



# What Powers does the Scottish Parliament have?

## How did we get here?

In 1997, the people of Scotland voted in a referendum on a Scottish Parliament. The result showed strong public support for the creation of a Scottish Parliament, and for that Parliament to have the power to make some changes to income tax. The powers of the Scottish Parliament were later set out in a law passed by the UK Parliament. This law is known as the Scotland Act 1998, and it is the basis of the powers and the responsibilities of the Scottish Parliament and the Scottish Government. The Scottish Parliament (sometimes known as Holyrood, after the location of the parliament building) was set up in 1999. The Scotland Act has been changed several times, including in 2012 and 2016, on the recommendation of two commissions. The Calman Commission had recommended some increases to tax powers. The Smith Commission made wider recommendations, including more powers over tax and some benefits.

## What are reserved and devolved powers?

Scotland has what is known as a 'reserved powers model' of devolution. That means that the Scotland Act sets down in legislation those policy areas that are reserved to the UK Parliament. The Scottish Parliament is not allowed to make its own laws in these reserved areas. The powers of the parliament are therefore defined in law by what it can't do. It is free to pass laws in any area that is not set out in the Scotland Act 1998 as a reserved area. The policy areas where the Scottish Parliament can introduce laws are known as 'devolved matters', or devolved areas. The Scottish Parliament does not need the approval of the UK parliament or government when making laws in devolved areas.

The picture below sets out the main areas that are reserved to the UK Parliament - where the Scottish Parliament cannot make laws - and the main areas that are devolved to the Scottish Parliament – where the parliament is free to pass its own laws.



## How Have Tax Powers Changed?

### At the start of devolution in 1999...

All taxes paid by people living in Scotland went to the UK Government, and most of the Scottish Government's budget came in a grant from the UK Government. The Scottish Parliament had the power to raise more money by increasing the basic rate of income tax by up to 3p in the £. It could also have chosen to have less money to spend by cutting the basic rate of income tax by up to 3p in the £. This power was never used.

### After two changes to the Scotland Act...

The Scottish Parliament now has the responsibility for:

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Raising around half of its own budget, with the option of setting different tax rates and thresholds from the rest of the UK.

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Deciding the amount of **income tax** paid by people who live in Scotland. It does not decide the personal allowance - the amount we are allowed to earn before taxes are paid - or any of the rules around income tax, e.g. tax allowances.

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Making decisions on a range of newly devolved smaller taxes such as **Air Passenger Duty** (a tax on air travel) and **Land and Buildings Transaction Tax** (previously known as Stamp Duty).

The tax powers that followed the **two changes to the Scotland Act** give the Scottish Government more opportunity to decide its overall budget. Because the budget needs the approval of the Scottish Parliament, they were to help ensure that the Scottish Government is held to account for its spending decisions.

The UK Government continues to decide other taxes raised in Scotland, including National Insurance, taxes on savings and inheritance, corporation tax, VAT and taxes on things we consume, like fuel, alcohol and cigarettes. The UK Government also decides on taxes from North Sea oil and gas.