

*These notes refer to the Scotland Act 1998 (c.46)  
which received Royal Assent on 19th November 1998*

## **SCOTLAND ACT 1998**

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### **EXPLANATORY NOTES**

#### **COMMENTARY**

##### **Part IV: the Tax Varying Power**

**SECTION 78:** Effect of tax reduction for Scottish taxpayers

##### **Purpose and Effect**

This section is complementary to section 77, and applies where the basic rate of income tax is decreased for Scottish taxpayers. It requires payments out of the Scottish Consolidated Fund reflecting the shortfall in the yield of income tax resulting from the reduced rate, and provides for these payments to be accounted for to the UK Consolidated Fund.

##### **General**

The section forms part of the set dealing with the tax-varying power of the Scottish Parliament.

Section 73 allows the Scottish Parliament to pass a resolution varying the basic rate of income tax for Scottish taxpayers by no more than 3 per cent. Section 74 makes further provisions with respect to tax-varying resolutions, and section 75 defines the term “Scottish taxpayer”.

Section 76 makes provision to take account of future changes to the structure of UK income tax. Sections 77 and 78 describe the accounting arrangements where income tax is increased or decreased for Scottish taxpayers. Section 79 permits the Treasury to make consequential subordinate legislation.

##### **Parliamentary Consideration**

<i>Stage</i>	<i>Date</i>	<i>Column</i>
CC	23-Feb-98	124
LC	6-Oct-98	337
LR	28-Oct-98	2059

##### **Details of Provisions**

Subsection (1) provides that where the basic rate is decreased by a resolution of the Scottish Parliament, payments will be made out of the Scottish Consolidated Fund (SCF) to the Inland Revenue.

Subsection (2) requires the Inland Revenue to determine and notify to the Scottish Ministers the amount to be paid over and the timing of such payments as soon as reasonably practicable after the resolution is passed.

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Subsection (3) provides that any determination under subsection (2) above shall ensure that payments out of the SCF properly represent the shortfall in income tax receipts attributable to the resolution.

Subsections (4) and (5) provide for the Inland Revenue to make and maintain, and if necessary adjust, arrangements for estimating the total amount due to be paid over, and the amount and the frequency of individual payments in accordance with this section.

Subsection (6) provides for consultation with the Scottish Ministers about those arrangements before they are made or modified.

Subsection (7) provides that “income tax receipts” for the purposes of this section has the same meaning as it has for section 77.

Subsection (8) provides that payments made under this section to the Inland Revenue shall be treated as part of the gross revenues of that Department and paid into the UK Consolidated Fund accordingly.