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23 December 2020

Dear Bruce,

Further to my letter of 7 December, informing you of the provisional Block Grant Adjustments (BGAs) for the Scottish Budget 2021-22, I am writing to advise you of a correction to these figures. The Office for Budget Responsibility (OBR) have advised of an error in their UK Non-savings Non-dividend, Welsh and Scottish income forecasts which determine the BGAs. This predominantly affects the forecast for 2020-21 with little impact on other years. The OBR have published updated forecasts on December 21 as part of the Welsh Taxes Outlook at: <https://obr.uk/welsh-taxes-outlook-december-2020/>

As a result of the correction, the forecast for the 2020-21 Income Tax BGA has been reduced by £134 million. While this is good for the Scottish Budget (since a reduction in the BGA acts to increase the Block Grant) the correction **has no immediate impact** since the reconciliation relating to 2020-21 will not take place until 2023-24. The forecasts will continue to develop until outturn figures are published in the summer of 2022.

As you know, the forecast net position will only become clearer when we have the Scottish Fiscal Commission's final income tax forecasts alongside the Scottish Budget 2021-22.

A revised table showing the tax and social security BGAs for the forecasting period with the corrected 2020-21 Income Tax BGA is provided at Annex A.

As ever, I hope you have found this update helpful, and my officials would be happy to provide any further information on the BGAs to Committee Members, as required.

KATE FORBES

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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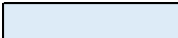


ANNEX A

Table A Block Grant Adjustments - OBR forecasts November 2020 with corrected 2020-21 Income Tax BGA (£m)

| BGA | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Income Tax | 11,582 | 11,677 | 11,788 | 12,294 | 12,840 | 13,475 | 14,105 |
| LBTT | 533 | 391 | 515 | 544 | 601 | 666 | 723 |
| SLfT | 99 | 87 | 95 | 91 | 79 | 74 | 80 |
| TOTAL | 12,213 | 12,154 | 12,398 | 12,930 | 13,520 | 14,215 | 14,908 |

| BGA | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AA | N/A | 531 | 546 | 564 | 586 | 608 | 638 |
| PIP | N/A | 1,555 | 1,682 | 1,856 | 2,009 | 2,158 | 2,309 |
| DLA | N/A | 719 | 685 | 665 | 642 | 610 | 557 |
| CA | 283 | 289 | 309 | 333 | 355 | 379 | 404 |
| IIDA | N/A | 84 | 81 | 79 | 77 | 76 | 74 |
| SDA | N/A | 8 | 7 | 7 | 7 | 6 | 6 |
| TOTAL | 283 | 3,185 | 3,310 | 3,503 | 3,676 | 3,837 | 3,988 |

 indicates outturn data
 All BGAs are calculated using the IPC method
 Figures may not sum due to rounding

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