Derek MacKay's third budget of this parliamentary session was doomed to be overshadowed by events at Westminster.

With many people's attention only partially focussed on events at Holyrood, much Scottish budget commentary will not get beyond an analysis of income tax differentials. Whilst MacKay had heavily hinted in recent weeks that he would not follow the UKG policy to substantially increase the higher rate, he surprised many by freezing the threshold in cash terms. Scottish taxpayers will start paying 41% higher rate at income above £43,430, whilst counterparts in rUK will continue to pay basic rate of 20% up to an income of £50,000.

The Scottish income tax policy is estimated to raise Scottish Government revenues by just over half a £billion compared to what it would raise if it followed rUK tax policy, although the difference in tax liability for individuals is now quite marked, particularly for those with incomes around £50,000.

However, the government's resource budget for day-to-day spending remains unchanged in real terms compared to 2018/19, despite the freeze in the higher rate, and despite an improved outlook for revenues from LBTT (in part driven by the decision to increase the Additional Dwelling Supplement from 3% to 4%). This is effectively because over half of the £720m increase in consequentials announced by the UK Government in the summer have been offset by a deterioration in the Scottish Fiscal Commission's assessment of the outlook for wage growth (and hence income tax revenue growth) in Scotland compared to their forecasts this time last year.

As anticipated, spending increases have been prioritised in the health portfolio. In fact the health budget is up 3.4% in real terms, taking it to over 49% of total resource spend.

The detailed inventory of budget winners and losers will be compiled over subsequent days. The Local Government settlement can be notoriously difficult to decipher. The headline figure in this year's budget shows the local government allocation flat in real terms – but only if one includes funding for capital as well as resource, and specific grants as well as general grant. Resource funding including specific grants – notably in relation to the expansion of childcare provision, and the Pupil Equity Fund – is down 1% in real terms. But the discretionary grant is down by over 3% in real terms.

This outlook for local government may well change during the forthcoming weeks of budget negotiation, as the minority government seeks to secure backing for its budget. It seems unlikely that the draft budget goes far enough on local tax reform at this stage to persuade the Green Party to sign up to it (the budget commits to a series of 'national discussion event’s around proposals for a Transient Visitor Levy). On Council Tax, local authorities will again be able to increase council tax by 3%, but there is no hint of the more fundamental reform that the Scottish Green party have argued for.

The underlying narrative of the budget remains, as last year, that higher personal taxation on those in the upper half of the income distribution is justified as part of a ‘social contract’ that includes universal service provision in a greater range of areas than south of the border, and additional spending on various aspects of social security.

But some will question the juxtaposition of the income tax policy choices against Mr. MacKay’s enthusiasm for securing lower business rates increases than in other parts of the UK. The budget boasts that 90% of business in Scotland will pay a lower poundage than they would in other parts of the UK, and that Scotland has the ‘most generous package of reliefs in the UK, worth more than £750 million in 2019-20’.

In his budget speech Derek MacKay argued that Scotland is the ‘fairest taxed part of the UK’, but that claim to fairness will be hotly disputed in the coming weeks.