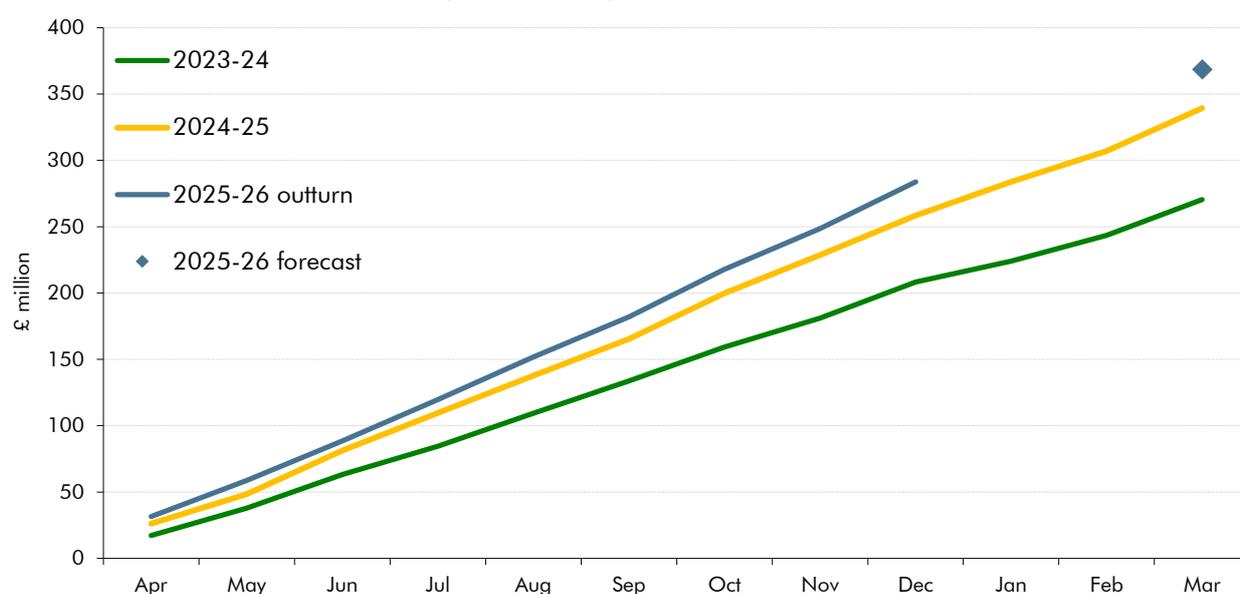
Source: SFC, OBR

Welsh land transaction tax forecast

Latest LTT outturn data

3.9 LTT receipts are up £25 million (10 per cent) in the first nine months of 2025-26 relative to the equivalent period last year. We expect that this strength will continue, with receipts forecast to be £369 million in 2025-26.

Chart 3.2: Cumulative monthly LTT receipts: 2023-24 to 2025-26



Note: The monthly outturn data reflects cash receipts, which is the difference between revenue collected and refunds in that month.

Source: WRA, OBR

LTT forecast

3.10 Relative to November the forecast for LTT is down by an average of £9 million (2 per cent) each year. This is largely driven by weaker than forecast outturn on all components and a lower commercial prices forecast. Increases to the transactions forecast, particularly in the early years of the forecast, partly offset this.

Table 3.4: Land transaction tax forecast: changes since November

| | £ million | | | | | | |
|--|--------------------|---------|---------|---|-----|-----|-----|
| | Outturn 2024-25 | 2025-26 | 2026-27 | Forecast 2027-28 2028-29 2029-30 2030-31 | | | |
| Total LTT | | | | | | | |
| November 2025 forecast | 341 | 375 | 400 | 432 | 466 | 502 | 534 |
| March 2026 forecast | 341 | 369 | 398 | 427 | 457 | 488 | 520 |
| Difference | 0 | -7 | -2 | -6 | -10 | -14 | -14 |
| Residential (excluding additional properties) | | | | | | | |
| November 2025 forecast | 178 | 200 | 221 | 245 | 270 | 297 | 320 |
| March 2026 forecast | 178 | 201 | 223 | 245 | 268 | 291 | 314 |
| Difference | 0 | 2 | 2 | 0 | -3 | -6 | -6 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | 0 | 1 | 1 | 1 | 0 | 0 |
| Transaction changes | 0 | 6 | 6 | 4 | 2 | 0 | 1 |
| Outturn data and modelling | 0 | -4 | -4 | -5 | -5 | -6 | -6 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additional properties | | | | | | | |
| November 2025 forecast | 74 | 83 | 87 | 91 | 96 | 102 | 106 |
| March 2026 forecast | 74 | 83 | 87 | 90 | 94 | 99 | 103 |
| Difference | 0 | 1 | 0 | -1 | -2 | -3 | -3 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transaction changes | 0 | 3 | 3 | 1 | 1 | 0 | 0 |
| Outturn data and modelling | 0 | -2 | -2 | -3 | -3 | -3 | -3 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial | | | | | | | |
| November 2025 forecast | 89 | 93 | 92 | 96 | 100 | 103 | 108 |
| March 2026 forecast | 89 | 84 | 87 | 91 | 94 | 98 | 102 |
| Difference | 0 | -9 | -5 | -5 | -5 | -5 | -5 |
| <i>of which:</i> | | | | | | | |
| Price changes | 0 | -10 | -5 | -5 | -5 | -5 | -5 |
| Transaction changes | 0 | 3 | 3 | 4 | 4 | 4 | 4 |
| Outturn data and modelling | 0 | -3 | -3 | -4 | -4 | -4 | -4 |
| Policy changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: OBR

Box 3.1: Evaluating the March 2024 forecast of 2024-25 devolved property taxes

Table A compares the March 2024 forecast for 2024-25 Scottish and Welsh property transactions taxes to the latest outturn data. In both forecasts, the primary cause of the difference is the under forecasting of prices and transactions in the residential sector.

Informed by weak outturn and higher mortgage rates, our March 2024 forecast predicted a decline in house prices and for transactions to be relatively flat in 2024, before a recovery in the housing market later in the forecast. Instead, the residential property market recovered faster than expected and grew in 2024-25, with particularly strong growth for transactions. This led to us significantly underestimating both our land transaction tax (LTT) and land and buildings transaction tax (LBTT) forecasts.

Scottish LBTT

2024-25 outturn for LBTT was £75 million (9 per cent) higher than forecast. This is more than explained by the aforementioned overestimate of transactions and prices. Fiscal modelling differences offset part of this, particularly on the ADS component where outturn was lower than expected due to higher repayments. Scottish commercial property receipts also grew significantly faster than our economic modelling had predicted, due largely to higher transactions.

Welsh LTT

Receipts for Welsh LTT in 2024-25 were £73 million (27 per cent) higher than forecast in March 2024. On the residential side this is mostly explained by the economic modelling difference mentioned above.

However, in Wales more than a third of this difference also comes from fiscal modelling, particularly in the commercial sector. This is because in March 2024 we assumed that weak outturn in 2023-24 at that point would persist, lowering the forecast by 9 per cent. However, there was a significant upturn in March 2024 and some unusually large transactions in 2024-25 which led to us underestimating commercial receipts.

There is also a small difference between the forecast and outturn due to the increase to the higher rate in December 2024. This policy was not known in March 2024 and therefore was not included in the forecast.

Table B: Devolved property taxes in 2024-25: March 2024 forecast versus outturn

| | £ million | | | | | |
|----------------------------|------------|------------|------------|-----------------------|------------------|----------------|
| | Forecast | Outturn | Difference | of which: | | |
| | | | | Economic determinants | Fiscal modelling | Policy changes |
| Total LBTT forecast | 824 | 899 | 75 | 145 | -69 | 0 |
| <i>of which:</i> | | | | | | |
| Residential main rates | 425 | 485 | 60 | 90 | -30 | 0 |
| Higher rates | 200 | 180 | -20 | 12 | -32 | 0 |
| Commercial | 199 | 234 | 35 | 43 | -8 | 0 |
| Total LTT forecast | 267 | 341 | 73 | 43 | 28 | 2 |
| <i>of which:</i> | | | | | | |
| Residential main rates | 135 | 178 | 43 | 39 | 6 | -1 |
| Higher rates | 63 | 74 | 11 | 10 | -2 | 3 |
| Commercial | 70 | 89 | 19 | -5 | 24 | 0 |

Source: SFC, Welsh Government, OBR

4 Other devolved taxes

Introduction

- 4.1 This chapter sets out our latest forecasts for the other fully devolved taxes, which include Scottish landfill tax, Welsh landfill disposals tax, and Scottish aggregates tax.
- 4.2 Landfill tax is levied on all waste disposed of at a landfill site unless it is specifically exempt. Scottish landfill tax (SLfT) replaced the UK equivalent with effect from April 2015, while landfill disposals tax (LDT) came into effect in Wales from April 2018. Since devolution the Scottish and Welsh Governments have mostly matched the standard rates set by the UK Government, except for the Welsh Government's increase to the lower rate effective from April 2025, but this is set to realign with the rest of the UK from April 2026.
- 4.3 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. Scottish aggregates tax was approved by the Scottish Parliament on 1 October 2024 and will be introduced on 1 April 2026. The UK Government has committed to keeping devolution of the aggregates levy to Wales under review so an illustrative forecast for this is presented in Annex A.

Scottish landfill tax forecast

- 4.4 Table 4.1 sets out our latest forecast for SLfT. The changes since November largely reflect our revised judgement on the amount of waste which will go to landfill prior to and following the biodegradable municipal waste (BMW) ban. The Scottish Government legislated to ban this waste going to landfill from 31 December 2025. However, prior to the ban taking effect, in October 2025 the Scottish Environment Protection Agency (SEPA) announced its temporary enforcement approach which means that some BMW can still go to landfill until the end of 2027. Since November, our modelling approach for the period of the temporary enforcement approach has changed to incorporate expected increases in incineration capacity, while also accounting for a larger proportion of this capacity being offline at any one time to reflect recent disruption. The result is that the first three years of the forecast are reduced significantly. We have also refined our modelling of waste that will be landfilled after the BMW ban, which reduces the forecast from 2027-28 onwards.
- 4.5 Policy changes from the January 2026 Scottish Budget are now incorporated into the forecast. This includes the announcements to increase the lower rate of landfill tax by the cash increase to the standard rate from April 2026 onwards (aligning with the rest of the UK) and ending contributions to the Scottish landfill communities fund. Collectively, these increase the forecast by an average of £6 million annually.

Table 4.1: Scottish landfill tax forecast: changes since November

| | £ million | | | | | | |
|-------------------------------------|-----------|-----------|------------|------------|-----------|-----------|----------|
| | Outturn | | Forecast | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 57 | 56 | 45 | 36 | 25 | 25 | 25 |
| March 2026 forecast | 57 | 52 | 27 | 21 | 23 | 25 | 26 |
| Difference | | -4 | -18 | -15 | -2 | -1 | 0 |
| of which: | | | | | | | |
| Outturn data | | -1 | 0 | 0 | 0 | 0 | 0 |
| Determinants | | 0 | -1 | 0 | 0 | 0 | 0 |
| Incineration capacity and modelling | | -3 | -20 | -19 | -8 | -8 | -8 |
| Policy changes | | 0 | 4 | 5 | 6 | 7 | 8 |

Source: OBR

Welsh landfill disposals tax forecast

4.6 Table 4.2 shows the latest forecast of Welsh LDT receipts. Relative to November, Welsh LDT receipts have increased by an average of £3.6 million a year, with most of this increase coming in the second half of the forecast. The majority of this increase comes from the Welsh Government's decision to align the Welsh lower rate to the English and Northern Irish lower rate and thereafter increase it by the cash increase to the standard rate. This increases receipts by an average of £3.5 million annually from 2026-27 onwards.

Table 4.2: Welsh landfill disposals tax forecast: changes since November

| | £ million | | | | | | |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|
| | Outturn | | Forecast | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 34 | 35 | 35 | 34 | 33 | 33 | 32 |
| March 2026 forecast | 34 | 34 | 37 | 37 | 38 | 38 | 38 |
| Difference | | -1 | 2 | 3 | 5 | 6 | 7 |
| of which: | | | | | | | |
| Outturn data | | -1 | 1 | 1 | 1 | 1 | 1 |
| Determinants | | 0 | 0 | 0 | 0 | 0 | 0 |
| Modelling and other | | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy | | 0 | 1 | 2 | 4 | 5 | 6 |

Source: OBR

Scottish aggregates tax forecast and methodology

4.7 Our forecast for Scottish aggregates tax is largely unchanged since November, with a small negative change of less than £1 million in each year arising from our lower inflation forecast and using more accurate data to model historic Scottish aggregate tonnage.

Table 4.3: Scottish aggregates tax forecast: changes since November

| | £ million | | | | |
|------------------------|-----------|----------|----------|----------|----------|
| | Forecast | | | | |
| | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| November 2025 forecast | 42 | 44 | 45 | 47 | 48 |
| March 2026 forecast | 42 | 43 | 45 | 46 | 48 |
| Difference | 0 | 0 | 0 | 0 | 0 |

Source: OBR

5 Forecasts required for the block grant adjustment

Introduction

5.1 In this chapter we provide:

- a summary of the forecasts for revenues from the devolved taxes and for the UK Government's revenue from the taxes equivalent to those that have been devolved, which are the forecasts used to produce the **block grant adjustment (BGA)**;¹
- based on these forecasts, illustrative projections of the latest **net tax positions** for Scotland and Wales; and
- England and Wales forecasts for the **social security** spending devolved to Scotland, which form the basis of the social security block grant adjustment.

Scottish receipts and net tax position

Receipts

5.2 Table 5.1 compares our latest forecasts for the taxes devolved to Scotland, which are set out in the previous chapters of this report, and their England and Northern Ireland (ENI) equivalents, which are a component of the calculation of the block grant adjustment. Total ENI-equivalent taxes are forecast to grow by 6.6 per cent on average each year over the forecast period. This is stronger growth than in our forecasts for Scottish taxes, which grow by 5.8 per cent on average a year. As a result, Scotland's receipts as a percentage of ENI receipts decline over the forecast as shown by the bottom half of the table.

¹ 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, from England and Northern Ireland. For Scottish aggregates tax, the corresponding UK Government receipts are those raised in England, Northern Ireland and Wales.

Table 5.1: Devolved Scottish taxes relative to rest of UK equivalent

| | £ million | | | | | | | |
|---|---|---------|----------|---------|---------|---------|---------|---------|
| | Outturn | | Forecast | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total Scottish devolved taxes | 17,945 | 19,849 | 21,589 | 22,706 | 23,665 | 24,547 | 25,580 | 26,549 |
| <i>of which:</i> | | | | | | | | |
| Scottish income tax | 17,093 | 18,893 | 20,539 | 21,606 | 22,522 | 23,328 | 24,282 | 25,176 |
| LBTT (Scotland) | 784 | 899 | 998 | 1,031 | 1,078 | 1,152 | 1,227 | 1,300 |
| Scottish landfill tax | 68 | 57 | 52 | 27 | 21 | 23 | 25 | 26 |
| Scottish aggregates tax ¹ | | | | 42 | 43 | 45 | 46 | 48 |
| Total England and Northern Ireland (ENI) | 239,200 | 263,701 | 286,876 | 307,152 | 322,932 | 337,389 | 355,275 | 372,610 |
| <i>of which:</i> | | | | | | | | |
| NSND income tax | 227,119 | 249,318 | 270,931 | 288,265 | 301,854 | 313,958 | 329,918 | 345,543 |
| Property taxes | 11,610 | 13,885 | 15,407 | 18,150 | 20,314 | 22,575 | 24,498 | 26,162 |
| Landfill tax | 471 | 497 | 539 | 386 | 396 | 470 | 456 | 490 |
| Aggregates levy ¹ | | | | 351 | 368 | 386 | 403 | 415 |
| | Scotland as a percentage of ENI receipts | | | | | | | |
| Total Scottish devolved taxes | 7.5 | 7.5 | 7.5 | 7.4 | 7.3 | 7.3 | 7.2 | 7.1 |
| <i>of which:</i> | | | | | | | | |
| Scottish income tax | 7.5 | 7.6 | 7.6 | 7.5 | 7.5 | 7.4 | 7.4 | 7.3 |
| LBTT (Scotland) | 6.8 | 6.5 | 6.5 | 5.7 | 5.3 | 5.1 | 5.0 | 5.0 |
| Scottish landfill tax | 14.5 | 11.4 | 9.6 | 7.0 | 5.3 | 4.9 | 5.4 | 5.2 |
| Scottish aggregates tax ¹ | | | | 11.9 | 11.8 | 11.6 | 11.5 | 11.5 |

Note: Currently outturn data is available for 2023-24 for income tax, and 2024-25 remains a forecast. For property and landfill taxes, the latest outturn is 2024-25. The series for aggregates levy starts in 2026-27 when the Scottish aggregates tax will be introduced.

¹ For aggregates levy, the England and Northern Ireland receipts line also includes Welsh receipts as these form the basis of the relevant block grant adjustment.

Source: OBR

Scottish net tax position

5.3 We present here the latest illustrative forecasts for the net tax position in Scotland, which reflect the difference between our forecasts for Scottish taxes and the block grant adjustment, which is based on HM Treasury calculations using our forecasts for the equivalent UK Government revenues. These figures are for illustrative purposes only, as OBR forecasts for Scotland are only used for the calculation of the Scottish block grant adjustment, and not for Scottish tax revenues. Rather, the Scottish Fiscal Commission (SFC's) forecasts for Scottish tax revenues are used for budget setting in Scotland.

5.4 Table 5.2 shows that the net tax position stood at £1.0 billion in 2023-24 and is forecast to rise based on the OBR's illustrative forecasts to £1.5 billion in 2025-26 before falling to £1.1 billion by the end of the forecast period. This is comprised of:

- The **Scottish income tax** net position rises from £0.7 billion in 2023-24 to £1.2 billion in 2025-26, before declining to £1.0 billion by the end of the forecast period. The positive net position over the forecast is a result of a more progressive income tax schedule in Scotland, which means that, other things equal, income tax receipts per

person rise more strongly in Scotland than in the rest of the UK. The decline in the net tax position thereafter is largely due to the projected faster rate of population ageing in Scotland which lowers Scottish income tax receipts compared with the rest of the UK.

- **Land and buildings transaction tax (LBTT)** explains much of the rest of the profile of the net tax position. The net position is positive as Scotland has generally higher rates of property transaction tax than the rest of the UK. However, this reduces over the forecast due to an expectation of higher stamp duty land tax (SDLT) receipts largely due to the impact of planning reforms in England which do not impact Scotland.
- **Other taxes**, which include Scottish aggregates tax and Scottish landfill tax make small differences to the net tax position. Landfill tax has a negative net position due to higher incineration capacity in Scotland and the biodegradable municipal waste ban which makes it illegal for a significant proportion of Scottish waste to be landfilled (although as set out in Chapter 4 this will only be enforced from 2028).

Table 5.2: Scottish net tax position

| | £ million | | | | | | | |
|--|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total Scottish devolved taxes (OBR) | 17,945 | 19,849 | 21,589 | 22,706 | 23,665 | 24,547 | 25,580 | 26,549 |
| Scottish tax BGA | 16,986 | 18,586 | 20,129 | 21,416 | 22,390 | 23,264 | 24,374 | 25,446 |
| Net tax position | 959 | 1,263 | 1,459 | 1,290 | 1,275 | 1,283 | 1,206 | 1,103 |
| of which: | | | | | | | | |
| Income tax | 730 | 1,006 | 1,182 | 1,096 | 1,133 | 1,173 | 1,098 | 994 |
| Land and buildings transaction tax (LBTT) | 259 | 274 | 307 | 220 | 175 | 153 | 147 | 151 |
| Other taxes | -30 | -17 | -29 | -26 | -34 | -43 | -39 | -42 |
| <i>Memo: Net tax position (based on SFC January 2026 Scottish tax forecasts)</i> | 959 | 1,311 | 1,214 | 1,210 | 1,593 | 1,995 | 2,289 | 2,647 |

Note: BGA figures are based on HM Treasury calculations of OBR forecasts. These numbers can sometimes be revised, so should be treated as provisional. The memo line uses the SFC's Scottish tax forecasts from the January 2026 *Scotland's Economic and Fiscal Forecasts (SEFF)* but is based on the latest forecasts of the BGA at the time of publication. Other taxes includes Scottish landfill tax (SLT) and Scottish aggregates tax. We present the outturn numbers net of reconciliations. The latest outturn year for LBTT and SLT is 2024-25.

Source: SFC, OBR

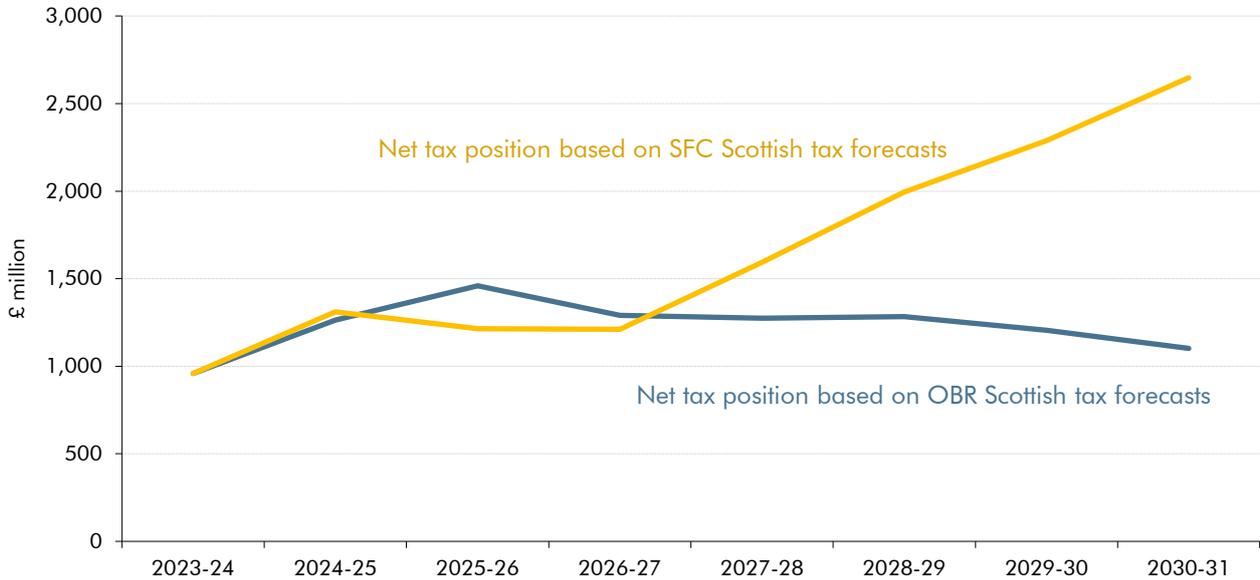
5.5 Chart 5.1 shows the difference between SFC-based and OBR-based estimates of the net position for the Scottish taxes. While the two forecasts are similar in the near term, they diverge significantly towards the end of the forecast period, with the net tax position based on the January 2026 SFC tax forecasts rising to £2.6 billion in 2030-31 (Chart 5.1).² The difference in the medium term, compared to the OBR's illustrative net tax position, is mainly driven by differences in the OBR and SFC forecasts for Scottish income tax described in Chapter 2. In particular, the SFC's higher medium-term forecasts for average earnings

² This uses the January 2026 SFC forecast for Scottish taxes from *Scotland's Economic and Fiscal Forecasts (SEFF)* but is based on the latest forecast of the BGA at time of publication, which is based on our forecasts for UK Government receipts.

Forecasts required for the block grant adjustment

increase Scottish income tax receipts by more than the corresponding increase in the income tax BGA, which is based on our lower forecast for average earnings.

Chart 5.1: Scottish net tax position based on OBR and SFC forecasts



Source: SFC, OBR

5.6 Chart 5.2 shows the change in the OBR’s forecast for the illustrative net tax position in Scotland compared with our November 2025 forecast. Compared with November, the profile of revisions is uneven. In the near term, the net position is largely unchanged reflecting offsetting revisions to income tax and LBTT. The downwards revision to the LBTT net position is largely due to strength in ENI commercial SDLT receipts and downwards revisions to the additional dwelling supplement (ADS) element of the LBTT forecast as explained in Chapter 3. By the end of the forecast, the net position is improved due to a higher income tax net position more than offsetting these changes driven by the Scottish Government freezes to the higher, advanced and top rate as described in Chapter 2.

Chart 5.2: Change in the Scottish net tax position since November



Note: In Table 5.2 of the November 2025 *Devolved tax and spending forecast*, Scottish aggregates tax was mistakenly excluded from the net position and Scottish landfill tax did not include the impact from in-year reconciliations for 2024-25 and 2025-26. We have restated the net tax position in November 2025 in this chart to correct for these errors so the change is presented on a consistent basis.

Source: OBR

Welsh receipts and net tax position

Receipts

- 5.7 Total England and Northern Ireland equivalent taxes that are fully or partially devolved are forecast to grow at 6.5 per cent on average a year over the forecast period, slightly lower than our forecast for Welsh taxes, which grow by 6.6 per cent. Income tax growth is the main driver of growth in each, as this represents the largest component of partially or fully devolved taxes.
- 5.8 Table 5.4 compares **Welsh rates of income tax by band** to their ENI-equivalents on a ‘Welsh rate of income tax’ basis, which form the basis of the Welsh block grant adjustment calculations. This shows that Welsh rates receipts relative to ENI-equivalent receipts rise over the forecast period, with growth most pronounced in the higher rate.

Table 5.3: Devolved Welsh taxes relative to rest of UK equivalent

| | £ million | | | | | | | |
|--|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total Welsh devolved taxes | 3,268 | 3,660 | 3,971 | 4,215 | 4,429 | 4,624 | 4,865 | 5,099 |
| <i>of which:</i> | | | | | | | | |
| Welsh Government income tax (WRIT basis) ¹ | 2,968 | 3,285 | 3,568 | 3,781 | 3,965 | 4,129 | 4,339 | 4,541 |
| Land transaction tax | 270 | 341 | 369 | 398 | 427 | 457 | 488 | 520 |
| Landfill disposals tax | 30 | 34 | 34 | 37 | 37 | 38 | 38 | 38 |
| Total England and Northern Ireland (ENI) equivalent | 239,200 | 263,701 | 286,876 | 306,800 | 322,563 | 337,003 | 354,872 | 372,195 |
| <i>of which:</i> | | | | | | | | |
| NSND income tax | 227,119 | 249,318 | 270,931 | 288,265 | 301,854 | 313,958 | 329,918 | 345,543 |
| SDLT | 11,610 | 13,885 | 15,407 | 18,150 | 20,314 | 22,575 | 24,498 | 26,162 |
| Landfill tax | 471 | 497 | 539 | 386 | 396 | 470 | 456 | 490 |
| | Wales as a percentage of ENI receipts | | | | | | | |
| Total Welsh devolved taxes | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| <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 | 2.4 | 2.2 | 2.1 | 2.0 | 2.0 | 2.0 |
| Landfill disposals tax | 6.3 | 6.9 | 6.4 | 9.5 | 9.4 | 8.1 | 8.4 | 7.8 |

¹ Outturn data is available for 2023-24 for income tax, and 2024-25 is a forecast. For other forecasts, the latest outturn is 2024-25.

Source: OBR

Table 5.4: Welsh rates and rest of UK equivalent by income tax band

| | £ billion | | | | | | | |
|--|---|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Welsh rates | 3.0 | 3.3 | 3.6 | 3.8 | 4.0 | 4.1 | 4.3 | 4.5 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 2.5 | 2.7 | 3.0 | 3.1 | 3.3 | 3.4 | 3.5 | 3.7 |
| Higher rate | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 |
| Additional rate | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| England and Northern Ireland NSND income tax (WRIT basis) | 82.7 | 90.4 | 97.7 | 103.7 | 108.1 | 112.3 | 117.8 | 123.1 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 54.8 | 59.5 | 63.6 | 67.2 | 69.8 | 72.2 | 75.5 | 78.6 |
| Higher rate | 15.6 | 17.3 | 19.2 | 20.6 | 21.6 | 22.5 | 23.8 | 25.0 |
| Additional rate | 12.2 | 13.5 | 14.8 | 15.9 | 16.7 | 17.5 | 18.5 | 19.5 |
| | Wales as percentage of ENI WRIT-equivalent receipts | | | | | | | |
| Welsh rates | 3.6 | 3.6 | 3.7 | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 4.6 | 4.6 | 4.6 | 4.6 | 4.7 | 4.7 | 4.7 | 4.7 |
| Higher rate | 2.4 | 2.5 | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 |
| Additional rate | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |

Source: OBR

Welsh net tax position

- 5.9 In this section, we present the illustrative Welsh net tax position based on our March forecast. The Welsh tax position is the devolved tax less the equivalent Welsh tax BGA. A positive figure means that Welsh revenues will exceed the funding that is deducted from the Welsh block grant, while a negative figure means that Welsh revenues are lower than the funding deducted. Our November 2025 forecasts were used to set the BGA for 2026-27 financial year, so the forecasts presented here are merely illustrative.
- 5.10 Table 5.5 shows that the net tax position for Wales stood at £230 million in 2023-24 and is forecast to rise throughout the forecast period reaching £513 million in 2030-31. This net position is comprised of:
- **Welsh rates of income tax**, which rise from £187 million in 2023-24 to £502 million by 2030-31. The growth in the forecast is due predominantly to threshold freezes, which raise the Welsh rates of income tax more than their ENI-equivalent due to distributional differences in income to the rest of the UK. We explore the reasons for this further in our January 2026 *Welsh taxes outlook (WTO)*.
 - **Land transaction tax (LTT)**, where the net position is forecast to be negative by the end of the forecast period. This largely reflects the impact of planning reforms in England, which we expect to cause faster transactions growth in England than in Wales. The net position is also reduced by weaker than forecast LTT receipts in contrast to stronger than expected commercial SDLT receipts.
 - **Landfill disposals tax (LDT)**, where the net position is forecast to be £19 million by the end of the forecast. This reflects landfilled waste in Wales declining less quickly than in England and Northern Ireland.

Table 5.5: Welsh net tax position

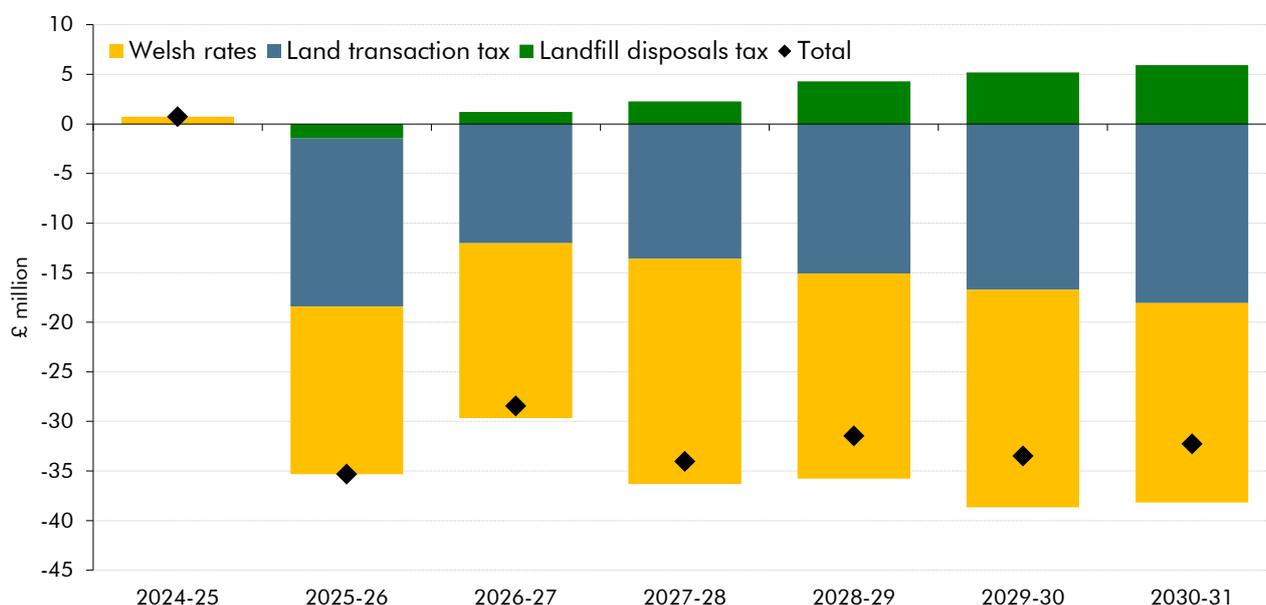
| | £ million | | | | | | | |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Outturn | | Forecast | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Total Welsh taxes | 3,268 | 3,660 | 3,971 | 4,215 | 4,429 | 4,624 | 4,865 | 5,099 |
| Welsh tax BGA | 3,038 | 3,329 | 3,586 | 3,821 | 4,005 | 4,179 | 4,388 | 4,586 |
| Net tax position | 230 | 331 | 386 | 393 | 424 | 445 | 477 | 513 |
| <i>of which:</i> | | | | | | | | |
| Welsh rates of income tax | 187 | 258 | 317 | 343 | 387 | 425 | 463 | 502 |
| Land transaction tax | 33 | 58 | 55 | 30 | 15 | 0 | -6 | -8 |
| Landfill disposals tax | 10 | 15 | 13 | 21 | 22 | 19 | 20 | 19 |

Note: BGA figures are based on HMT calculations of OBR forecasts. These numbers can sometimes be revised, so should be treated as provisional at the time of publication. We present the outturn numbers net of reconciliations. The latest outturn year for land transaction tax and landfill disposals tax is 2024-25.

Source: OBR

5.11 Compared with our November forecast, Chart 5.3 shows that the illustrative net tax position has fallen on average by £32 million per year from 2025-26 onwards. The downwards revision is partly explained by weaker outturn receipts for PAYE Welsh rates indicated by HMRC’s Real Time Information (RTI) data which lower the Welsh rates net position. Stronger commercial receipts for SDLT and a lower LTT forecast (reflecting weaker outturn receipts, as we discuss in Chapter 3) also reduce the LTT net position. The LDT net position has increased, partly offsetting these reductions, reflecting the Welsh Government’s decision to increase the lower rate of landfill tax.

Chart 5.3: Change in the Welsh net tax position since November



Source: OBR

Scottish social security

5.12 Table 5.6 reports our England and Wales social security forecasts, which are used to calculate the welfare block grant adjustments for Scottish Government funding. Total spending on devolved benefits in England and Wales is estimated to be £52.7 billion in 2025-26. It is then forecast to rise by an average of £4.3 billion a year over the rest of the forecast period, reaching £74.4 billion in 2030-31.

Table 5.6: Social security spending in England and Wales

| | £ million | | | | | | |
|---|-----------|---------|----------|---------|---------|---------|---------|
| | Outturn | | Forecast | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Carer's allowance | 4,240 | 4,569 | 5,025 | 5,396 | 5,686 | 5,976 | 6,256 |
| Personal independence payment | 25,991 | 28,589 | 32,100 | 34,826 | 37,729 | 41,217 | 44,744 |
| Disability living allowance | 7,692 | 8,321 | 8,884 | 9,298 | 9,470 | 9,354 | 9,638 |
| Attendance allowance | 7,762 | 8,492 | 9,228 | 9,685 | 10,098 | 10,573 | 11,068 |
| Industrial injuries disablement benefit | 752 | 737 | 732 | 717 | 695 | 673 | 651 |
| Severe disablement allowance | 54 | 47 | 42 | 36 | 30 | 23 | 16 |
| Cold weather payment | 36 | 39 | 39 | 39 | 39 | 39 | 39 |
| Winter fuel payment | 302 | 1,911 | 1,911 | 1,906 | 1,921 | 1,964 | 2,006 |

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.

Source: OBR

5.13 Table 5.7 shows our latest forecast of the number of individuals of state pension age in Scotland with income above £35,000, which forms the basis of the winter fuel payment tax recovery block grant adjustment.

Table 5.7: Number of individuals in Scotland of state pension age with income above £35,000

| | Thousand | | | | | |
|-----------------------|----------|---------|---------|---------|---------|---------|
| | Forecast | | | | | |
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Number of individuals | 187 | 201 | 210 | 220 | 236 | 252 |

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 Wales, while air passenger duty and VAT assignment are due to be devolved to Scotland.

Welsh 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.

A.3 To produce the current illustrative forecasts, we use the most recent estimated Welsh shares of UK-wide aggregates levy receipts produced by the ONS, relating to 2022-23.¹ As Table A.1 shows, there has been very limited change since November due to minimal movement in the UK-wide receipts forecast since then.

Table A.1: Welsh aggregates levy illustrative forecasts

| | £ million | | | | | |
|-----------------------|-----------|---------|---------|---------|---------|---------|
| | Forecast | | | | | |
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| UK forecast | | | | | | |
| November 2025 | 380 | 398 | 417 | 437 | 459 | 467 |
| March 2026 | 375 | 393 | 412 | 431 | 449 | 462 |
| Difference | -5 | -5 | -6 | -6 | -10 | -5 |
| Welsh forecast | | | | | | |
| November 2025 | 32 | 34 | 35 | 37 | 39 | 40 |
| March 2026 | 32 | 33 | 35 | 37 | 38 | 39 |
| Difference | 0 | 0 | 0 | 0 | -1 | 0 |

Source: 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.² The *Scotland Act 2016* includes provisions for the devolution of APD to Scotland. The Scottish Government and HM Treasury have agreed in principle to devolve Scottish APD from April

¹ This is 8.5 per cent.

² 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.

Forecasts required for the block grant adjustment

2027 onwards subject to the required legislation being in place. We will produce our first official forecast once this has been formally agreed.

- A.5 Our forecast applies the Scottish Government's latest estimate of Scotland's share of UK APD receipts (2024-25) to our UK APD forecast.³ Since November, we have revised the Scottish APD forecast down due to lower-than-expected UK-wide receipts and because we now only use the most recent shares from the Scottish Government, rather than the older ONS regional public finances data which implied a higher share.

Table A.2: Air passenger duty illustrative forecast

| | £ million | | | | | |
|--------------------------|-----------|---------|---------|---------|---------|---------|
| | Forecast | | | | | |
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| UK forecast | | | | | | |
| November 2025 | 4,551 | 5,220 | 5,559 | 5,854 | 6,174 | 6,480 |
| March 2026 | 4,517 | 5,166 | 5,509 | 5,807 | 6,131 | 6,429 |
| Difference | -35 | -53 | -50 | -48 | -43 | -51 |
| Scottish forecast | | | | | | |
| November 2025 | 369 | 424 | 451 | 475 | 501 | 526 |
| March 2026 | 321 | 368 | 392 | 413 | 436 | 458 |
| Difference | -48 | -56 | -59 | -62 | -65 | -68 |

Source: GERS, 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 of 4.48 per cent, which relates to 2023, as our starting point and index this in line with population growth in Scotland relative to the UK as a whole.⁴ Compared with November, the whole-UK VAT forecast is largely unchanged, but the VAT assignment forecast is stronger due to the higher VAT assignment share published by HMRC.

³ 7 per cent, taken from the Scottish Government's *Government Expenditure and Revenues Scotland*.

⁴ HM Revenue and Customs, HM Treasury, Scottish Government, *Scottish VAT Assignment – Official Statistics in Development 2023*, Autumn 2025.

Table A.3: VAT assignment illustrative forecast

| | £ billion | | | | | | |
|--|----------------------|----------|---------|---------|---------|---------|---------|
| | Estimated outturn | Forecast | | | | | |
| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| UK | 171.0 | 180.2 | 187.7 | 195.9 | 204.6 | 213.1 | 222.2 |
| of which: | | | | | | | |
| Assigned to Scottish Government | 7.6 | 8.0 | 8.3 | 8.7 | 9.0 | 9.4 | 9.8 |
| VAT from Scotland retained by UK Government | 7.6 | 8.0 | 8.3 | 8.7 | 9.0 | 9.4 | 9.8 |
| VAT from the rest of the UK | 155.7 | 164.1 | 171.0 | 178.6 | 186.5 | 194.4 | 202.7 |
| | Per cent | | | | | | |
| Assigned to Scottish Government | 4.46 | 4.45 | 4.44 | 4.42 | 4.41 | 4.40 | 4.39 |
| <i>Memo: Scottish population share</i> | 8.0 | 8.0 | 8.0 | 7.9 | 7.9 | 7.9 | 7.9 |
| <i>Memo: Index Scottish population share (2022-23 = 100)</i> | 99.7 | 99.4 | 99.1 | 98.9 | 98.6 | 98.4 | 98.1 |

Source: HMRC, ONS, OBR

Forecasts required for the block grant adjustment

B Additional forecast tables

Table B.1: Welsh rates of income tax from property by tax band

| | £ million | | | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Welsh rates | 64.91 | 73.18 | 79.64 | 84.88 | 89.01 | 92.88 | 98.28 | 104.07 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 47.21 | 51.60 | 54.58 | 57.23 | 59.02 | 60.60 | 62.86 | 65.16 |
| Higher rate | 14.05 | 17.30 | 20.17 | 22.30 | 24.19 | 26.03 | 28.58 | 31.35 |
| Additional rate | 3.65 | 4.29 | 4.88 | 5.35 | 5.80 | 6.25 | 6.84 | 7.57 |
| | Per cent | | | | | | | |
| Basic rate | 72.7 | 70.5 | 68.5 | 67.4 | 66.3 | 65.2 | 64.0 | 62.6 |
| Higher rate | 21.6 | 23.6 | 25.3 | 26.3 | 27.2 | 28.0 | 29.1 | 30.1 |
| Additional rate | 5.6 | 5.9 | 6.1 | 6.3 | 6.5 | 6.7 | 7.0 | 7.3 |

Source: OBR

Table B.2: Welsh rates of income tax from property and rest of UK equivalent by band

| | £ billion | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Outturn | Forecast | | | | | | |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
| Welsh rates | 0.06 | 0.07 | 0.08 | 0.08 | 0.09 | 0.09 | 0.10 | 0.10 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 0.05 | 0.05 | 0.05 | 0.06 | 0.06 | 0.06 | 0.06 | 0.07 |
| Higher rate | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 | 0.03 | 0.03 | 0.03 |
| Additional rate | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| England and Northern Ireland NSND income tax (WRIT basis) | 2.1 | 2.4 | 2.6 | 2.8 | 2.9 | 3.1 | 3.2 | 3.4 |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 1.3 | 1.5 | 1.5 | 1.6 | 1.7 | 1.7 | 1.8 | 1.8 |
| Higher rate | 0.5 | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 |
| Additional rate | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| Wales as a percentage of ENI WRIT-equivalent receipts | | | | | | | | |
| Welsh rates | | | | | | | | |
| <i>of which:</i> | | | | | | | | |
| Basic rate | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.6 | 3.6 |
| Higher rate | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 2.8 | 2.8 |
| Additional rate | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |

Source: OBR

Forecasts required for the block grant adjustment

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