

Scotland's wee steps towards tax sovereignty

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The FT [has reported](#) the SNP Scottish government's first, rather tentative, steps towards income tax independence from the rest of the UK. The move is small, and almost symbolic. The plan is to stick with UK tax rates for the time being, including the 45 per cent top rate of income tax, but Scotland will not match UK government plans to raise the threshold for the 40 per cent higher rate of income tax to £45,000 next year and £50,000 by 2020. According to the FT this might cost those on the higher rate band in Scotland £323 more in tax than their counterparts in the rest of the UK in 2017-18, rising to an estimated £817 extra by 2021-22.

It's not a revolution then. Nor does it justify opposition claims that the wealthy will be leaving Scotland soon: people's real behaviour is not nearly as sad or tax motivated as most right wing politicians think. Research in the USA proves that. But this is, none the less, deeply significant. There will now be a tax border between the rest of the UK and Scotland. There will be issues of Scottish residence to address, and dual residence to resolve. How employers run dual payrolls will have to be on the agenda: notice of coding will not forever address the differences in allowances, and cannot do so if rate changes do follow.

And the whole issue of how macro-economic stability for the pound is achieved when tax systems vary is now an issue requiring discussion because no one knows the long term answer to that, and we will need to do so.

This might fairly be called a first wee step, but as every parent knows, once that first step is taken you never quite know where your child is going ever again. I am not suggesting Scotland is in anyway the child in this relationship: I am saying that the direction of travel for our mutual tax systems is a long way from being thought out. And since I support Scottish tax independence that thinking really is a priority now.