

2021 No. 190

INCOME TAX

**The Scottish Rates of Income Tax (Consequential Amendments)
Order 2021**

Made - - - - 24th February 2021

Coming into force - - 25th February 2021

This Order is made by the Treasury in exercise of the powers conferred by section 80G(1A) and (4) of the Scotland Act 1998(a).

A draft of this Order was laid before and approved by the House of Commons in accordance with paragraphs 1 and 2 of Schedule 7 to the Scotland Act 1998(b).

Citation, commencement and effect

1.—(1) This Order may be cited as the Scottish Rates of Income Tax (Consequential Amendments) Order 2021 and comes into force on the day after the day on which it is made.

(2) The amendments made by this Order have effect in relation to the tax year commencing on 6th April 2020 and subsequent tax years.

Amendment to the Finance (No.2) Act 2005

2. In section 7(5A)(c) of the Finance (No. 2) Act 2005(c) (charge to income tax on lump sum) for the words after “that tax year that” substitute “would be applicable to an amount of income that is equal to P’s Step 3 income(d) for that year if such amount were wholly chargeable to income tax at Scottish rates”.

*James Morris
David Rutley*

24th February 2021

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends section 7(5A)(c) of the Finance (No. 2) Act 2005 (c. 22) so that Scottish taxpayers who receive a social security pension lump sum are taxed at the highest Scottish rate

(a) 1998 c.46. Section 80G was inserted by section 25(3) of the Scotland Act 2012 (c.11). Subsection (1A) was inserted by paragraph 16(4) of Schedule 38 to the Finance Act 2014 and amended by section 13(11) of the Scotland Act 2016 (c.11).
(b) Paragraph 1 of Schedule 7 was relevantly amended by paragraph 16(10)(b) of Schedule 38 to the Finance Act 2014 (c.26).
(c) 2005 c.22. Subsection (5A) was inserted by regulation 9 of S.I. 2017/468 and paragraph (c) was amended by article 5 of S.I. 2018/459.
(d) “Step 3 income” is defined in s7(9) of the Finance (No. 2) Act 2005 by reference to the calculation of income tax liability in section 23 of the Income Tax Act 2007 (c. 3).

that would be applicable for a tax year if income tax were charged at Scottish rates on their income including savings and dividend income.

The Order has effect from the start of the tax year in which it is made in accordance with section 80G(4) of the Scotland Act 1998.

A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.

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