

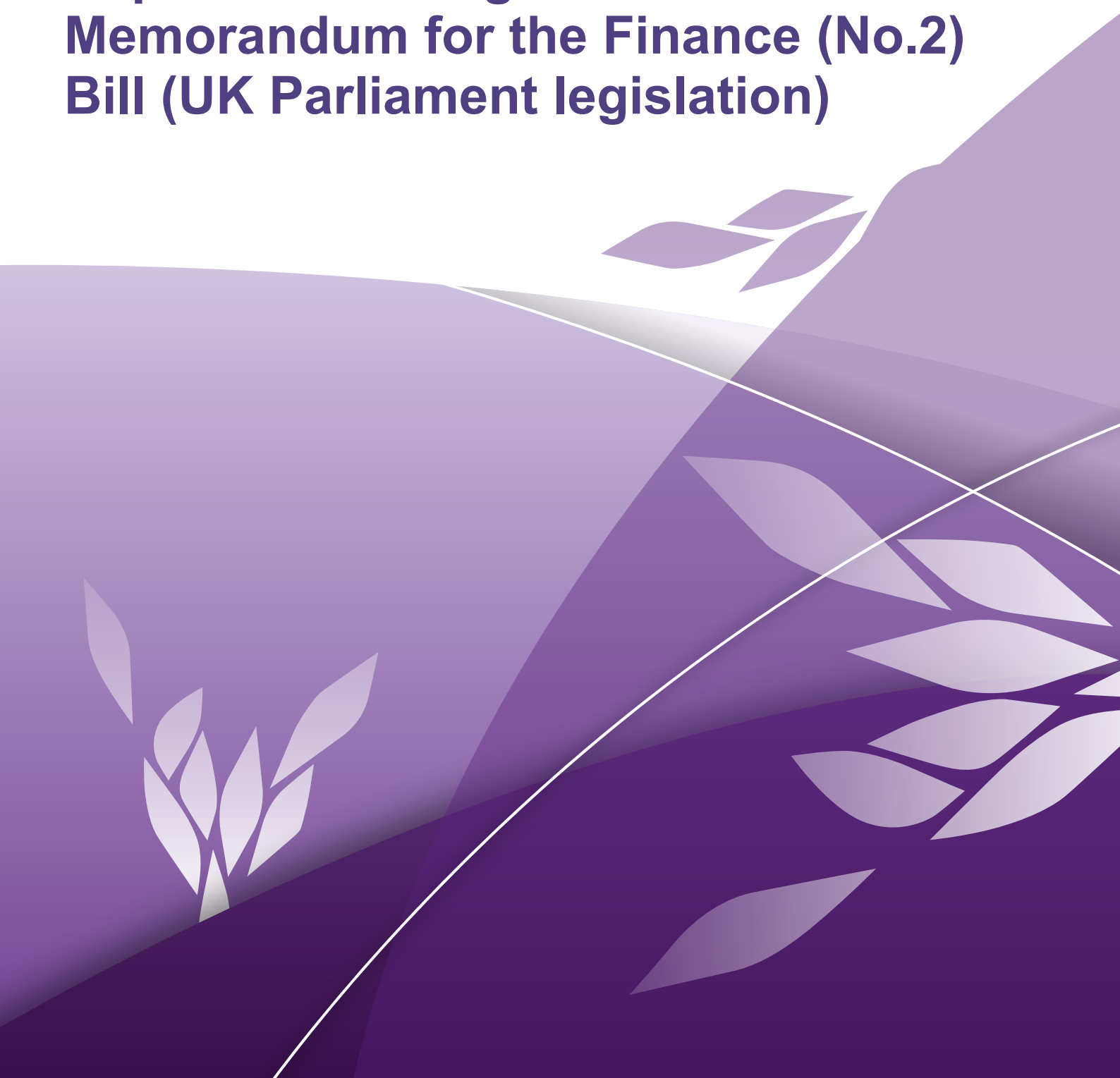


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Pàrlamaid na h-Alba

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## **Finance and Public Administration Committee**

# **Report on the Legislative Consent Memorandum for the Finance (No.2) Bill (UK Parliament legislation)**



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# Contents

<b>Introduction</b>	<b>1</b>
<b>The UK Bill</b>	<b>2</b>
<b>The Scottish Government's LCM</b>	<b>3</b>
<b>Consideration by the Delegated Powers and Law Reform Committee</b>	<b>4</b>
<b>Consideration by the Committee and recommendation</b>	<b>5</b>
<b>Bibliography</b>	<b>6</b>

# Finance and Public Administration Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to the National Performance Framework within the responsibilities of the Deputy First Minister, public service reform within the responsibility of the Cabinet Secretary for Finance and Local Government, and public administration.



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# Introduction

1. At its meeting of 27 January 2026, the Finance and Public Administration Committee considered Legislative Consent Memorandum (LCM) LCM-S6-71<sup>1</sup>. This was lodged by the Scottish Government in relation to the Finance (No.2) Bill which is currently being considered by the UK Parliament.
2. This report summarises the Committee's consideration of the LCM.

# The UK Bill

3. The Finance (No.2) Bill was introduced by the Chancellor of the Exchequer, Rachel Reeves MP, in the House of Commons on 2 December 2025 <sup>2</sup> . The Bill and associated documents can be viewed on the UK Parliament website.
4. The purpose of the Bill is to enact several tax announcements announced by the Chancellor in the UK Budget 2025 on 26 November 2025. The announcements included the decision to increase tax on property income and savings income by two percentage points at the basic, higher and additional rates from April 2027.
5. The UK Budget stated that the UK Government intends to “engage with the devolved governments of Scotland and Wales to provide them with the ability to set property income rates in line with their current income tax powers in their fiscal frameworks”.
6. The Cabinet Secretary for Finance and Local Government wrote to the Committee on 9 December 2025 <sup>3</sup> to confirm that the UK Government “intends to devolve to Scotland the ability to vary Scottish income tax on property income from April 2027 to give Scotland the same flexibility as they are taking for themselves”. This power would be devolved through an amendment to the Finance (No.2) Bill and corresponding LCM.
7. The Cabinet Secretary explains in her letter that this was “an unanticipated announcement at the Budget, with no prior consultation or advance notice” and that UK Finance Bills are generally subject to shorter timescales for scrutiny than other UK Bills. She goes on to ask that “to enable the Scottish Parliament to take a motion on legislative consent before the last amending stage, it would be useful for your committees to have considered and reported on the LCM by the end of January if at all possible”.
8. The 2<sup>nd</sup> reading stage of the Bill was held in the Commons on 16 December 2025 <sup>4</sup> .

# The Scottish Government's LCM

9. The Scottish Government's LCM explains that under the current rules, "property income is currently subject to Scottish Income Tax [...] and the Scottish Parliament does not currently have the powers to vary the rates for property income separately".
10. The UK Government proposes to amend the Scotland Act 1998 "in order to allow the Scottish Parliament to set a separate rate for property income tax in Scotland, to give Scotland the same flexibility as it is taking for itself".
11. The UK and the Scottish Government agree that legislative consent is required in respect of the following causes and schedules:
  - Schedule 2: Scottish and Welsh property income rates, Part 1 – Scotland; and
  - Clause 8: Scottish and Welsh property rates set by the Scottish Parliament and Senedd, where it applies to Part 1 of Schedule 2.
12. It further states that "Clause 8 and Part 1 of Schedule 2 make provision for Scottish and Welsh property rates to be set by the Scottish Parliament and the Senedd". In turn, this will "alter the executive competence of the Scottish Ministers in terms of their power to lay a Scottish Rate Resolution".
13. The Scottish Government's LCM goes on to say that the UK Government's intention to apply a "2 percentage point increase to [...] the] rates of property income tax in the rest of the UK" creates "a financial risk to the Scottish Budget from April 2027".
14. The UK rate increase is estimated to result in a Block Grant Adjustment (BGA) of £25 million. The LCM notes that "use of the additional flexibility over the way income tax rates on property income in Scotland are set [...] could potentially be used to mitigate the BGA increase".
15. The Scottish Government's "considered view" is that "in the context of the UK Government's policy to separate out the way that income from property is taxed in the rest of the UK, it is reasonable to devolve a similar additional flexibility to Scotland". On this basis, the Scottish Government "recommends that the Scottish Parliament consent to the relevant provisions in the Finance (No. 2) Bill".
16. The draft motion on legislative consent is as follows—

"That the Parliament agrees that the relevant provisions of the Finance (No. 2) Bill, introduced in the House of Commons on the 2 December 2025, relating to clause 8 (Scottish and Welsh property rates set by Scottish Parliament and Senedd) and Schedule 2, Part 1 (Scotland), so far as these matters pursue a devolved purpose and alter the executive competence of the Scottish Ministers, should be considered by the UK Parliament."

# Consideration by the Delegated Powers and Law Reform Committee

17. The Delegated Powers and Law Reform Committee (DPLRC) reported on the LCM on 22 January 2026<sup>5</sup>. The DPLRC is “content with the power as it is proposed”.

## **Consideration by the Committee and recommendation**

18. At its meeting of 27 January, the Committee took evidence on the LCM from Ivan McKee MSP, Minister for Public Finance ('the Minister') and Scottish Government officials.
19. In his opening statement the Minister set out the Scottish Government's reasoning for recommending legislative consent to the relevant provisions in the Bill.
20. Members raised no issues of concern.
21. **The Committee agreed with the recommendation of the Scottish Government that consent be given for the relevant provisions in the Finance (No.2) Bill covered by LCM-S6-71.**

- [1] Scottish Parliament. (2026). LCM-S6-71. Retrieved from <https://www.parliament.scot/-/media/files/legislation/bills/lcms/finance-no-2-bill/splcms671.pdf>
- [2] UK Parliament. (2025). Finance (No. 2) Bill. Retrieved from <https://bills.parliament.uk/bills/4042/publications>
- [3] Scottish Parliament. (2025). No title Retrieved from [https://www.parliament.scot/-/media/files/committees/finance-and-public-administration-committee/correspondence/2025/budget\\_cabsecflgtoconvener\\_9dec25.pdf](https://www.parliament.scot/-/media/files/committees/finance-and-public-administration-committee/correspondence/2025/budget_cabsecflgtoconvener_9dec25.pdf)
- [4] UK Parliament. (2025). Hansard. Retrieved from [https://hansard.parliament.uk/Commons/2025-12-16/debates/28706649-327B-46A7-A6BA-27AD91EFA143/Finance\(No2\)Bill](https://hansard.parliament.uk/Commons/2025-12-16/debates/28706649-327B-46A7-A6BA-27AD91EFA143/Finance(No2)Bill)
- [5] Scottish Parliament. (2026). Legislative Consent Memorandum: delegated powers exercisable within devolved competence in the Finance (No. 2) Bill. Retrieved from <https://bprcdn.parliament.scot/published/DPLR/2026/1/22/9a64ff88-11a7-46d2-bd51-514315c4bb43/DPLRS062026R10.pdf>

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