Scottish Budget Summary 2026

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Introduction

Budgets rarely land in a quiet moment. The Scottish Budget for 2026–27 is being set against a backdrop of continued pressure on running costs, patchy confidence in parts of the economy, and ongoing demand on public services. In that context, the Finance Secretary's statement and the accompanying news release frame this Budget around three broad themes: maintaining core services, targeted support in areas of greatest strain, and continuing investment intended to strengthen Scotland's long-term economic foundations.

This Budget is also intended to be read alongside longer-term planning documents, including the Scottish Spending Review and the Infrastructure Delivery Pipeline. Taken together, these publications are designed to show not only what will be funded in 2026–27, but how capital investment and reform plans are expected to develop over the coming years. For businesses and employers, this matters because public spending decisions often influence demand, supply chains, skills provision, and the pace of public sector commissioning.

On the tax side, the headline choices include adjustments to Scottish Income Tax thresholds at the lower bands, with higher thresholds remaining frozen, alongside a business rates package linked to the 2026 revaluation. The intention set out in the Budget documents is to balance revenue-raising decisions with reliefs and transitional arrangements, particularly where revaluation would otherwise lead to sharp movements in bills.

Beyond tax and rates, the statement and news release highlight spending priorities that are likely to have wider economic effects: health and social care funding, support for colleges and apprenticeships, transport investment, and climate-related spending aimed at decarbonisation and resilience. Some of these measures are immediate, while others are best understood as signals about direction of travel and where policy focus is likely to sit over the medium term.

Finally, the Budget also flags forward-looking changes that will be developed further before they take effect, including the planned introduction of Air Departure Tax from April 2027 and Council Tax reform from April 2028 for the highest-value homes. Where measures are future-dated, this summary notes them as "watch points" so readers can track consultations, legislation, and guidance as details are confirmed.

Key highlights

- Income Tax: no new bands or rate rises; Basic and Intermediate thresholds increased by 7.4% for 2026-27, while Higher/Advanced/Top thresholds are held at current levels (planned freeze through 2028-29).
- Council Tax: new higher bands for the most highly valued homes (over £1m) are planned from 1 April 2028 (wider Council Tax framework otherwise unchanged).
- Non-Domestic Rates (business rates): a revaluation takes effect from 1 April 2026, with updated poundage rates for 2026-27 and a funded relief package forecast to save ratepayers £864 million in 2026-27.
- Small Business Bonus Scheme: maintained at existing rates and thresholds for the next three years of the revaluation cycle, with eligibility changes from 1 April 2026 for certain property categories.
- Retail, hospitality and leisure relief: 15% relief for eligible properties (up to £100,000 rateable value) with a business-level cap of £110,000 per year; 100% relief for eligible premises on islands and in specified remote areas (also capped).
- Scottish Landfill Tax: rates increase from 1 April 2026 to align with UK Landfill Tax rates (standard and lower rates).
- Scottish Aggregates Tax: planned introduction from 1 April 2026, subject to outstanding legislation.
- Planned devolved taxes: Air Departure Tax from April 2027 and Building Safety Levy from April 2028 (as signposted in tax policy).
- Enterprise and investment: continued funding for enterprise agencies, support for innovation and entrepreneurship, town centre regeneration activity, and investment through the Scottish National Investment Bank.
- Skills and employability: funding across employability programmes, colleges, universities and apprenticeships, positioned as part of productivity and participation priorities.
- Infrastructure and transport: a multi-year infrastructure pipeline is published alongside the Budget, including housing, rail and ferry renewal, and major project commitments.
- Climate and net zero: the Budget is framed as committing over £5 billion toward emissions reduction and resilience, with specific allocations including offshore wind supply chain investment and energy efficiency programmes.

Key dates: what changes when

From 1 April 2026

- Non-Domestic Rates revaluation takes effect; poundage rates and relief updates apply for 2026–27.
- Scottish Landfill Tax rates increase to align with UK Landfill Tax rates for 2026–27.
- Scottish Aggregates Tax (SAT) planned to commence (subject to outstanding legislation).
- Eligibility changes for Small Business Bonus Scheme and related reliefs come into effect.
- 100% relief for eligible Electric Vehicle charging points begins (10-year duration).

From April 2027

Air Departure Tax is signposted for introduction from April 2027 (subject to the relevant legislation and implementation).

From April 2028

- Council Tax: new higher-value bands for properties over £1m are planned from 1 April 2028.
- Building Safety Levy is signposted for introduction from April 2028 (with a proposed private jet supplement to ADT from 2028-29).

Taxes and rates: key changes

This section summarises key devolved taxes and changes that commonly affect organisations, including property-related taxes, environmental taxes, and planned future taxes. Income tax is included briefly because it can influence payroll queries and take-home pay discussions, even though it is paid by individuals rather than businesses.

Where tables are included, they are recreated from Scottish Government publications for ease of reference.

Scottish Income Tax rates and bands (2026-27)

Proposed Income Tax rates and bands for Scottish taxpayers on non-savings and non-dividend income:

Band	Taxable income	Rate
Starter	£12,571 to £16,537*	19%
Basic	£16,538 to £29,526	20%
Intermediate	£29,527 to £43,662	21%
Higher	£43,663 to £75,000	42%
Advanced	£75,001 to £125,140**	45%
Top	Over £125,140**	48%

*Assumes individuals are in receipt of the standard UK Personal Allowance. **Personal Allowance is reduced by £1 for every £2 earned over £100,000.

Band	Income range	Rate
Starter rate	£12,570 – £16,537	19%
Basic rate	£16,538 – £29,526	20%
Intermediate rate	£29,527 – £43,662	21%
Higher rate	£43,663 – £75,000	42%
Advanced rate	£75,001 – £125,140	45%
Top rate	Over £125,140	48%

Council Tax: new higher-value bands (from April 2028)

The Budget proposes introducing additional Council Tax bands for the most highly valued residential properties. This is targeted at homes valued at over £1 million, with the wider Council Tax framework otherwise unchanged. The new bands are scheduled to take effect from 1 April 2028.

Land and Buildings Transaction Tax (LBTT)

Residential rates and bands are maintained at current levels for LBTT. The Additional Dwelling Supplement (ADS) remains at 8%. First-Time Buyer Relief continues, increasing the residential nil rate band from £145,000 to £175,000 for eligible first-time buyers.

Scottish Landfill Tax (SLfT)

From 1 April 2026, the Scottish Landfill Tax standard and lower rates are increased to align with UK Landfill Tax rates for 2026-27.

Rate	2026-27 rate	
Standard rate	£130.75 per tonne	
Lower rate	£8.65 per tonne	
Rate	**2026-27 rate (from 1 April 2026)**	**Unit**
Standard rate	£130.75	per tonne
Lower rate	£8.65	per tonne

Scottish Aggregates Tax (SAT)

SAT is intended to replace the UK Aggregates Levy in Scotland. The Budget states that, assuming outstanding legislation is approved, SAT will be introduced on 1 April 2026.

Planned devolved taxes: Air Departure Tax and Building Safety Levy

Tax policy signposts Air Departure Tax from April 2027 and a Building Safety Levy from April 2028. The Budget also indicates a proposed private jet supplement to ADT from 2028-29.

Non-Domestic Rates (Business Rates): rates and reliefs

Non-Domestic Rates (NDR) are administered and collected by local authorities and help fund local services. A revaluation takes effect from 1 April 2026.

Poundage rates (2026-27)

Rateable value band	Poundage (2026-27)
Up to and including £51,000 (Basic Property Rate)	48.1p
£51,001 to £100,000 (Intermediate Property Rate)	53.5p
Over £100,000 (Higher Property Rate)	54.8p

Property rate	**Rateable value band**	**Rate (pence)**
Basic Property Rate	Up to and including £51,000	48.1p
Intermediate Property Rate	£51,001 to £100,000	53.5p
Higher Property Rate	Above £100,000	54.8p

Transitional Relief caps (Revaluation Transitional Relief)

The Budget introduces a Revaluation Transitional Relief to cap year-on-year increases in gross bills caused by revaluation, up to the next revaluation in 2029.

Property size (rateable value)	2026-27 cap	2027-28 cap	2028-29 cap
Small (up to £20,000)	15%	22%	38%
Medium (£20,001 to £100,000)	30%	44%	75%
Large (over £100,000)	50%	75%	113%
Property size band	**2026-27**	**2027-28**	**2028-29**
Small (rateable value up to £20,000)	15%	22%	38%
Medium (rateable value £20,001 to £100,000)	30%	44%	75%
Large (rateable value over £100,000)	50%	75%	113%

Sector reliefs (Retail, Hospitality and Leisure)

Tax policy includes sector reliefs for retail, hospitality and leisure properties: 15% relief for eligible properties up to £100,000 rateable value (subject to a business-level cap of £110,000 per year), and 100% relief for eligible premises on islands and in specified remote areas (also capped at £110,000 per year).

Small Business Bonus Scheme and eligibility changes

Small Business Bonus Scheme relief is maintained at existing rates and thresholds for the next three years of the revaluation cycle. From 1 April 2026, certain property categories are excluded, and premises requiring a short-term let licence are only eligible if they have a licence.

Economy, enterprise and local growth

The Budget includes funding across enterprise agencies, innovation, entrepreneurship, town centre regeneration and the visitor economy. These allocations are typically delivered through a mix of national programmes, agencies, and local partnerships.

Selected headline allocations and commitments referenced in the Budget include:

- Over £45 million to support innovation, enterprise and entrepreneurship.
- £326 million of sustained investment in Enterprise Agencies, plus a further £200 million commitment for the Scottish National Investment Bank.
- £47 million for regeneration of communities and town centres, including Business Improvement Districts and Scotland Loves Local.
- Nearly £40 million for VisitScotland and over £9 million to support major cultural and sporting events.

Skills, employability and workforce

Skills, employability and workforce measures can affect labour availability, training routes and productivity. The Budget highlights investment in colleges, universities and apprenticeship delivery, alongside employability programmes.

Within the Economy portfolio, employability spending plans for 2026-27 include Employability expenditure of £104.6 million.

Public sector pay and workforce policy

An integrated public sector pay and workforce policy is published alongside the Budget. It links pay policy and workforce planning to fiscal sustainability and service reform, including use of technology and automation.

Infrastructure and transport investment

The Scottish Government published an Infrastructure Delivery Pipeline alongside the Budget, covering April 2026 to March 2030. The pipeline states it is underpinned by over £30 billion of capital funding set out in the Spending Review and presents programme and project pipelines for the four-year period.

Examples of investment areas highlighted in the pipeline include affordable housing delivery, rail and ferry renewal, major justice infrastructure projects, and natural infrastructure (peatland restoration and woodland creation).

The Budget also highlights £4.3 billion for transport in 2026–27, including rail investment, ferry fleet renewal, and nearly £200 million for dualling the A9.

Climate and net zero investment

The Budget statement frames the Budget as committing over £5 billion toward emissions reduction and climate resilience. A separate climate change taxonomy publication categorises budget lines with positive climate impacts and reports over £5.0 billion of commitments in 2026–27 (noting the figure is likely an underestimate because local authority allocations are excluded).

Examples referenced include £93.0 million to continue momentum in offshore wind infrastructure and supply chain, and £334.7 million (capital and resource) for energy efficiency and decarbonisation support, including retrofit programmes and heat networks.

What to watch next

- Parliamentary process: Budget measures may be refined as Bills and implementing regulations progress.
- Non-Domestic Rates: revaluation impacts vary by property; eligibility for reliefs (including sector reliefs and business-level caps) can affect final bills.
- Planned future taxes: Air Departure Tax (April 2027) and Building Safety Levy (April 2028) are signposted and will require implementation detail.
- Programme delivery: some investment announcements are delivered through agencies, local authorities or competitive funding routes, with details set out separately.