Office for
Budget Responsibility

Devolved tax and spending forecasts

November 2025

Contents

Supplementary information and charts and tables data are available on our website.

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 also 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. 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. We also present estimates for the block grant adjustment and the corresponding illustrative net tax position. This is an illustrative forecast of 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, the vast majority which is explained by 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 *November 2025 EFO*.

1.7 The *November 2025 EFO* describes the timetable that was followed in producing these UK-wide forecasts. The pre-measures economy forecast was closed on 22 October and the pre-measures fiscal forecast on 30 October. Indirect effects of new policy announcements were then incorporated and the forecast was finalised on 21 November.

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 14 and 15 October; and
- A **final set of forecasts** was produced on 21 November, 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 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**; and
- 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, air passenger duty, and VAT assignment.

2 Income tax

Introduction

2.1 This chapter presents our latest forecasts for Scottish income tax and Welsh rates of income tax.[1] Throughout the chapter we compare these latest November 2025 forecasts to our March 2025 forecasts published alongside the 2025 Spring Statement.

2.2 Scottish income tax and the Welsh rates are levied on non-savings, non-dividend (NSND) income, and are 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.

2.3 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.[2]

2.4 Welsh rates of income tax (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.

Methodology

2.5 The three main stages in generating our forecasts for Scottish and Welsh income tax are:[3]

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

[1] 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 November 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] An 'effective personal allowance', however, can be achieved by using a zero-rate band.
[3] J. Murphy Corkhill, 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.

2.6 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 2023-24.

2.7 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

2.8 We forecast that UK-wide NSND income tax liabilities will be £275.2 billion in 2024-25, £24.1 billion (9.6 per cent) higher than in 2023-24. Receipts then continue to rise over the rest of the forecast to reach £379.9 billion in 2030-31. Year-on-year growth is forecast to be 6.1 per cent on average per year due to strong forecast nominal earnings growth over the next two years and frozen personal tax thresholds.

2.9 In the near term receipts are lower than expected in our March forecast mainly due to weaker outturn data in UK NSND receipts.[4] However, by 2029-30, the UK NSND forecast is £5.7 billion higher than in March. This is largely due to an increase to the earnings growth forecast and the Budget policy to extend personal tax threshold freezes, which raises £7.7 billion in 2029-30.

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
March forecast	252.3	283.3	306.0	321.2	333.8	344.7	357.9	
November forecast	251.1	275.2	300.0	319.3	333.7	346.3	363.6	379.9
Difference		**-8.1**	**-6.0**	**-1.8**	**-0.1**	**1.6**	**5.7**	
of which:								
UK NSND outturn alignment		-1.6	-1.7	-1.9	-1.9	-2.0	-2.1	
Other pre-measures forecast changes		-6.5	-4.3	0.0	1.4	1.3	1.2	
UK Government policies			0.0	0.1	0.5	2.2	6.6	11.6
of which:								
Freezes to personal tax thresholds			0.0	0.0	0.0	3.6	7.7	11.6
Other direct effects			0.0	0.2	1.0	-0.3	0.5	1.4
Indirect effects			0.0	-0.1	-0.5	-1.1	-1.5	-1.5

Source: OBR

[4] This is due to an update to the estimated split of PAYE receipts between Income Tax and NICs to reflect the latest in-year data.

Scottish and Welsh shares

2.10 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 900,000 individuals in contact with HMRC during the year through the PAYE, self-assessment or repayment claim systems. Table 2.2 shows the SPI-based Scottish and Welsh shares of all UK income tax liabilities from 2017-18 to the latest SPI outturn year, 2022-23, when both shares have risen slightly on the previous year.

Table 2.2: 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

2.11 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:[5]

- **Population.** We use an index based on ONS population projections to reflect the different projected growth rates of the adult population in Scotland and Wales. This 'population index' combines two separate indices – one each for adults aged below and above the State Pension age – that are weighted by the proportion of NSND income tax paid by each group. This aims to capture the effects of different trends in population ageing on top of different trends in the population sizes on the Scottish and Welsh shares of income tax.

- **Earnings.** We adjust the shares in line with the share of total employee earnings as reported in HMRC's real-time information (RTI) from the PAYE system, enabling us to draw on more up-to-date information for the majority of income taxpayers. This includes judgements based on data 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 and devolved government policies can affect the Scottish and Welsh shares.

- **Outturn.** We align our forecasts to the 2023-24 Scottish and Welsh income tax outturn statistics that were published in July 2025.

[5] J. Murphy Corkhill, 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.

2.12 Table 2.3 reports our latest forecast for the Scottish share and revisions since March on a pre-measures basis. 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 6.81 per cent in 2023-24 to 6.85 per cent in 2024-25, due to previous Scottish Government decisions to increase SIT rates relative to those set by the UK Government. Thereafter, the SIT share falls on a pre-measures basis due largely to the relative decline in the Scottish population index.

Table 2.3: 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
March forecast	6.79	6.85	6.81	6.76	6.71	6.67	6.62	
November pre-measures forecast	6.81	6.85	6.83	6.79	6.73	6.69	6.64	6.58
Difference	**0.02**	**0.00**	**0.02**	**0.02**	**0.02**	**0.02**	**0.02**	
RTI index (2023-24=100)	*100.0*	*99.5*	*99.6*	*99.6*	*99.6*	*99.6*	*99.6*	*99.6*
Change since March		*-0.06*	*-0.03*	*-0.03*	*-0.03*	*-0.03*	*-0.03*	
Index of relative population growth (2025-26=100)	*100.0*	*100.0*	*100.0*	*99.7*	*99.4*	*99.1*	*98.7*	*98.4*
Change since March		*0.0*	*0.4*	*0.3*	*0.4*	*0.4*	*0.4*	
Source: OBR								

2.13 Table 2.4 shows that the Welsh rates share is forecast to rise through the forecast on a pre-measures basis from 1.18 per cent to 1.20 per cent by the end of the forecast period. 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 compared to the rest of the UK. We explore this further in Box 5.2. Compared with March, the Welsh rates share has been revised up on average by 0.02 percentage points due to stronger Welsh rates receipts in 2023-24 and stronger RTI outturn data in 2024-25.

Table 2.4: 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
March forecast	1.17	1.18	1.17	1.17	1.17	1.17	1.17	
November pre-measures forecast	1.18	1.19	1.19	1.19	1.20	1.20	1.20	1.20
Difference	**0.01**	**0.02**	**0.02**	**0.02**	**0.03**	**0.03**	**0.03**	
RTI index (2023-24=100)	*100.0*	*99.9*	*100.4*	*100.4*	*100.4*	*100.4*	*100.4*	*100.4*
Change since March		*0.19*	*0.70*	*0.70*	*0.70*	*0.70*	*0.70*	
Index of relative population growth (2025-26=100)	*100.0*	*100.0*	*100.0*	*100.1*	*100.2*	*100.2*	*100.2*	*100.1*
Change since March		*0.1*	*0.2*	*0.4*	*0.6*	*0.7*	*0.7*	
Source: OBR								

Scottish forecast

2.14 Table 2.5 presents our latest Scottish income tax forecast and the changes since March, which include the impact of policy measures announced at this Budget. Scottish income tax is forecast to increase from £17.1 billion in 2023-24 to £18.9 billion in 2024-25, up £1.8 billion (10.3 per cent). Year-on-year growth then slows over the forecast period, with receipts reaching £24.9 billion in 2030-31. Compared with March, the forecast is lower over the next three-years but then £0.4 billion higher in 2029-30. This reflects:

- **Revisions to our pre-measures UK NSND forecast**, which initially lower receipts by £0.5 billion on average in 2024-25 and 2025-26, largely due to lower outturn receipts. In later years of the forecast the pre-measures change relative to March diminishes due to our stronger nominal earnings forecast.

- **Scottish share changes** increase liabilities by £67 million per year on average from 2025-26 onwards. This reflects stronger in-year data from HMRC's real-time information (RTI), which raises the Scottish share of UK NSND liabilities.

- **UK Government policies at this Budget** lead to little change in the early years of the forecast but increase receipts by £0.4 billion in 2029-30 compared with March. This is more than explained by the extension of the personal allowance freeze from 2028-29 onwards.

Table 2.5: Changes in Scottish NSND income tax since March

	£ million							
	Outturn	Forecast						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	17,121	19,414	20,840	21,714	22,408	22,982	23,685	
November forecast	17,093	18,856	20,501	21,667	22,433	23,100	24,052	24,927
Difference		**-559**	**-339**	**-48**	**25**	**118**	**367**	
of which:								
Scottish share modelling		-3	70	77	60	63	66	
UK NSND outturn alignment		-106	-117	-125	-131	-134	-138	
Other pre-measures forecast changes		-449	-296	-3	95	91	78	
UK Government policies			4	4	1	98	361	686
of which:								
Freezes to personal tax thresholds			0	0	0	225	468	721
Other direct effects			3	14	36	-51	-3	64
Indirect effects			0	-10	-35	-76	-104	-99

Source: OBR

Comparison with Scottish Fiscal Commission forecasts

2.15 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.

2.16 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 2.6 and 2.7 compare our current forecast to the SFC's May 2025 forecast.[6]

2.17 Table 2.6 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 forecast stronger employment growth** than the SFC over the forecast period. This leaves employment growth 3.3 percentage points above the SFC's forecast in 2030-31 on a cumulative basis.
- **We expect average nominal earnings growth** to be stronger than the SFC in the near term but then lower from 2027-28 onwards. This leaves earnings growth 2.5 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 with the difference diminishing over the forecast period. By 2030-31, our forecast for wages and salaries on a cumulative basis is 0.5 percentage points below the SFC's forecast.

[6] The SFC published an updated forecast in June 2025 but the income tax and economic determinants remained unchanged compared to May.

Table 2.6: SFC Scottish determinants compared to OBR UK-wide determinants

	Percentage change on a year earlier						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Employment							
SFC (May)	0.2	0.1	0.6	0.5	0.4	0.4	0.4
OBR	2.1	1.4	0.5	0.8	0.7	0.8	0.7
Difference	1.9	1.3	-0.1	0.3	0.3	0.4	0.3
Average nominal earnings							
SFC (May)	4.5	3.7	2.9	3.0	2.9	3.0	3.0
OBR	5.4	4.4	3.2	2.1	2.1	2.2	2.3
Difference	0.9	0.7	0.2	-0.9	-0.8	-0.7	-0.7
Wages and salaries							
SFC (May)[1]	4.7	3.8	3.5	3.5	3.4	3.4	3.4
OBR	6.9	5.8	3.5	2.8	2.7	2.9	2.9
Difference	2.2	2.0	0.0	-0.8	-0.6	-0.5	-0.5
	2024-25 = 100						
Employment							
SFC (May)		100.1	100.7	101.2	101.6	102.0	102.4
OBR		102.1	102.6	103.4	104.2	105.0	105.7
Difference		2.0	1.9	2.2	2.6	3.0	3.3
Average nominal earnings							
SFC (May)		103.7	106.8	110.0	113.2	116.6	120.0
OBR		104.4	107.7	110.0	112.3	114.8	117.5
Difference		0.7	0.9	0.0	-0.9	-1.7	-2.5
Wages and salaries							
SFC (May)[1]		103.8	107.5	111.3	115.0	118.9	122.9
OBR		105.8	109.5	112.6	115.7	119.0	122.4
Difference		2.0	2.0	1.3	0.6	0.1	-0.5

[1]Refers to the SFC's total nominal earnings series.
Source: SFC, OBR

2.18 Table 2.7 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 over the course of the next two years but diverge in the medium-term. This leaves our Scottish income tax forecast £1.5 billion (5.7 per cent) lower than the SFC’s most recent forecast by 2030-31. This is primarily driven by our weaker medium-term growth for nominal earnings relative to the SFC’s.

Table 2.7: SFC Scottish income tax forecast compared to OBR UK NSND forecast

	£ million							
	Outturn	Forecast						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
SFC (May)								
SIT (a)	17,072	18,992	20,495	21,901	23,139	24,186	25,288	26,428
OBR								
UK NSND	251,116	275,187	300,029	319,348	333,723	346,304	363,566	379,935
of which:								
UK ex SIT and WRIT	231,055	253,054	275,943	293,877	307,300	319,055	335,160	350,458
WRIT	2,968	3,277	3,585	3,804	3,990	4,148	4,353	4,550
SIT (b)	17,093	18,856	20,501	21,667	22,433	23,100	24,052	24,927
OBR vs. SFC (b-a)	21	-137	6	-235	-706	-1,086	-1,236	-1,501
	Percentage change on a year earlier							
SFC (May)								
SIT (a)		11.2	7.9	6.9	5.7	4.5	4.6	4.5
OBR								
UK ex SIT and WRIT		9.5	9.0	6.5	4.6	3.8	5.0	4.6
SIT (b)		10.3	8.7	5.7	3.5	3.0	4.1	3.6
OBR vs. SFC (b-a)		-0.9	0.8	-1.2	-2.1	-1.5	-0.4	-0.9
	2023-24=100							
SFC (May)								
SIT (a)		111.2	120.1	128.3	135.5	141.7	148.1	154.8
OBR								
UK ex SIT and WRIT		109.5	119.4	127.2	133.0	138.1	145.1	151.7
SIT (b)		110.3	119.9	126.8	131.2	135.1	140.7	145.8
OBR vs. SFC (b-a)		-0.9	-0.1	-1.5	-4.3	-6.5	-7.4	-9.0

Source: SFC, OBR

Welsh forecast

2.19 Table 2.8 sets out our latest forecast for the Welsh rates of income tax and a breakdown of the changes since March, while Table 2.9 shows the forecast by tax band. Welsh income tax is forecast to increase from £3.0 billion in 2023-24 to £3.3 billion in 2024-25, up £0.3 billion (10.4 per cent). Year-on-year growth then slows over the forecast period, with receipts reaching £4.6 billion in 2030-31. Relative to March, the forecast is down in the near-term but then higher by the end of the forecast. This reflects:

- **Revisions to our pre-measures UK NSND forecast**, which lower receipts in the near-term but leave receipts broadly unchanged at the end of the forecast. The downward revisions in the first two years of the forecast reflect lower UK-wide income tax receipts outturn. Through the forecast, the change reduces relative to March due to our stronger nominal earnings forecast.

- **Welsh share modelling** increases liabilities by £74 million per year on average from 2024-25 onwards. This reflects stronger Welsh receipts in 2023-24 and higher in-year data from HMRC's real-time information (RTI) in 2024-25 than previously expected, which raise the Welsh share of UK NSND liabilities.

- The **effect of UK Government policies** raises Welsh rates receipts by £44 million per year over the forecast on average. This is driven primarily by the direct effects of the extension of the personal tax freezes from 2028-29 onwards. We explore the impact on Welsh rate receipts further in Box 5.2.

Table 2.8: Changes in the Welsh rates of income tax forecast since March

	£ million							
	Outturn	Forecast						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	2,948	3,331	3,586	3,754	3,911	4,040	4,189	
November forecast	2,968	3,277	3,585	3,804	3,990	4,148	4,353	4,550
Difference		**-54**	**-1**	**50**	**80**	**107**	**164**	
of which:								
Welsh share modelling		42	68	71	84	88	93	
UK NSND outturn alignment		-18	-20	-22	-23	-24	-24	
Other pre-measures changes		-77	-51	-1	17	16	14	
UK Government policies			2	2	2	27	82	147
of which:								
Freezes to personal tax thresholds			0	0	0	48	99	151
Other direct effects			2	4	8	-7	1	13
Indirect effects			0	-2	-6	-13	-18	-17

Source: OBR

Table 2.9: 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
November forecast	2,968	3,277	3,585	3,804	3,990	4,148	4,353	4,550
of which:								
Basic rate	2,506	2,739	2,967	3,132	3,275	3,392	3,546	3,695
Higher rate	373	434	497	542	578	611	653	692
Additional rate	89	104	120	130	137	145	154	163
	Per cent							
Basic rate	84.4	83.6	82.8	82.3	82.1	81.8	81.5	81.2
Higher rate	12.6	13.3	13.9	14.3	14.5	14.7	15.0	15.2
Additional rate	3.0	3.2	3.4	3.4	3.4	3.5	3.5	3.6

Source: 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 approach to forecasting LBTT and LTT and presents our latest forecasts for each of them.[1]

Methodology

3.2 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.

3.3 Both forecasts involve three steps:

- first, an **in-year estimate** is produced, using the latest outturn and our forecasts for property market determinants in 2025-26;
- 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

3.4 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 November 2025 *Economic and fiscal outlook (EFO)*.[2]

3.5 House prices are forecast to grow by an average of 2.8 per cent from 2025-26 onwards. Relative to March, the growth rate is lower in 2025-26 before growing faster from 2026-27

[1] For more detailed explanations of the structure of these taxes and how we produce our forecasts for LBTT and LTT, see our November 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 policies that do not impact devolved administrations, such as the planning reforms announced by the Government in March 2025.

onwards. The forecast for residential transactions is down significantly since March, with a 3.7 percentage point decrease in forecast transactions growth in 2025-26. This has been changed to better align with recent trends in housing transactions, mostly because of lower housing turnover in the last few years. Lower growth rates persist for most of the forecast, with average year-on-year growth 2.6 per cent through the forecast compared to the 4.5 per cent on average for the same period in March.

3.6 The commercial property prices forecast is up largely due to strength in average commercial prices in the early part of 2025-26, with some slower growth in 2026-27 and 2027-28 offsetting part of this effect. Commercial transactions are expected to fall in 2025-26 before a steady increase for the rest of the forecast, growth in the forecast is on average 1.2 percentage points lower annually relative to spring.

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							
March forecast	2.6	2.5	2.6	2.7	2.8	2.8	
November forecast	2.3	2.1	2.7	3.0	3.1	3.0	2.8
Difference	**-0.3**	**-0.4**	**0.1**	**0.3**	**0.3**	**0.2**	
Housing transactions							
March forecast	13.1	5.2	4.8	5.6	4.4	2.7	
November forecast	12.9	1.5	3.6	3.4	2.9	2.8	1.5
Difference	**-0.2**	**-3.7**	**-1.2**	**-2.2**	**-1.4**	**0.1**	
Commercial property prices							
March forecast	2.1	1.6	1.7	2.0	1.9	1.9	
November forecast	2.6	11.5	-1.9	1.8	1.9	1.8	2.0
Difference	**0.5**	**10.0**	**-3.6**	**-0.2**	**-0.1**	**0.0**	
Commercial transactions							
March forecast	3.3	-1.6	3.2	1.8	1.7	1.8	
November forecast	6.5	-5.2	1.5	1.5	1.5	1.5	1.6
Difference	**3.2**	**-3.6**	**-1.7**	**-0.2**	**-0.2**	**-0.2**	

Source: OBR

Scottish land and buildings transaction tax

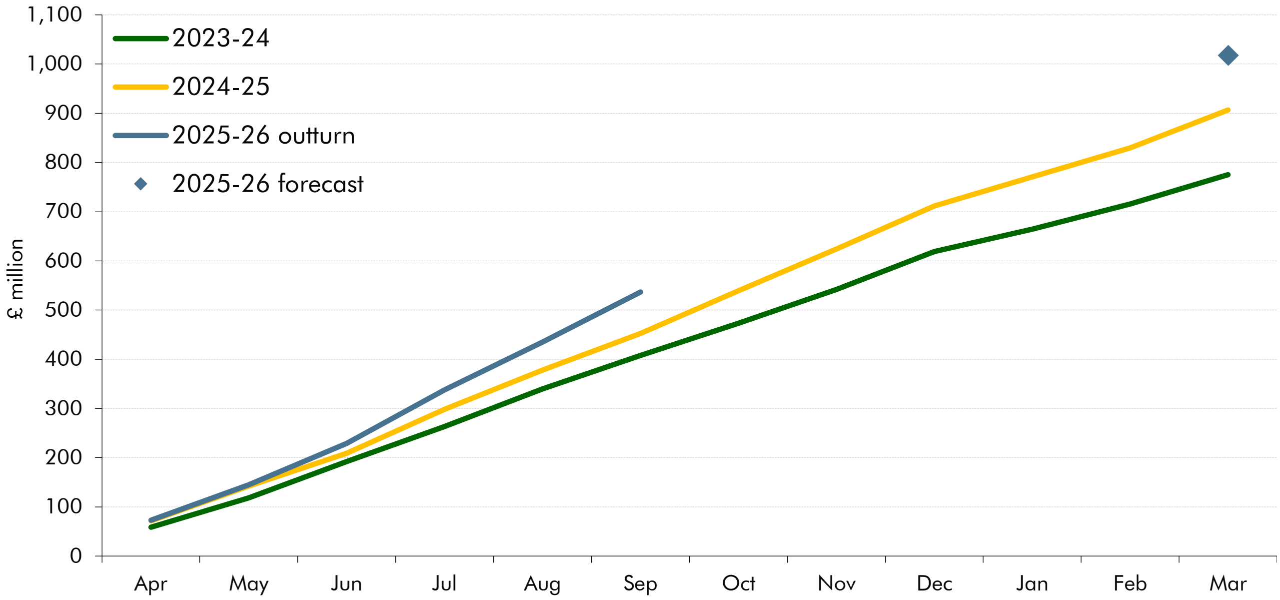
Latest LBTT outturn data

3.7 Total LBTT receipts in the first 6 months of 2025-26 are estimated to be up £84 million (18 per cent) relative to the same period in 2024-25. We forecast receipts will be £1.0 billion in 2025-26, which is broadly unchanged from our March forecast.

LBTT forecast

Table 3.2 sets out our latest LBTT forecast. Our forecast for LBTT receipts in 2025-26 is broadly unchanged since March, with only a small downward revision of £34 million driven by weaker-than-expected outturn and forecasted transactions. We forecast that receipts will grow on average by 7.2 per cent annually primarily due to growth in residential receipts, which we explain below. Overall, in the medium-term the forecast is £92 million (7.5 per cent) lower on average than we expected in March. The main cause of this is a fall in our forecast for residential transactions, but lower than expected outturn data for ADS also accounts for a significant part of this.

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



This is taken from monthly total tax liabilities from Revenue Scotland. The ADS component is volatile and likely to be subject to downwards revisions once ADS repayments are accounted for.
Source: Revenue Scotland, OBR

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

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total LBTT							
March forecast	934	1052	1127	1229	1328	1417	
November forecast	899	1,018	1,049	1,126	1,207	1,291	1,364
Difference	**-35**	**-34**	**-78**	**-103**	**-120**	**-125**	
Residential LBTT (excluding ADS)							
March forecast	492	543	605	676	747	811	
November forecast	485	533	573	629	689	751	805
Difference	**-6**	**-10**	**-31**	**-46**	**-58**	**-60**	
Additional dwelling supplement (ADS)							
March forecast	205	272	273	294	312	326	
November forecast	180	227	219	232	244	257	265
Difference	**-25**	**-45**	**-54**	**-63**	**-68**	**-70**	
Commercial LBTT							
March forecast	237	237	249	259	269	279	
November forecast	234	258	257	265	275	284	294
Difference	**-3**	**21**	**8**	**6**	**6**	**4**	

Source: OBR

Residential LBTT forecast (including the additional dwellings supplement)

3.8 Table 3.3 shows that residential receipts are expected to grow by 14.2 per cent in 2025-26 and thereafter an average of 7.1 per cent a year. Relative to March, forecasted receipts for 2025-26 have been revised down by £55 million (6.8 per cent) largely due to higher than expected ADS reclaims which has led to weaker than expected outturn. Along with weaker outturn, downward revisions to the residential transactions forecast explains the remaining reduction compared to March and becomes more important towards the end of the forecast.

Table 3.3: Residential LBTT forecast (including ADS): changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	696	815	878	970	1,059	1,137	
November forecast	665	760	792	861	933	1,008	1,070
Difference	**-31**	**-55**	**-86**	**-109**	**-126**	**-130**	
of which:							
Price changes	0	-4	-4	0	5	10	
Transaction changes	0	-18	-34	-57	-76	-80	
Outturn data and modelling	-31	-34	-48	-52	-56	-60	
Policy changes	0	0	0	0	0	0	

Source: OBR

Commercial LBTT forecast

3.9 Commercial LBTT receipts are expected to increase by £24 million (10.4 per cent) in 2025-26 before then falling slightly in 2026-27, due to a forecast slowing in the growth of commercial property transactions. Growth in the Commercial LBTT forecast then averages 3.5 per cent a year for the remainder of the forecast. Relative to March, the forecast has been revised up by £21 million in 2025-26 due to in-year strength in outturn and prices. Thereafter there is a small increase throughout the forecast as stronger outturn is offset by a lower transactions forecast.

Table 3.4: Commercial LBTT forecast: changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	237	237	249	259	269	279	
November forecast	234	258	257	265	275	284	294
Difference	**-3**	**21**	**8**	**6**	**6**	**4**	
of which:							
Price changes	0	16	6	6	7	7	
Transaction changes	0	-6	-10	-11	-12	-14	
Outturn data and modelling	-3	12	11	11	11	11	

Source: OBR

Comparison with the Scottish Fiscal Commission's latest forecast

3.10 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 May forecast in the first three years of the forecast by £22 million and higher in the final three years by £46 million. This is driven by a higher forecast for residential main rates (Table 3.5) which is explained by our growth in transactions and prices being stronger than the SFC's on average towards the end of the forecast horizon.

Table 3.5: 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 (May)	898	1,029	1,093	1,138	1,187	1,240	1,297
OBR	899	1,018	1,049	1,126	1,207	1,291	1,364
Difference	**1**	**-11**	**-45**	**-11**	**20**	**51**	**67**
Residential LBTT (excluding ADS)							
SFC (May)	485	520	569	602	637	674	713
OBR	485	533	573	629	689	751	805
Difference	**1**	**12**	**4**	**28**	**51**	**77**	**92**
Additional dwellings supplement (ADS)							
SFC (May)	172	259	265	267	271	277	284
OBR	180	227	219	232	244	257	265
Difference	**7**	**-32**	**-46**	**-35**	**-26**	**-20**	**-19**
Commercial LBTT							
SFC (May)	241	250	259	269	279	289	300
OBR	234	258	257	265	275	284	294
Difference	**-7**	**8**	**-3**	**-4**	**-5**	**-5**	**-5**

Source: OBR

Welsh land transaction tax forecast

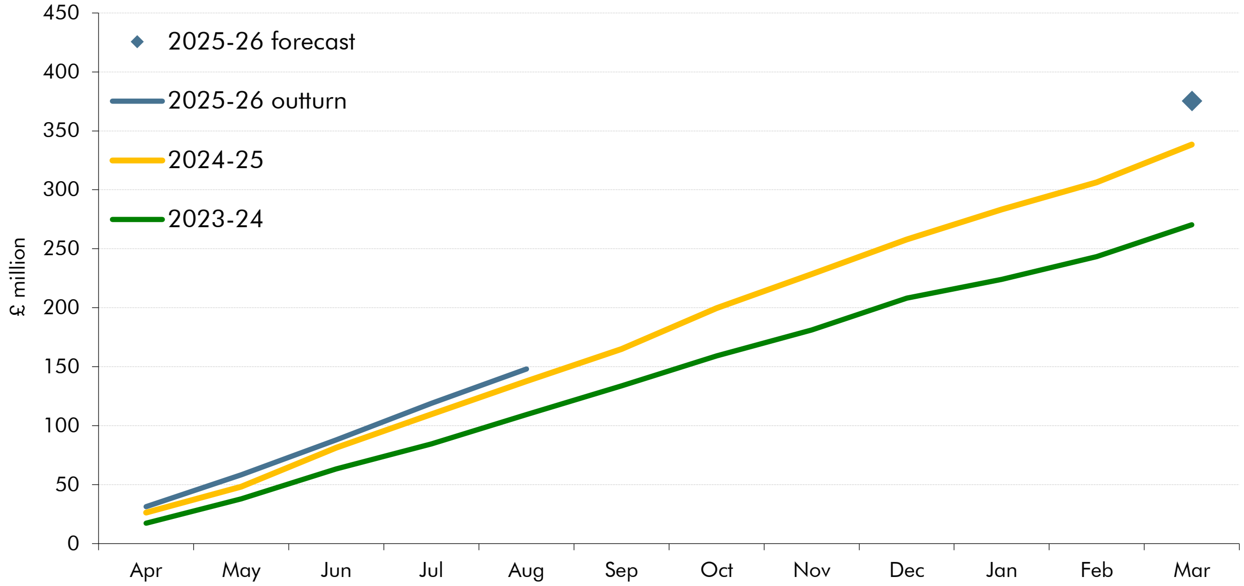
Latest LTT outturn data

3.11 LTT receipts are estimated to be up £10 million (7.5 per cent) in the first 5 months of this year relative to the equivalent period last year. We forecast that this strength will continue, with receipts reaching £375 million by the end of 2025-26, which would be £35 million (10.2 per cent) up on last year's outturn.

LTT forecast

3.12 Table 3.6 sets out the latest LTT forecast and its components. LTT receipts are expected to grow at an average rate of 7.8 per cent annually throughout the forecast period. Relative to March, the forecast is higher by £16 million (3.8 per cent) on average each year. This is largely driven by stronger forecast commercial property receipts and residential main rates receipts.

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

Table 3.6: Land transaction tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total LTT							
March forecast	338	350	382	419	456	489	
November forecast	341	375	400	432	466	502	534
Difference	**3**	**25**	**18**	**13**	**11**	**13**	
Residential (excluding additional properties)							
March forecast	169	187	209	235	261	285	
November forecast	178	200	221	245	270	297	320
Difference	**9**	**13**	**12**	**10**	**10**	**12**	
Additional properties							
March forecast	73	89	95	103	110	115	
November forecast	74	83	87	91	96	102	106
Difference	**1**	**-6**	**-9**	**-11**	**-13**	**-14**	
Commercial							
March forecast	96	74	78	82	85	89	
November forecast	89	93	92	96	100	103	108
Difference	**-7**	**19**	**14**	**14**	**14**	**15**	

Source: OBR

Residential LTT

3.13 Residential LTT receipts are expected to grow by an average of £29 million (9.2 per cent) a year. Outturn in 2024-25 is £10 million (4.2 per cent) higher than forecast in March. However, the overall forecast remains largely unchanged, with slightly higher receipts in the first couple of years of the forecast offset by slightly lower receipts later in the forecast. The LTT consists of two parts, residential main rates and higher rates. There is limited difference in the forecast because strength in the residential main rates forecast from stronger in-year receipts is offset by fewer forecasted transactions and weaker than expected receipts for higher rates in the first few months of 2025-26.

Table 3.7: Residential LTT: changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	242	276	304	338	371	400	
November forecast	252	282	307	337	367	399	426
Difference		**6**	**3**	**-1**	**-4**	**-1**	
of which:							
Price changes		-2	-2	0	2	4	
Transaction changes		-10	-14	-23	-30	-32	
Policy changes		0	0	0	0	0	
Outturn data and modelling		19	20	22	25	27	

Source: OBR

Commercial LTT forecast

3.14 Table 3.8 shows commercial LTT is expected to grow by £3 million on average a year in the medium term. Relative to March, receipts have been revised up by £15 million (19 per cent) on average per year over the forecast. This is explained by stronger than expected receipts and higher forecast commercial prices.

Table 3.8: Commercial LTT: changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	96	74	78	82	85	89	
November forecast	89	93	92	96	100	103	108
Difference		**19**	**14**	**14**	**14**	**15**	
of which:							
Price changes		11	7	7	7	7	
Transaction changes		-4	-5	-6	-6	-7	
Outturn data and modelling		12	13	13	13	14	

Source: 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, for the first time since devolution, 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 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.

4.3 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. Therefore, we present our first full forecast for this tax in this chapter. The UK Government has committed to keeping devolution of the Aggregates Levy to Wales under review so this is presented separately in Annex A.

Landfill tax methodology

4.4 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).[1] 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**.

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

4.5 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).

Scottish landfill tax forecast

4.6 Table 4.1 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. However, in October the Scottish Environment Protection Agency (SEPA) announced their temporary enforcement approach which means that some biodegradable municipal waste can still go to landfill until the end of 2027.

4.7 There has been disruption to several waste disposal sites in the early part of 2025-26 from closure, industrial action and opening delays. This has negatively impacted incineration capacity which we assume will lead to an increase in landfilled waste. This drives a £13 million (32 per cent) increase in forecast receipts for 2025-26 compared to March. Thereafter, there is a significant increase in the forecast for 2026-27 and 2027-28, compared to March, due to the SEPA announcement effectively delaying the BMW ban and enabling more waste to go to landfill. It is expected that planned increases in incineration capacity will lead to an annual year-on-year decrease of about £10 million in receipts until 2028-29. Thereafter, the forecast is largely the same as our March forecast with only a slight decrease of £1 million mostly from modelling changes, with the ban still due to take effect in this period restricting the waste going to landfill. Assumptions on the ban and incineration capacity in the medium term remain highly uncertain.

Table 4.1: Scottish landfill tax forecast: changes since March

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	57	42	25	26	26	27	
November forecast	57	56	45	36	25	25	25
Difference		**13**	**20**	**10**	**-1**	**-1**	
of which:							
Outturn data		-4	0	0	0	0	
Determinants		0	0	0	0	0	
Incineration capacity and modelling		17	-1	-1	-1	-1	
Policy changes		0	20	11	0	0	

Source: OBR

Welsh landfill disposals tax forecast

4.8 Table 4.2 presents the latest Welsh LDT forecast. Relative to March, receipts have been revised up by an average of £2.7 million (8.5 per cent) a year. Almost three-quarters of this increase is due to stronger receipts than expected following recent rises in the lower and standard rates. The remainder comes from additional funding for compliance and a higher forecast for inflation.

4.9 At this Budget, the UK Government has announced that the lower rate of landfill tax in England and Northern Ireland will increase by the value of RPI plus the cash increase to the standard rate from April 2026. Although the lower rate is a smaller part of the tax base than the standard rate, this creates scope for a cross-border behavioural effect as this will make the English and Northern Irish lower rate of landfill tax higher than the Welsh lower rate. Currently, we assume that this cross-border activity will have a minimal impact on UK Government receipts. However, this presents a risk to our forecast, with a potential behavioural response being dependant on the extent of the potential tax saving from cross-border activity and how this will compare to the transport and other costs associated with sending waste to a landfill site.

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

	£ million						
	Outturn	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March forecast	34	33	32	31	30	30	
November forecast	34	35	35	34	33	33	32
Difference		**2.1**	**2.8**	**2.8**	**2.8**	**2.8**	
of which:							
Outturn data		0	0	0	0	0	
Determinants		0	0	0	0	0	
Modelling and other		2	2	2	2	2	
Policy		0	1	1	1	1	

Source: OBR

Scottish aggregates tax forecast and methodology

4.10 Our forecast for Scottish Aggregates Tax (SAT) follows the same methodology as the Scottish Fiscal Commission (SFC). We estimate Scotland's share of UK aggregates levy receipts according to the proportion of aggregates commercially exploited in Scotland. This is then projected forward based on the historical trend in aggregate tonnage in Scotland and our forecast for RPI inflation.

4.11 The forecast for SAT is presented in Table 4.3. Receipts are expected to increase over the forecast period, rising from £42 million in 2026-27 to £48 million in 2030-31. This reflects both the historical growth in the commercial exploitation of Scottish aggregates and the uprating of rates in line with RPI inflation. Compared to the illustrative forecasts published in March, projected receipts have been revised downward by an average of £26 million. The revision is due to an improved methodology for estimating the share of receipts attributable to Scotland which accounts for Scottish imports and exports of aggregates.

Table 4.3: Scottish aggregates tax forecast

	£ million				
	Forecast				
	2026-27	2027-28	2028-29	2029-30	2030-31
March illustrative forecast	66	69	73	76	
November forecast	42	44	45	47	48
Difference	**-24**	**-25**	**-27**	**-29**	

Source: HMRC, ONS, 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**;[10]
- 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.

5.2 **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.[11] 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.[12]

5.3 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. We explain this further in Box 5.1.

5.4 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.[13] For income tax, the England and Northern Ireland forecast used to derive the BGA is calculated by subtracting the Scottish

[10] 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.
[11] Annually Managed Expenditure (AME) funding is also provided to the devolved administrations separately to the block grant.
[12] 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.
[13] This was on an England, Wales and Northern Ireland basis for Scotland prior to Welsh devolution of relevant receipts.

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.

5.5 In this chapter, we also present illustrative figures for the overall **net tax position**. This is a projection of 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 devolution of the tax. For devolved governments the net tax position is effectively the most relevant 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 revenues and the deducted BGA.

Box 5.1: Explanation of the block-grant adjustment in Scotland and Wales

The block grant adjustment is the deduction (or "addition" in the case of Scottish social security) made to the block grant to reflect the devolution of taxes or social security. They were initially set at the relevant amount of UK government revenue or spending in the respective devolved government in the year prior to devolution,[a] and are then updated using one of two methods – the 'indexed per capita' method for Scotland and the 'comparable' method for Wales:

- **Scotland (the indexed per capita method):** takes the initial deduction and adjusts each year such that if Scotland's tax revenues and welfare expenditure grow at the same rate *per person* as those in England and Northern Ireland, then Scotland's budget would be no better or worse off than if there had been no devolution. It is calculated as follows:

  BGA in year 2 = BGA in year 1 x ENI Government receipts in year 2/ENI Government receipts in year 1 x relative Scottish population growth

- **Wales (the comparable method):** takes the initial deduction and adds the population share of the change in equivalent cash revenues for the rest of the UK adjusted by a comparability factor (which reflects tax revenue per person in Wales as a proportion of revenue per person in the rest of the UK at the time of devolution). The underlying principle is that if Wales's population and tax revenues grow at the same rate as in England and Northern Ireland, then Wales's budget would be no better or worse off than if there had been no devolution. For income tax, this is calculated for each tax band. The calculation is as follows:

  BGA in year 2 = BGA in year 1 + £ change in ENI Government revenue between year 1 and year 2 x Wales's population share x comparability factor

As a result of these different methods, for a given change in UK government revenue on a devolved tax there is a different impact on the block grant adjustment and net tax position for Scotland and for Wales. In both cases, holding all else equal, if tax revenues per person are higher (lower) in Wales or Scotland, than the rest of the UK, relative to the previous year, this will improve (worsen) the net tax position. However, there are differences in the impact of relative changes in population:

- In Scotland, the block grant adjustment depends on that year's population growth relative to England and Northern Ireland. This adjustment is applied directly to the block grant adjustment from the previous year. The effect of this is that the block grant adjustment fully accounts for differences in relative population growth. This method was the preference of the Scottish government to protect their budget against population decline relative to the rest of the UK.[b]

- For Wales, the block grant adjustment depends on the relative size of the population in Wales compared to England and Northern Ireland in each year. This adjustment is not applied directly to the 'baseline' block grant adjustment from the previous year. This means that if there is relative population decline in Wales, all else equal, the block grant adjustment would be higher than it would be if the calculation was based on the indexed per capita method, which would reduce the net tax position.

In addition, relative differences between Scotland and Wales are explained by the extent to which income tax is devolved:

- For Scotland, with the exception of the personal allowance, all rates and bands are devolved, so there is a single BGA for all NSND income tax.
- In Wales, only the first 10p of each NSND income tax band is devolved and the BGA (including the comparability factor) is calculated separately for each band. For example, the comparability factor for the basic rate is 81.9 per cent compared to 11.4 per cent for the additional rate. This reflects the per person revenue raised of Welsh rates relative to the equivalent England and Northern Ireland "10p" bands in the year of devolution. As a result, changes in ENI receipts from the additional rate influence the BGA less than the basic rate and so the BGA is less affected by tax base growth at the top of the income distribution.

Devolved governments set their initial budget plans based on the forecast for the net position. With the exception of income tax, differences in devolved revenues and spending are managed in-year. For income tax, when outturn data is released the difference between outturn and forecast is settled with the devolved administration in a process known as reconciliation.

[a] For the devolution of Scottish aggregates, the block grant adjustment baseline will be set using the forecasts and outturn for the first year of devolution rather than for the year prior to devolution. This is because Scotland-specific outturn data for UK aggregates levy will not be available in the year prior to devolution. For WRIT bands, it is based on the year of devolution.

[b] Scottish Government, Fiscal Framework: Scottish Government's Evidence to the Independent Report, August 2023.

Scottish receipts and net tax position

Receipts

5.6 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.

5.7 Total ENI equivalent tax forecasts, which form the basis of the block-grant adjustment 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 forecast growth than in the OBR's Scottish tax forecasts, which grow by 5.7 per cent on average a year. As a result, the Scottish proportion of ENI receipts declines over the forecast as shown by the bottom half of the table, with the largest decline in income tax. Taking each component in turn:

- The **Scottish income tax** proportion rises slightly in 2024-25 and 2025-26 but then falls from 7.6 per cent in 2025-26 to 7.2 per cent in 2030-31. The profile reflects both policy changes, with the rise in the near-term reflecting the freeze to the Scottish higher-rate threshold in 2025-26 and the decline thereafter explained by the personal tax threshold freezes in the rest of the UK, and population and demographic change due to the Scottish population index as explained in Chapter 2.
  - For **property transaction taxes**, the Scottish proportion falls from 6.6 per cent in 2024-25 to 5.3 per cent in 2030-31. This long-term decline reflects the impact of planning reforms in England which we estimate will raise property transactions in the medium-term, but do not impact Scotland.
- Scottish **landfill tax** receipts as a proportion of their UK Government equivalent follow a downward trend, with receipts falling from 14.5 per cent in 2023-24 to 5.4 per cent in 2030-31. This decrease is due to the UK Government's decision to raise the lower rate of landfill tax at this event and the Scottish Government's Biodegradable Municipal Waste Ban being enforced in Scotland from 2028, which reduces Scottish landfill.

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**	**19,812**	**21,575**	**22,760**	**23,595**	**24,333**	**25,369**	**26,316**
of which:								
Scottish income tax[1]	17,093	18,856	20,501	21,667	22,433	23,100	24,052	24,927
LBTT (Scotland)	784	899	1,018	1,049	1,126	1,207	1,291	1,364
Scottish landfill tax	68	57	56	45	36	25	25	25
Total England and Northern Ireland (ENI)	**239,204**	**262,732**	**286,485**	**306,681**	**322,101**	**336,098**	**353,912**	**370,555**
of which:								
NSND income tax	227,119	248,648	271,062	288,665	301,810	313,323	329,115	344,115
Property taxes	11,615	13,587	14,904	17,649	19,924	22,312	24,355	25,965
Landfill tax	471	497	519	367	368	463	442	475
	Scotland as a share of ENI							
Total Scottish devolved taxes	**7.5**	**7.5**	**7.5**	**7.4**	**7.3**	**7.2**	**7.2**	**7.1**
of which:								
Scottish income tax[1]	7.5	7.6	7.6	7.5	7.4	7.4	7.3	7.2
LBTT (Scotland)	6.8	6.6	6.8	5.9	5.7	5.4	5.3	5.3
Scottish landfill tax	14.5	11.4	10.7	12.2	9.7	5.4	5.7	5.4

[1] Currently outturn data is only available for 2023-24 for income tax, and 2024-25 remains a forecast. For other forecasts, the latest outturn is 2024-25.

Source: OBR

Scottish net tax position

5.8 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 (BGA). These figures are for illustrative purposes only, as OBR forecasts for Scotland are only used for the calculation of the Scottish BGA, and not for Scottish tax revenues. Rather, the SFC's forecasts for Scottish tax revenues, due to be published in January 2026, will be used for budget setting in Scotland. We therefore also present below the net tax position consistent with the SFC's most recent forecast. However, this is several months old and so will not reflect the latest economic conditions nor the impact of policies announced at this event.

5.9 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 £1.0 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 £1.1 billion in 2025-26, before declining to £0.8 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 rise in 2025-26 reflects this and the fact that some income tax thresholds are frozen this year in Scotland, which raises receipts in Scotland relative to the rest of the UK. The slight decline in the net tax position thereafter is due to the further UK income tax threshold freezes and the faster rate of population ageing in Scotland which lowers Scottish income tax receipts compared with the rest of the UK (explained in more detail in Box 5.2).

- **Land building and transaction tax (LBTT)** explains much of the rest of the profile of the net position. The net position is positive as Scotland has generally higher rates of property transaction tax and less first-time buyer support than the rest of the UK. However, this reduces over the forecast due to an expectation of higher relative SDLT receipts due to the impact of planning reforms in England.

- **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 anticipation for the biodegradable municipal waste ban.

Table 5.2: Scottish net tax position

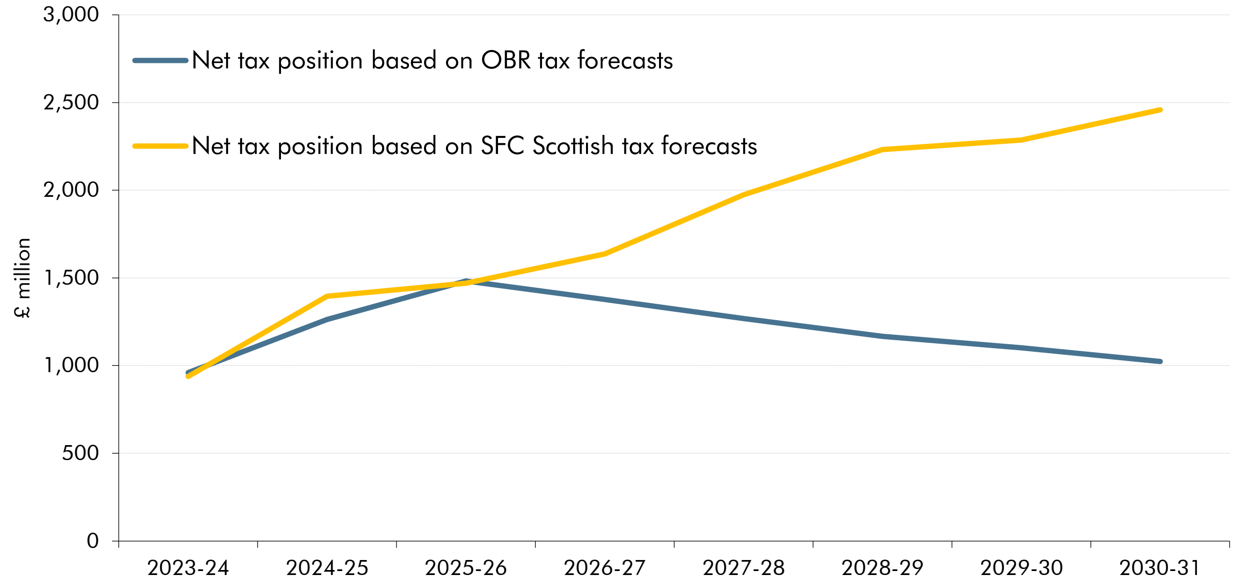
	£ million							
	Outturn	Forecast						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total Scottish devolved taxes (OBR)	17,945	19,812	21,575	22,760	23,595	24,333	25,369	26,316
Scottish tax BGA	16,986	18,548	20,092	21,382	22,326	23,166	24,267	25,292
Net tax position	**959**	**1,264**	**1,483**	**1,378**	**1,269**	**1,167**	**1,102**	**1,024**
of which:								
Income tax	730	1,017	1,134	1,128	1,047	991	925	845
Land building and transaction tax (LBTT)	259	274	350	261	240	220	217	224
Other taxes	-6	-18	-1	-10	-19	-44	-40	-45
Memo: net tax position (SFC May 2025)	*939*	*1,395*	*1,470*	*1,637*	*1,975*	*2,232*	*2,287*	*2,459*

Note: BGA figures and the corresponding net tax 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. Other taxes includes Scottish landfill tax and Scottish Aggregates Tax (SAT).

Source: HMRC, SFC, OBR

5.10 In contrast, the net tax position based on the May 2025 SFC tax forecasts rises throughout the forecast reaching £2.5 billion in 2030-31 (Chart 5.1).[14] The difference compared to the OBR's illustrative net tax position, is due to differences in the OBR and SFC forecasts for income tax in Scotland as described in Chapter 2. In particular, the higher SFC medium-term forecasts for average earnings raises Scottish income tax by more than the corresponding growth 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

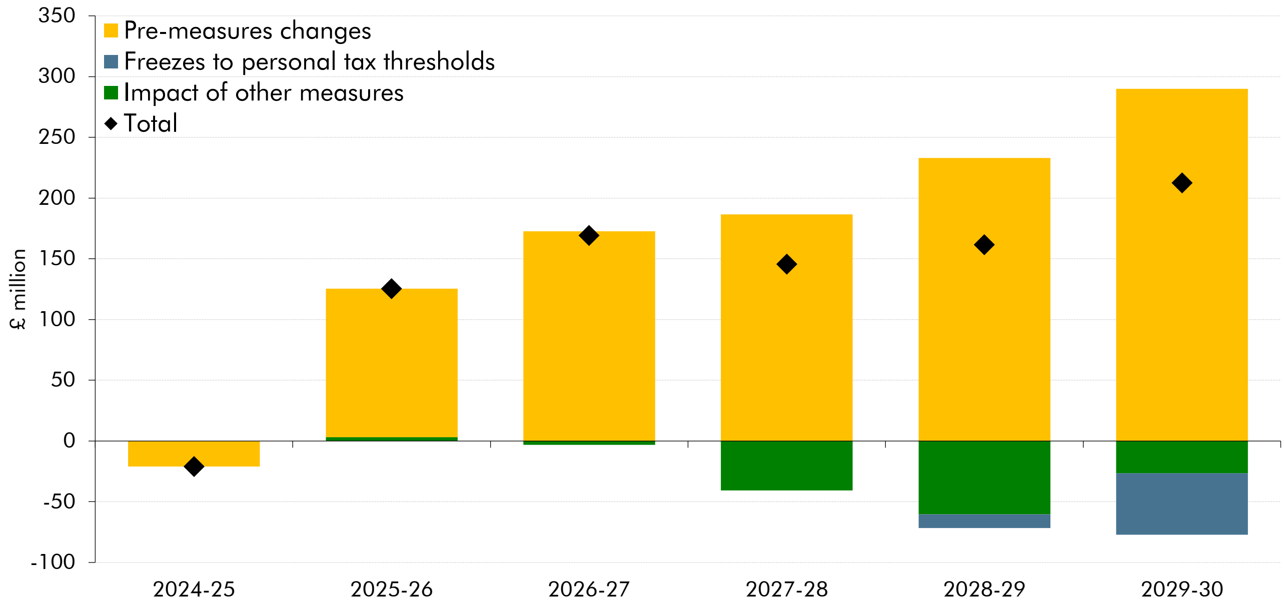


Source: SFC, OBR

[14] This uses the May SFC forecasts for Scottish taxes but is based on the latest forecast of the BGA at time of publication, which is based on our forecasts for rest of UK receipts. It should be noted that the SFC forecast is several months old and so will not reflect the latest economic conditions nor the impact of policies announced at this event.

5.11 Chart 5.2 shows the change in the OBR's forecast for the illustrative net tax position in Scotland compared with our March 2025 forecast. Compared with Spring, the net position is forecast to be higher from 2025-26 onwards by on average £0.2 billion a year. This is more than explained by pre-measures changes, which reflect the upwards revision to the Scottish share of income tax receipts as explained in Chapter 2. This is partly offset in later years by the impact of measures announced at the Budget. In particular, the extension to UK personal tax threshold freezes announced at the Budget reduce the net position by £51 million in 2029-30 compared with Spring (we explain this further in Box 5.2).

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



Note: impact of other measures includes the indirect effects of UK Government policy change.
Source: OBR

Welsh receipts and net tax position

Receipts

5.12 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 the Welsh taxes forecast growth of 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.

5.13 Table 5.3 compares our latest forecasts for the taxes devolved to Wales, as set out in the previous chapters of this report, and their UK Government equivalents. The Welsh proportion of England and Northern Ireland equivalent taxes is broadly constant across the forecast. Taking each tax in turn:

- The proportion of Welsh rates of **income tax** remains constant at 1.3 per cent, with growth rates very similar between Wales, and England and Northern Ireland over the forecast.

- The Welsh proportion of **property transaction taxes** remains similar in 2025-26 at 2.5 per cent. It then falls across the forecast period to 2.1 per cent in 2030-31. This reflects stronger anticipated growth in SDLT receipts in England due to planning reforms that do not impact Wales.

- For **landfill taxes**, the Welsh proportion is forecast to decrease slightly in 2025-26 to 6.7 per cent in 2025-26, before reaching a peak of 9.4 per cent in 2026-27. This reflects a pre-measures anticipated decline in UK receipts due to an expected decrease in waste and the delay in the Scottish BMW ban meaning there is no longer expected to be an increase in waste exported from Scotland to England in this period. However, this long-term trend of decreasing landfill tax is offset by the end of the forecast due to the UK Budget policy to increase the lower rate. As a result, by the end of the forecast the proportion returns to 6.7 per cent.

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**	**3,652**	**3,995**	**4,238**	**4,457**	**4,647**	**4,888**	**5,116**
of which:								
Welsh Government income tax (WRIT basis)[1]	2,968	3,277	3,585	3,804	3,990	4,148	4,353	4,550
Land transaction tax	270	341	375	400	432	466	502	534
Landfill disposals tax	30	34	35	35	34	33	33	32
Total England and Northern Ireland (ENI) equivalent	**239,204**	**262,732**	**286,485**	**306,681**	**322,101**	**336,098**	**353,912**	**370,555**
of which:								
NSND income tax	227,119	248,648	271,062	288,665	301,810	313,323	329,115	344,115
SDLT	11,615	13,587	14,904	17,649	19,924	22,312	24,355	25,965
Landfill tax	471	497	519	367	368	463	442	475
	Wales as a share of ENI							
Total Welsh devolved taxes	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**
of which:								
Welsh Government income tax (WRIT basis)[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Land transaction tax	2.3	2.5	2.5	2.3	2.2	2.1	2.1	2.1
Landfill disposals tax	6.3	6.9	6.7	9.4	9.2	7.2	7.4	6.7

[1]Currently outturn data is only available for 2023-24 for income tax, and 2024-25 remains a forecast. For other forecasts, the latest outturn is 2024-25.

Source: OBR

5.14 Table 5.4 compares **Welsh rates of income tax by band** to their UK Government equivalents on a 'Welsh rate of income tax' basis which form the basis of the Welsh BGA calculations. This shows that the Welsh overall proportion rises from 3.6 per cent in 2023-24 to 3.7 per cent in 2030-31, with growth most pronounced in the higher rate.

Table 5.4: Welsh rates 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		**3.0**	**3.3**	**3.6**	**3.8**	**4.0**	**4.1**	**4.4**	**4.6**
of which:	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	0.7	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**	**90.2**	**97.7**	**103.8**	**108.2**	**112.1**	**117.5**	**122.7**
of which:	Basic rate	54.8	59.4	63.6	67.3	69.9	72.2	75.3	78.4
	Higher rate	15.6	17.3	19.2	20.6	21.6	22.5	23.7	24.9
	Additional rate	12.2	13.5	14.9	15.9	16.7	17.5	18.5	19.4
		Wales as a share of ENI WRIT-equivalent							
Welsh rates		**3.6**	**3.6**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**	**3.7**
of which:	Basic rate	4.6	4.6	4.7	4.7	4.7	4.7	4.7	4.7
	Higher rate	2.4	2.5	2.6	2.6	2.7	2.7	2.8	2.8
	Additional rate	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8

Source: OBR

Welsh net tax position

5.15 In this section, we present the illustrative Welsh net tax position based on our November 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.

5.16 Our Autumn forecasts are used by the Treasury to set the BGA for the budget for the following financial year, so these forecasts will feed into the Welsh final budget in January 2026. From 2027-28 onwards, the forecasts are merely illustrative as the projections will be updated again before being used for budgetary purposes.[15]

5.17 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 £545 million in 2030-31. This net position is comprised of:

- **Welsh rates of income tax**, which rise from £187 million in 2023-24 to £522 million by 2030-31. The growth in the forecast is due predominantly to threshold freezes, which raise the Welsh proportion of income tax due to distributional differences to the rest of the UK (see Box 5.1).
- **Land transaction tax**, which increases from £33 million in 2023-24 to £72 million in 2025-26, before declining to £10 million by 2030-31. This is up from our previous

[15] The block-grant adjustment in Wales is based on the change in ENI receipts from the previous year multiplied by both the Welsh population share and a comparability factor. This comparability factor reflects the per-capita revenue raised for each tax in Wales compared to England and Northern Ireland in the year prior to devolution. For income tax, this comparability factor is calculated for each band.

forecast, with an average annual improvement of £10 million relative to Spring. This reflects higher than expected Land Transaction Tax receipts in early 2025-26.

- **Land disposal tax**, which rises from £10 million in 2023-24 to a peak of £20 million in 2026-27, before falling to £13 million in 2030-31. This is slightly lower than Spring, largely reflecting the UK Government's decision to increase the lower rate of landfill tax.

Table 5.5: November 2025 Welsh net tax position

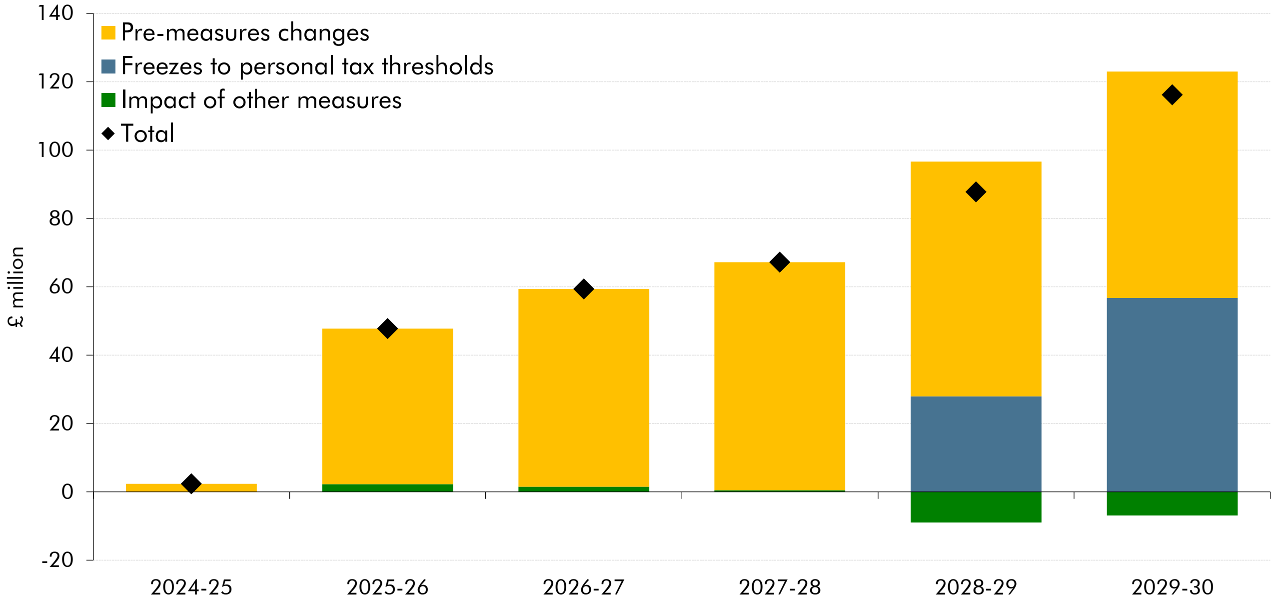
	£ million							
	Outturn	Forecast						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total Welsh taxes	3,268	3,652	3,995	4,238	4,457	4,647	4,888	5,116
Welsh tax BGA	3,038	3,322	3,574	3,816	3,999	4,171	4,378	4,571
Net tax position	**230**	**330**	**421**	**422**	**458**	**476**	**511**	**545**
of which:								
Welsh rates of income tax	187	257	334	360	410	446	485	522
Land transaction tax	33	58	72	42	29	16	10	10
Land disposal tax	10	15	14	20	19	15	15	13

Note: BGA figures and the corresponding net tax 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. We present the outturn numbers net of reconciliations. Reconciliations reflect differences from the initial forecast used to set the block-grant adjustment and tax forecasts, and outturn. The latest outturn year for land transaction tax and land disposal tax is 2024-25.

Source: HMRC, OBR

5.18 Chart 5.3 shows that the illustrative net tax position has risen on average by £76 million per year from 2025-26 onwards, compared with Spring, with the profile increasing each year. Most of this growth is due to the increase in the Welsh rates of income tax net position, driven by higher inflation in the pre-measures forecast, which boosts the growth rate of WRIT receipts, as well as the impact of threshold freezes and their extension, which further amplify receipts through fiscal drag. Further detail is provided in Box 5.2. The rest of the growth, compared to Spring, is due to our upwards revision to the LTT forecast as explained in Chapter 3.

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



Note: impact of other measures includes the indirect effects of UK Government policy change.
Source: OBR

Box 5.2: The impact of UK government threshold freezes on the net tax position of Scotland and Wales

The UK Budget sees the extension of the personal allowance (PA), higher rate and additional rate threshold freezes until 2030-31. Most personal tax thresholds have been frozen in cash terms since April 2021. The resulting 'fiscal drag' raises significant revenue, especially when inflation and nominal earnings growth is strong, as more workers find that their earnings enter the tax system or are taxed at higher rates. Across the whole of the UK, these freezes are expected to yield £66.6 billion by the end of the forecast compared with if thresholds have been indexed to CPI.[a] However, the freezes have different impacts tor the budget positions of Wales and Scotland.[b]

Scotland

In Scotland, the PA is reserved to the UK Government but the Scottish Parliament has the power to change other rates and thresholds and create new bands. As shown in Table 5.A, currently there are 6 bands – the starter, basic, intermediate, higher, advanced and top rate – which creates a more progressive structure of taxation compared to the rest of the UK. In Scotland, the higher rate limit has been frozen since 2021-22 while other limits have been uprated by CPI.[c] The Scottish government also introduced a new advanced rate threshold which took effect from 2024-25.

Our forecast incorporates recent Scottish Government policy to freeze the higher, advanced and top-rate thresholds in 2026-27. But, in the absence of stated Scottish government policy, our baseline assumption, in line with the SFC, is that all other bands are indexed by CPI for 2026-27 and that all bands are indexed by CPI from 2027-28 onwards. As a result, the freeze to the higher rate and additional rate announced by the UK Government (excluding the PA taper) do not directly impact Scottish income tax receipts. This means differences in growth rates between ENI receipts and Scottish income tax will partly reflect these policy differences.

Table A: Personal income tax thresholds and rates in Scotland and the rest of UK

		Thresholds, £			
		2025-26		2030-31	
	Rate	Lower	Upper	Lower	Upper
Scotland					
Personal allowance	0%	0	12,570	0	12,570
Starter rate	19%	12,571	15,397	12,571	15,760
Basic rate	20%	15,398	27,491	15,761	29,402
Intermediate rate	21%	27,492	43,662	29,403	46,362
Higher rate	42%	43,663	75,000	46,363	80,418
Advanced rate	45%	75,001	125,140	80,419	135,998
Top rate	48%	125,141	125,141+	135,999	135,999+
Rest of UK					
Personal allowance	0%	0	12,570	0	12,570
Basic rate	20%	12,571	50,270	12,571	50,270
Higher rate	40%	50,271	125,140	50,271	125,140
Additional rate	45%	125,141	125,141+	125,141	125,141+

Note: Scottish Government policy is to freeze the higher, advanced and top-rate thresholds in 2026-27. Our forecast assumes that all other Scottish bands are indexed by CPI for 2026-27. From 2027-28 onwards, our forecast assumption is that all Scottish bands are indexed by CPI. The rest of UK thresholds are frozen between 2025-26 and 2030-31 in line with the Budget policy announcement.

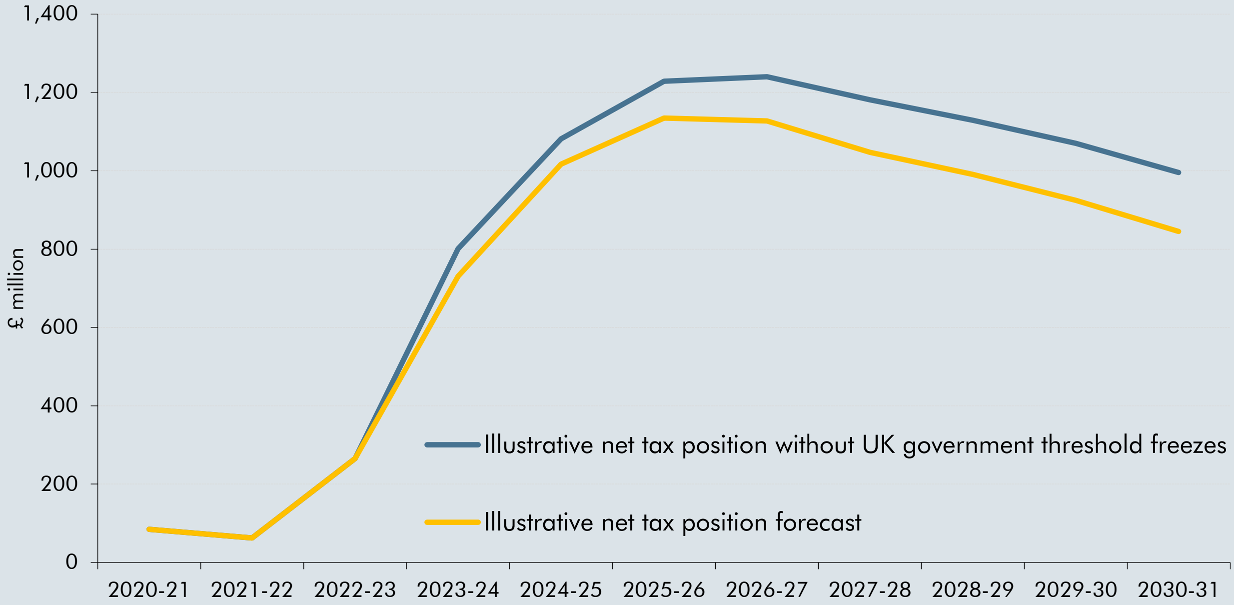
Source: OBR

Chart A shows the illustrative net tax position for Scotland based on the latest OBR forecast, and in a counterfactual scenario assuming the UK Government thresholds had risen in line with CPI. It shows that:

- **In the near-term**, the net tax position increases in both our forecast and the counterfactual scenario, rising to £1.1 billion in the forecast in 2026-27 and £1.2 billion in the counterfactual scenario. The rise in both cases is due to the freezes in Scottish income tax thresholds, especially the higher rate, which increase Scottish tax receipts more than in England and Northern Ireland (ENI) due to Scotland's more progressive tax system. The faster growth in the counterfactual scenario reflects the fact that ENI receipts, which form the basis of the block-grant adjustment, grow more slowly in the scenario where thresholds are uprated with CPI.

- **From 2027-28 onwards**, the gap between the net tax position in the two scenarios widens, with the illustrative net tax position £0.2 billion lower by the end of the forecast period compared with if UK government thresholds are frozen. This is due to the baseline forecast assumption that in Scotland limits are uprated with CPI, compared to the policy in England and Northern Ireland of frozen thresholds. The overall decline in both forecasts reflects demographic change in Scotland related to population ageing, which lowers the growth rate of income tax receipts for Scotland more than in England and Northern Ireland in our forecast.

Chart A: Impact of threshold freezes on Scottish income tax net position



Note: Some simplifications have been made to produce the scenario without UK government threshold freezes. For instance, we do not adjust for the behavioural effect changes from if thresholds had risen with inflation. The outturn figures are based on the post-error correction series from HMT.
Source: OBR

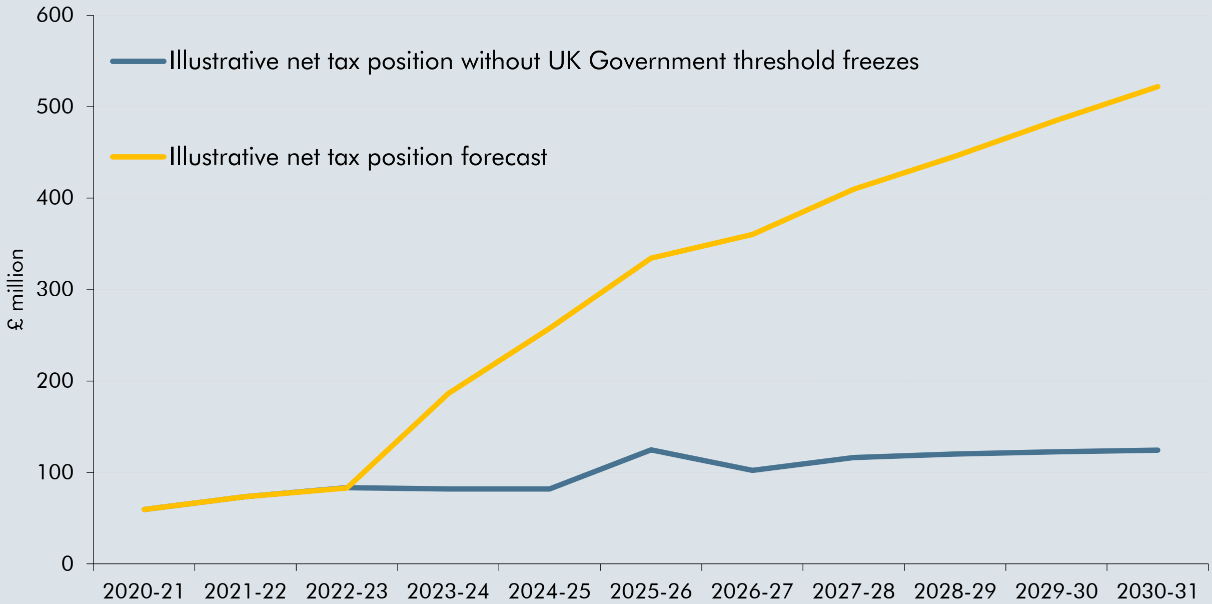
Wales

In Wales, the Welsh Government only has the power to change Welsh income tax rates which apply to the first 10p in the pound of each tax band set by the UK government but not the income tax thresholds. Therefore, income tax thresholds in Wales are aligned with those in England and Northern Ireland, and the UK Government threshold freezes also apply to Welsh taxpayers. Chart B shows the latest forecast for the net income tax position and an illustrative scenario showing the net income tax position assuming UK thresholds are indexed in line with CPI. It shows that the illustrative net income tax position in Wales is £0.4 billion higher by the end of the forecast because of the combined effect of threshold freezes since 2022-23. This is due to:

- **Income distribution in Wales**: Threshold freezes have a greater impact in Wales because a higher percentage of individuals than in England and Northern Ireland are at the lower end of the income distribution. For example, in 2024-25, we estimate that 88.5 per cent of Welsh taxpayers have incomes below the higher rate threshold, compared with 82.4 per cent in England and Northern Ireland.[d] This means that fiscal drag is stronger in Wales as a larger proportion of Welsh taxpayers are pushed into the basic, higher, and additional rate bands than in England and Northern Ireland, where there is already a comparatively higher share. We forecast that Welsh rate income tax receipts will be 21.3 per cent higher as a result of frozen income tax thresholds by 2030-31 compared with 14.3 per cent for the "equivalent" England and Northern Ireland.[e]

- **Structure of Welsh Income tax rates:** the design of Welsh rates of income tax and block-grant adjustment mean unlike Scotland, it is not only overall relative growth rates which drive differences in the net income tax position but also the relative growth rates of the different income tax bands. In particular, given that Welsh rates apply to the first 10p of each tax band, the basic rate has skewed importance explaining the majority (55 per cent) of the difference in the net income tax position between the forecast and the counterfactual scenario. This is despite the freeze having a larger impact on the growth in higher and additional rate receipts in Wales compared to the "equivalent" England and Northern Ireland bands.

Chart B: Impact of threshold freezes on Welsh rate of income tax net tax position



Source: OBR

[a] This includes the impact of NICs freezes.
[b] Within this counterfactual analysis, we also exclude the reduction in the additional rate threshold. The additional-rate threshold (ART) was lowered from £150,000 to £125,140 from April 2023 to align with the PA taper. This was the first change to the ART since it was introduced at £150,000 in April 2010 and it will remain frozen until 2030-31.
[c] Limit refers to the width of the income tax band.
[d] This is based on NSND income only.
[e] This refers to the "10p" equivalent bands which form the basis of the BGA.

Scottish social security

5.19 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 £74.3 billion in 2030-31. The reversal of the tightened personal independence payment gateway and the expanded eligibility for winter fuel payment at this event have increased spending by £4.9 billion and £1.8 billion in 2030-31 respectively.

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	4,239	4,570	4,995	5,380	5,661	5,951	6,224
Personal independence payment	25,876	28,676	32,017	34,899	37,815	41,361	44,920
Disability living allowance	7,723	8,222	8,684	9,081	9,220	9,073	9,310
Attendance allowance	7,767	8,528	9,250	9,724	10,136	10,620	11,114
Industrial injuries disablement benefit	737	735	731	717	695	674	652
Severe disablement allowance	54	47	42	36	30	24	17
Cold weather payment	36	39	39	39	39	39	39
Winter fuel payment	302	1,915	1,915	1,909	1,923	1,964	1,977

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

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 just devolved to Wales, while air passenger duty and VAT assignment are due to be devolved just 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 average of the most recent estimated Welsh shares of UK-wide aggregates levy receipts produced by the ONS, relating to 2022-23.[16] As Table A.1 shows, there has been very limited change since March 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						
March 2025	383	403	423	445	466	
November 2025	380	398	417	437	459	467
Difference	**-3**	**-5**	**-6**	**-8**	**-7**	
Welsh forecast						
March 2025	32	34	36	38	39	
November 2025	32	34	35	37	39	40
Difference	**0**	**0**	**-1**	**-1**	**-1**	

Source: HMRC, ONS, OBR

Air passenger duty

A.4 Air passenger duty (APD) is an excise duty that applies to passengers on flights leaving UK airports. Many passengers, including children or those connecting between flights, are exempt. The tax paid is determined by the final destination and class of travel.[17] 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.

[16] For the Welsh share we use the ONS estimate of 8.5 per cent.

[17] 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.

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 2024-25.[18] We have revised our forecast down slightly, largely due to weaker receipts and an updated Scottish share which is lower.

Table A.2: Air passenger duty illustrative forecast

	£ million					
	Forecast					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
UK forecast						
March 2025	4,688	5,418	5,771	6,099	6,453	
November 2025	4,551	5,220	5,559	5,854	6,174	6,480
Difference	**-137**	**-198**	**-212**	**-245**	**-279**	
Scottish forecast						
March 2025	410	474	505	533	564	
November 2025	369	424	451	475	501	526
Difference	**-40**	**-50**	**-53**	**-58**	**-63**	

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 relates to 2022, as our starting point and index this in line with population growth in Scotland relative to the UK as a whole.[19] Compared with March, the stronger forecast is due to a stronger nominal consumption forecast.

[18] 9.1 per cent from the ONS Country and Regional Public Sector Finances and 7.1 per cent from the Scottish Government's *Government Expenditure and Revenues Scotland*.

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

Table A.3: VAT assignment illustrative forecast

	£ billion						
	Estimated outturn	Projection					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
UK	171.0	178.8	187.7	196.1	204.5	213.2	222.4
of which:							
Assigned to Scottish Government	7.5	7.8	8.2	8.5	8.9	9.2	9.6
VAT from Scotland retained by UK Government	7.5	7.8	8.2	8.5	8.9	9.2	9.6
VAT from the rest of the UK	156.0	163.2	171.3	179.0	186.8	194.8	203.2
	Per cent						
Assigned to Scottish Government	4.39	4.37	4.36	4.35	4.34	4.33	4.32
Scottish population share	*8.0*	*8.0*	*8.0*	*7.9*	*7.9*	*7.9*	*7.9*
Memo: index Scottish popu lation share (2022-23 = 100)	*99.3*	*99.0*	*98.8*	*98.5*	*98.3*	*98.0*	*97.8*

Source: HMRC, ONS, OBR

Index of charts and tables