
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make consequential changes to various provisions of income tax legislation following the introduction of the Scotland Act 2016 (c. 11) which devolved the power to set Scottish income tax rates and thresholds on non-savings employment income, to the Scottish Parliament for the tax year 2017-18 and subsequent tax years.

The Scottish Parliament may set a Scottish basic rate of income tax for each tax year and may in addition set other rates and thresholds for income tax which could vary in amount and name from those set by the UK Parliament. These Regulations make amendments in order to make the existing UK wide income tax legislation work in respect of Scottish taxpayers.

Regulations 2 to 7 deal with the taxation of pensions legislation contained in the Finance Act 2004 (c.12) (“FA 2004”). Regulation 3 amends section 192 of FA 2004 which deals with relief at source for contributions to registered pension schemes. Scottish taxpayers who pay income tax at a higher Scottish rate than the Scottish basic rate will (on the making of a claim) be entitled to have their Scottish basic rate limit and any other higher Scottish rate limits increased by the amount of the grossed up contribution.

Regulation 4 amends section 227 of FA 2004 which deals with the calculation of the annual allowance charge. A new subsection (4AA) is inserted which provides that Scottish rates of income tax should be used when making the calculation for a Scottish taxpayer.

Regulation 5 amends section 237B of FA 2004 which provides that a taxpayer may, in certain circumstances, issue a scheme administrator of a registered pension scheme with a notice requiring payment of an annual allowance charge relating to that scheme on behalf of that taxpayer. The section is amended so it refers to Scottish tax rates when calculating the maximum amount of the annual charge that can be specified in the notice by a Scottish taxpayer.

Regulations 6 and 7 make consequential changes to the definitions and abbreviations provisions contained in sections 279 and 280 of FA 2004.

Regulation 8 makes consequential changes to sections 669 and 685A of the Income Tax (Trading and Other Income) Act 2005 (c. 5). Section 669, which provides for a reduction in the residuary income of a deceased’s estate in certain circumstances, is amended to reflect the fact that the Scottish Parliament may now set Scottish rates of income tax that do not correspond to the rates that apply to the remainder of the UK. Section 685A which provides for a tax credit where a person other than the settlor receives an annual payment from a settlor-interested trust is amended so that the credit for a Scottish taxpayer is calculated at the highest Scottish rate rather than the Scottish additional rate which was applicable prior to the tax year 2017-18.

Regulation 9 amends section 7 of the Finance (No. 2) Act 2005 (c.22) which imposes a charge to income tax where a person becomes entitled to a social security lump sum. In the case of a Scottish taxpayer the charge is calculated by reference to the Scottish basic rate and any other higher Scottish rates that may be set.

Regulation 10 amends section 414 of the Income Tax 2007 (c. 3) which deals with relief for gifts to charity. In the case of a Scottish taxpayer who has made a qualifying donation, the Scottish rate limits will be increased by the grossed up amount of the gift in addition to the basic and additional rate limits applicable elsewhere in the UK.

An Impact Assessment covering this instrument was published on 28 May 2015 alongside the draft clauses and explanatory notes for the Scotland Bill and is available on the website at <http://>

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

www.parliament.uk/documents/impact-assessments/IA15-004.pdf. It remains an accurate summary of the impacts that apply to this instrument.