

Relief at source for Scottish Income Tax

1. What's changing

On 14 December 2017 the Scottish Government announced new Scottish Income Tax rates and allowances to apply for 2018 to 2019 tax year.

For 2018 to 2019 the following rates of income tax apply for people who live in Scotland:

- starter rate
- basic rate
- intermediate rate
- higher rate
- top rate

These rates and allowances are different to the rates and allowances for the rest of the UK. So for the 2018 to 2019 tax year

Income Tax rate	Proposed Scottish rate	Rest of UK rate
Starter rate	19% (if you earn between £11,850 and £13,850)	N/A
Basic rate	20% (if you earn between £13,851 and £24,000)	20% (if you earn between £11,851 and £46,350)
Intermediate rate	21% (if you earn between £24,001 and £43,430)	N/A
Higher rate	41% (if you earn between £43,431 and £150,000)	40% (if you earn between £46,351 and £150,000)
Top rate	46% (if you earn over £150,000)	45% (if you earn over £150,000)

The tax bands shown assume that you're in receipt of the full personal allowance, (which is reduced by £1 for every £2 of income over £150,000).

The Scottish Parliament agreed these rates and thresholds on 20 February 2018, and they are due to apply from 6 April 2018.

2. Pension tax relief

The amount of the pension tax relief you get depends on how much you contribute to your pension scheme and on the rate of Income Tax that you pay.

If you're a Scottish taxpayer who gets tax relief on your pension savings, this guidance explains what the changes to the rates and allowances mean for you.

3. How you get pension tax relief

If you're a member of a registered pension scheme, you can get tax relief on pension contributions of up to 100% of your annual earnings.

You get the tax relief automatically if your:

- employer takes your pension contributions out of your pay before deducting Income Tax. This is called the 'net pay' arrangement
- pension provider claims tax relief for you at the basic rate of 20% and adds it to your pension pot. This is called 'relief at source'

You get relief at source in all personal and stakeholder pensions, and some workplace pensions. If you pay tax at a rate higher than 20% you are entitled to claim your additional relief by **contacting HMRC < <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>**, if you don't already complete a Self-Assessment return, or through your **return < <https://www.gov.uk/self-assessment-tax-returns>** if you do. You can do this whether you live in Scotland or elsewhere in the UK.

4. If you get pension tax relief through the net pay arrangement

Because your employer takes your pension contribution from your pay before it's taxed, you only pay Income Tax on what's left.

So you don't pay Income Tax on the pension contributions you make.

This means you should automatically get the right amount of tax relief on your pension savings irrespective of the band or rate of tax you pay, or whether you live in Scotland or elsewhere in the UK.

You don't need to take any action or reclaim tax relief from HMRC.

5. If you get pension tax relief through relief at source

Your pension scheme administrator adds tax relief to your pension pot at the **basic rate < <https://www.gov.uk/income-tax-rates>** if:

- you pay your pension contribution after you've paid Income Tax and National Insurance or
- your employer takes your pension contributions after taking tax and National Insurance from your pay and pays these contributions to your scheme

As the tax rates and allowances that the Scottish Government has announced are different if you live in Scotland from those that apply for the rest of the UK, you may be entitled to a different rate of tax relief on your pension contributions (you can read more in section 6).

6. Relief at source - how you'll get the right amount of pension tax relief for 2018 to 2019

Basic rate (for both Scottish taxpayers and taxpayers elsewhere in the UK)

Your pension scheme administrator will continue to give you tax relief at the basic rate of 20%.

They'll do this for all scheme members so it doesn't matter where you live, you'll get 20% tax relief directly into your pension scheme.

Scottish starter rate

If you live in Scotland and you pay the Scottish starter rate of Income Tax at 19%, your scheme administrator will still give you tax relief at 20% into your pension scheme and we won't ask you to repay the difference. So you don't need to take any action or pay anything back to HMRC relating to pension tax relief.

Scottish intermediate rate

If you live in Scotland and you pay the Scottish intermediate rate of Income Tax at 21%, your scheme administrator will automatically give you tax relief at 20%.

As you're entitled to an additional 1% of tax relief on your pension contributions, you'll be able to claim this from HMRC. We won't be able to put this into your scheme but we'll adjust your tax code so that you get this tax relief through your pay. You can claim this by **contacting HMRC < <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>>** if you don't already complete Self Assessment returns, **Self Assessment tax return < <https://www.gov.uk/self-assessment-tax-returns>>** if you do.

Higher or top rate (for both Scottish taxpayers and taxpayers elsewhere in the UK)

If you pay higher or top rate of Income Tax, you can continue to claim this additional tax relief from HMRC as you do now in your **Self Assessment tax return < <https://www.gov.uk/self-assessment-tax-returns>>** or by **contacting HMRC < <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>>**. You can do this whether you live in Scotland or elsewhere in the UK.