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9 July 2026

Dear Convener,

I am writing to advise the Committee that HMRC has today published statistics on the 2024-25 outturn for Scottish Income Tax, as well as the equivalent UK Government liabilities.

It shows that around £18,635 million of Scottish Income Tax was raised in 2024-25. Scotland's Income Tax liabilities grew by around £1.54 billion (9.0%) between 2023-24 and 2024-25, and the number of Scottish taxpayers grew by over 113,000 (3.9%). This compares to an increase in Income Tax liabilities of 10.2% and an increase in the number of taxpayers of 4.2% in the rest of the UK.

Reconciliation

HMRC's outturn statistics are used each year to agree the Income Tax outturn block grant adjustment (BGA) and subsequent Income Tax reconciliation with HM Treasury (HMT), with the comparative growth rate between Scotland and England/Northern Ireland (ENI) being the other component. The National Records of Scotland and Office for National Statistics will publish revisions of mid-2024 population estimates for Scotland and England in July.

Following the publication of these population revisions, a statement will be jointly published with HMT outlining the 2024-25 outturn block grant adjustment (BGA) and subsequent Income Tax reconciliation.

Based on the Income Tax outturn data published today, the Scottish Government has calculated a provisional outturn BGA for 2024-25. This calculation implies a reconciliation of negative £728 million being applied to the Scottish Budget 2027-28. This accounts for the difference between the outturn net position and the original forecast net position. The reconciliation calculation is set out as an Annex to this letter.

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Reconciliations are a regular feature of the operation of the Fiscal Framework, required to address forecast error in relation to revenues and BGAs. Reconciliations – whether positive or negative – are not indicative of how Income Tax revenues are performing. For example, the Scottish tax base could grow faster than the rest of the UK (rUK) in a given year, but still have a negative reconciliation applied, simply due to the relative degree of error inherent in the original forecasts.

Under the Fiscal Framework, Scottish Government is able to borrow up to particular limits each year, to offset negative reconciliations, and spread their impact over multiple years. The forecast borrowing limit for 2026-27 is £670 million which means that this will not be sufficient to fully offset the impact of the negative reconciliation. This highlights the need for greater fiscal flexibilities to address volatility inherent in the current approach applied by the UK Government to Scotland's budget process. The 2027-28 borrowing limit will be confirmed at the UK Government's 2026 Autumn Budget.

Net position

The Income Tax net position - the difference between revenue raised and the provisional BGA - is positive £684 million in 2024-25, an important contribution to the Scottish Budget.

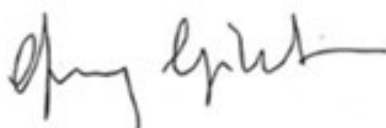
Tax performance is complex, and reflects a range of factors, including economic performance, regional and sectoral issues, demographics, and the composition of the tax base as well as differences in government economic and tax policy.

Data from HMRC's Real Time Information (RTI) system for 2025-26, also published today, suggests that growth in RTI tax receipts per head has outperformed the rUK in that year. The overall Scottish share of UK Income Tax reported by the RTI data is similar, at 7.02% in 2025-26 and 2024-25.

When the revised mid-2024 population estimates are available, Scottish Government and UK Government officials will agree the final reconciliation to be applied to the Scottish Budget 2027-28. The joint statement will subsequently be published and shared with the Committee.

I look forward to engaging with the committee in the coming months ahead of the 2027-28 Scottish Budget.

Yours sincerely,



JENNY GILRUTH

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ANNEX: Provisional reconciliation for 2024-25 Income Tax which will impact the 2027-28 Budget

2024-25 Income Tax			
	Revenues (£m)	BGA (£m)	Net Budget Position (£m)
Forecast at Budget 2024-25	18,844	-17,432	1412
Outturn 2024-25	18,635	-17,951	684
Provisional reconciliation (Change)	-209	-519	-728

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