The Scottish Draft Budget confirmed no proposed changes to income tax rates.

The starter and basic rate income tax bands are proposed to increase by inflation.

The higher and top rate thresholds will be frozen at £43,430 (compared to £50,000 elsewhere in the UK), and £150,000 respectively.

There was a surprise proposal to increase the LBTT Additional Dwelling Supplement.

Changes will be made to LBTT non-residential rates and bands.

**Income tax**

From 6 April 2019 the full Standard Personal Allowance (SPA) increases to £12,500 for all individuals who are UK taxpayers.

Proposed tax rates on relevant income of Scottish taxpayers from 6 April 2019:

- **19% Starter Rate** (on income between £12,500 and £14,549)
- **20% Basic Rate** (on income between £14,550 and £24,944)
- **21% Intermediate Rate** (on income between £24,945 and £43,430)
- **41% Higher Rate** (on earnings between £43,431 and £150,000); and
- **46% Top Rate** (on earnings above £150,000)

**LBTT**

The 2018/19 rates and bands of LBTT on residential property will be maintained for 2019/20.

The Additional Dwelling Supplement will increase from 3% to 4% with effect from 25 January 2019.

With effect from 25 January 2019, there will be changes to LBTT rates and bands for non-residential transactions.

While the lower rate will be reduced to 1% (currently 3%), the higher rate will increase to 5% (currently 4.5%) and apply on all consideration over £250,000 (currently the higher rate applies to consideration over £350,000).

Targeted reliefs will be introduced for PAIFs and CoACCs.

**SLfT**

From 1 April 2019 chargeable disposals to landfill are expected to be subject to Scottish Landfill Tax at:

- **£91.35 per tonne** of waste taxable at the standard rate; and
- **£2.90 per tonne** of waste taxable at the lower rate.

The tax credit for contributions to the Scottish Landfill Communities Fund will remain capped at 5.6% of an operator’s total SLfT liability.

**Other taxes**

Business rate increases for 2019/20 are proposed to be capped at 2.1%.

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**KPMG Comment**

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