

Permanent protection from higher tax for military personnel in Scotland

More than 7,000 troops left out of pocket by higher taxes in Scotland will again be protected in the next financial year.

An annual payment will continue to be provided to serving personnel earning £28,443 or more a year to make sure that all British troops, regardless of where they are deployed or where their families are based, will pay the same income tax. The average payment made will be £850.

It follows a 2018 promise by defence that Scottish government tax hikes would not adversely affect serving personnel, amid concerns they could create low morale and result in Scotland becoming a less attractive place for military personnel to be posted.

The renewed measures, which will now apply indefinitely rather than being renewed annually, will protect nearly two thirds of all armed forces personnel liable for Scottish Income Tax and required to pay more in tax. They will also help with recruitment and retention, particularly as many of those affected are personnel with specialist skills, such as aircraft and submarine engineers.

By guaranteeing a permanent Scottish Income Tax Mitigation, the Ministry of Defence (MOD) is providing ongoing certainty to our armed forces. The minimum amount of mitigation that will be paid will remain at £12 and the maximum cap will be reviewed annually following the Scottish Government's announcement on tax rates and thresholds.

The financial compensation cap for armed forces personnel liable for Scottish Income Tax in Tax Year 2020/21 will remain at £2,200 following the last Scottish Government budget in March 2020. The estimated cost to the MOD is expected to be £6.8-million in financial year 2021/22.

Minister of State for Defence, Baroness Goldie said:

Our Armed Forces serve the whole of the UK, so it is only right that they are treated equally and fairly wherever they are based.

We want to reassure our brave troops that they won't be penalised for simply doing their duty by having to pay higher taxes in a certain part of the UK and they will be properly compensated in their pay slips each year.

The financial mitigation measures will:

- be payable to all regular personnel who pay Scottish Income Tax, regardless of where in the world they are serving. Mitigation of between

£12 and £2,200 will be paid, with payments grossed up to take account of income tax and national insurance applied when they are made

- cover personnel for tax year 2020/21, with a single payment made retrospectively in June 2021

Scotland Secretary Alister Jack said:

The UK's Armed Forces make a huge contribution to Scottish communities and our economy. I welcome the UK Government decision to permanently protect them from the Scottish Government's decision to make Scotland the highest taxed part of the UK.

The professionalism, dedication and bravery of our servicemen and women can be seen throughout Scotland, the whole of the UK and across the globe, not least through their tireless work to support the UK-wide effort to combat the coronavirus pandemic.

Scotland is home to some of the most important UK Defence capabilities including HM Naval Base Clyde, home to Britain's nuclear deterrent and hunter-killer submarines; Stirling-based 51st Infantry Brigade and HQ Scotland, one of the Army's Adaptive Force Brigades, and other British Army units; RAF Lossiemouth, home to half of the UK's Typhoon force and submarine hunting maritime patrol aircraft.

The MOD spent nearly £1.76-billion with Scottish businesses in 2018/19 and an average of £320 expenditure per person each year. Its equipment plan is supporting Scottish business, jobs and skills far into the future; helping to make Scotland one of the most competitive places in the world to innovate, build business and deliver security. Scotland plays an important role in UK Defence supporting over 10,200 industry jobs and is renowned for building the world's finest warships including the UK's new aircraft carriers and the Royal Navy's state-of-art Type-26 frigates.