



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Pete Wishart MP
Scottish Affairs Committee
House of Commons
London
SW1A 0AA

18 July 2019

Dear Pete,

INCOME TAX RECONCILIATION PRESS ANNOUNCEMENT

1. I am writing to update you on the impact of HMRC's outturn statistics on the Scottish Government's funding in 2020-21.
2. The outturn data confirms Scottish Income Tax revenues in 2017-18 were £10,916m, this is £941m lower than forecast. Following the agreed process, the Scottish Government's block grant will increase by £737m, due to a smaller block grant deduction. The overall net effect in 2020-21 will be -£204m. This is the fiscal framework operating as agreed, with the block grant adjustment largely shielding the Scottish Government from the shortfall in Scottish Income Tax revenues.
3. To help communicate this to the public, HM Treasury have published a simple explanation of the process that will determine the impact on the Scottish Government's funding in 2020-21. It explains the reconciliation for both Scottish Income Tax and the block grant adjustment.
4. My officials are happy to answer any technical questions on this process.
5. I am copying this letter to David Mundell, the Secretary of State for Scotland.



Best wishes,

A handwritten signature in blue ink, reading 'Elizabeth Truss'.

RT HON ELIZABETH TRUSS MP