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3 October 2022

Dear Convener,

## **HM Treasury estimates of impact of UK Government tax announcements on Block Grant Adjustments**

1. Changes to Income Tax and Stamp Duty Land Tax (SDLT), announced at the UK Government's 'mini-Budget' on 23 September 2022, will have implications for the Block Grant Adjustments (BGAs) applied to the Scottish Budget.
2. I am writing to share with you the latest estimates, provided by HM Treasury, of the impact of Income Tax and SDLT to the BGAs (see Annex A for HMT estimates.) In sharing these figures I would note that these are subject to change following the OBR forecasts, currently due for publication on 23 November 2022.
3. These are UK Government estimates and have not been subject to Office for Budget Responsibility (OBR) scrutiny, nor has the UK Government shared with the Scottish Government the underlying assumptions used to arrive at these figures, for example on behavioural effects. What we do know is that the estimates only cover the impact of the policy changes and not the full economic impacts, therefore only capture part of the story.
4. The attached figures reflect the UK Government's announced decision to reverse the abolition of the Additional Rate of income tax, and imply a £540m net benefit to the Scottish Budget over three years, including this financial year. This compares to the "more than £600 million" announced by HM Treasury on 23 September, which reflected the Additional Rate changes.

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5. However, without knowing what assumptions underpin HM Treasury's estimates, and without updated OBR forecasts, it is difficult to assess their reasonableness or the extent to which we can rely on them.

6. I look forward to discussing this, and other matters, at tomorrow's Pre-Budget Scrutiny session with the Finance and Public Administration Committee.

**JOHN SWINNEY**

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## Annex A

### Latest HM Treasury estimate of impact on Scottish Block Grant Adjustments, arising from UK Income Tax and Stamp Duty Land Tax policy changes – provided 3 October 2022

£m	22/23	23/24	24/25	Total
<b>SG BGA impact</b>	35	400	95	540
o/w Basic Rate cut brought forward	0	340	30	370
o/w SDLT threshold increase	35	65	70	170

\*Totals do not sum due to rounding

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