

Pension tax relief for Scottish taxpayers – a quick guide

Scottish rates of income tax

From April 2018 higher earners in Scotland have paid more tax than the rest of the UK, with the higher tax rate rising from 40% to 41%, and the top rate from 45% to 46%. While Scotland has five tax bands the rest of the UK only has the personal allowance and three bands (basic, higher and additional rate).

The Scottish Parliament has set the following income tax rates and bands for the 2020/21 tax year:

Taxable income	Band	Tax rate
Up to £12,500	Personal allowance	0%
£12,500 - £14,585	Starter rate	19%
£14,585 - £25,158	Basic rate	20%
£25,158 - £43,430	Intermediate rate	21%
£43,430 - £150,000	Higher rate	41%
Over £150,000	Top rate	46%

NB. Personal Allowance is reduced by £1 for every £2 earned over £100,000.

The impact on pension tax relief

For Scottish taxpayers with earned income below £14,585 tax rules on personal pension contributions remain the same as the rest of the UK. Pension scheme administrators continue to claim relief at 20%, and HMRC has stated it will not currently recover the 1% difference between the Scottish starter and Scottish basic rate.

Scottish taxpayers who pay income tax at the Scottish intermediate rate of 21% will be entitled to claim an additional 1% tax relief on some or all of their contributions above the 20% tax relief paid to their scheme administrators by HMRC. It is possible to claim the additional relief through a Self Assessment tax return or, if you are not required to complete one, by [contacting HMRC](#) directly.

Scottish taxpayers liable to Income Tax at the Scottish higher rate (41%) and Scottish top rate (46%) can claim additional relief on their contributions up to their marginal rate of tax in the same way: either through their Self Assessment tax return or by [contacting HMRC](#) directly.

The above applies to personal pensions such as SIPPs. For Scottish members of 'net pay' pension schemes, for example through their employment, it works differently. Contributions are made before earnings are taxed, so they automatically receive tax relief on the contributions at their marginal (Scottish) rates of tax, including the lower starter rate of 19%.

UK residents classed as a Scottish taxpayers

HMRC determine whether you are a Scottish taxpayer based on where your main place of residence is. There are examples and guidance [here](#). Generally, you will need to pay the Scottish Rate of Income Tax if you have lived in Scotland for more than half of the year.

The information in this guide is based on our understanding of UK Legislation, Taxation and HMRC guidance, all of which are subject to change. The tax treatment of pensions depends on individual circumstances and is subject to change in the future.