HM REVENUE AND CUSTOMS

Statistics on recently arrived non-UK EEA nationals subject to income tax and National Insurance contributions or receiving HMRC administered benefits

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The statistics in this report present analysis conducted by HM Revenue and Customs (HMRC) on individuals subject to Income Tax and National Insurance contributions (NICs) or receiving tax credits or Child Benefit for the 2013-14 tax year. The data represent recently arrived individuals for the European Economic Area (EEA) excluding UK.

These statistics provide an estimate of the total income tax and National Insurance contributions of recently arrived EEA nationals, from when they first registered for a National Insurance Number (NINO) through the adult registration service, who were non-UK nationals. It also provides an estimate of the net contribution of this group: the total amount of income tax and NICs that they are liable for, minus the amount of tax credits or Child Benefit they receive.

Income tax

Income tax is chargeable on individuals in respect of most sources of income, including earnings, pensions, profits from self-employment, property income, interest and dividends. Some reliefs and deductions can be set against specific sources of income and most individuals will also qualify for a personal allowance. Where the total of income exceeds available reliefs, deductions and allowances, the excess will be charged to income tax at rates which depend on the type and amount of income. An individual with income below the personal allowance can still be a taxpayer in some circumstances. This can arise where individuals who have income liable to UK tax do not qualify for a personal allowance under the residence and/or domicile rules. Some people who do qualify for the personal allowance choose to give up their personal allowance as part of the qualifying conditions for having their income taxed under the 'remittance basis'. These taxpayers may only have a small amount of income liable to UK tax (i.e. below where the personal allowance is set), but this income is still liable to tax and is charged at the starting, and/or basic rates.

A more detailed explanation of tax rates, thresholds and what makes up taxable income is published here:

https://www.gov.uk/government/publications/rates-and-allowances-income-tax/income-tax-rates-and-allowances-current-and-past/

National Insurance contributions

Class 1 National Insurance contributions (NICs) are due on the earnings of employees under State Pension Age. They are made up of contributions deducted from employees' pay (employee National Insurance) and contributions paid by the employer (employer National Insurance).

They are charged on a per pay-period basis on earnings whose value exceeds a threshold (e.g. £155 per week for 2015-16). The employer deducts employee contributions automatically from pay, and accounts to HMRC for these and employer NICs.

Class 4 NICs are charged on self-employment profits in excess of an annual threshold. The rates and thresholds are set each year.

https://www.gov.uk/national-insurance/national-insurance-classes/

Tax credits

Tax credits are means tested benefits based on household circumstances. Entitlement is based on the following factors:

- age
- income
- hours worked
- number and ages of children
- childcare costs
- disability

For further information about who can claim please refer to the HMRC website:

https://www.gov.uk/browse/benefits/tax-credits

Tax credits are made up of:

Child Tax Credit (CTC). Income related support for children and qualifying young people aged 16-19 who are in full time non-advanced education or approved training into a single tax credit, payable to the main carer. Families can claim Child Tax Credit whether or not the adults are in work.

Working Tax Credit (WTC). In-work support for people on low incomes, with or without children. A family will normally be eligible for Working Tax Credit if it contains one of the following:

- a single person who is responsible for a child or young person and works at least 16 hours a week
- a couple who are responsible for a child or young person, and who jointly work 24 hours or more per week (N.B. one adult must be working for at least 16 hours)
- a person who is receiving or has recently received a qualifying sickness or disability related benefit and has a disability that puts them at a disadvantage of getting a job, and who works at least 16 hours per week, or
- a person who is aged 60 or over and works at least 16 hours per week.

If none of the above apply, then a person will still be eligible for WTC if they are aged 25 and over and work 30 hours or more per week, and on a low income.

Child Benefit

Child Benefit is paid to those responsible for children (aged under 16) or qualifying young people. The latter includes:

- those in full-time non-advanced education or (from April 2006) on certain approved vocational training courses and who are under 19, or are aged 19 and have been on the same course since their 19th birthday
- those entered for future external examinations, or are in the period between leaving education (or exams finishing) and the week containing the first Monday in September (or similar dates after Easter and in early January, if earlier), and are not in work (there are slight variations for Scotland)
- those aged under 18 who have moved directly from full-time education to being registered for work or training with the Careers service or with Connexions.

Awards are subject to residence criteria being satisfied.
For further information about who can claim please refer to the HMRC website:

http://www.hmrc.gov.uk/childbenefit/start/who-qualifies/index.htm

Methodology

a) Identifying individuals subject to income tax and Class 1 or Class 4 National Insurance

A sample of individuals subject to income tax and NICs for each tax year is drawn for the Survey of Personal Incomes (SPI) 2013-14. These are the same data used for income tax National Statistics.

The SPI is based on a sample of cases drawn from each of the following three operational computer systems:

> 1. The National Insurance and PAYE Service (NPS) system covers all employees and occupational pension recipients with a Pay As You Earn (PAYE) record. NPS replaced the Computerisation of PAYE (COP) system.
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> 2. The Computerised Environment for Self-Assessment (CESA) system covers people with self-employment, rental or untaxed investment income. It also covers those with higher incomes and other people with complex tax affairs. Where people have both NPS and CESA records, their CESA record is selected because it provides a more complete picture of their taxable income.
>
> 3. The Claims system covers people without NPS or CESA records who have had too much tax deducted at source and claim a repayment.

The samples are joined and the overlap removed. Information about each sample case is recorded including gender, age, income by type, allowances, deductions, tax and NICs and some item values are imputed where they are not reported in the tax system e.g. interest and dividends for basic rate cases in PAYE. For more details on data sources, methodology and published National Statistics[1].

Based on the reported incomes and allowances, a calculation of the income tax liability and Class 1 and Class 4 NIC liabilities is undertaken by applying the rates and thresholds that apply for the tax year.

Statistics include all individuals who have a record in the PAYE system within the tax year, or require a Self-Assessment return in the tax year.

Income tax payers are those for whom the calculated income tax liability is greater than zero. National Insurance contribution payers are those who have a non zero calculated liability to either Class 1 or Class 4 National Insurance.

b) Identifying tax credits recipients

Families in receipt of tax credits are identified using HMRC's administrative tax credit data for 2013-14. These are the same data that were used to produce the National Statistics Publication *Child and Working Tax Credits Statistics: Finalised annual awards 2013-14* by HMRC.[2] The finalised awards relate to the complete retrospective picture for the year, based on a finalised view of family incomes and circumstances. HMRC's data identify the NINOs of all adults in tax credits recipient families. To

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[1]

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503472/SPI_National_Statistics_T3_1_to_T3_11.pdf

[2] https://www.gov.uk/government/collections/personal-tax-credits-statistics

make the tax credits data comparable to the income tax, NICs and Child Benefit data, all of which are individual, not family level, data, couple households have been split into two adults with each adult's tax credits entitlement equal to half the family's total tax credit entitlement.

c) Identifying Child Benefit recipients

Individuals in receipt of Child Benefit are identified using HMRC's administrative Child Benefit data for 2014. These are the same data that were used to produce the National Statistics Publication *Child Benefit Statistics Geographical Analysis August 2014*[3]. HMRC data identify the NINOs of the main-claimant adults in Child Benefit recipient families. The statistics are as close to real-time as possible and represent the complete picture as at 31st August, excluding back-dated awards relating to new births. Importantly, HMRC data only identify the NINOs of the main-claimant adults in Child Benefit recipient families, and therefore partners in couple families are not taken into account in the analyses.

d) Identifying nationality

The Department for Work and Pensions (DWP) operate the National Insurance Number (NINO) Allocation Service which collects evidence of identity and allocates a NINO. This information is lodged with HMRC's National Insurance and PAYE Service (NPS).

To produce the statistics in this report a data extract comprising NINO, nationality, UK arrival date and NINO registration date was matched by NINO to:

- HMRC's Survey of Personal Incomes (SPI), which is a sample of individuals who could be liable to income tax and NICs, and
- HMRC's administrative data on tax credits and Child Benefit recipients 2013-14.

Individuals are allocated to non-UK country groupings based on their nationality when they registered as adults for a NINO in the UK. Non-UK nationalities are assigned to country groupings according to whether their nationality is associated with a country which is part of that group. These are consistent with new country groupings for the European Economic Area (EEA) used by the ONS since 2014 for migration statistics[4].

The EEA consists of the 28 countries of the EU plus Iceland, Liechtenstein and Norway. UK is excluded from the EEA definition here. Swiss nationals are treated as EEA nationals for immigration purposes and so have also been included in the EEA country grouping.

e) Identifying recently arrived non-UK nationals

For the purpose of this document, 'recently arrived' is defined as arrival at some time within the previous 4 years, that is between 6 April 2010 and 5 April 2014. The earlier of either the self-reported arrival date or NINO registration date has been used to estimate recently arrived non-UK nationals.

f) Calculating the net contribution

The net contribution in this report is the total amount of income tax and NICs that non-UK nationals are liable for minus the amount of tax credits or Child Benefit they receive.

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[3] https://www.gov.uk/government/collections/child-benefit-geographical-statistics
[4] Country Groupings in International Migration Statistics, 2014
http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/country-groupings-in-international-migration-statistics/index.html

Results: Non-UK nationals at point of registration for National Insurance (based for the 2013-14 tax year)

	Recently arrived EEA nationals
Total income tax and National Insurance Contributions (£bn)	£3.11
Total HMRC benefit paid (£bn)	£0.56
Total net fiscal contribution	£2.54

Notes

Estimates follow the rounding conventions and disclosure policies for National Statistics compiled from sample cases in Survey of Personal Incomes. In particular, amounts are in £billions rounded to 2 significant figures.

For the tax year 2013-14 (6th April 2013 to 5th April 2014) it is estimated that recently arrived European Economic Area (EEA) nationals were subject to £3.11bn income tax and National Insurance contributions (NICs). This is the total amount of income tax and NICs that EEA (other than British citizen) nationals are liable for. If we take into account the amount of tax credits or Child Benefit they receive (£566m), the net fiscal contribution is £2.54bn.

Description of the data

Nationality, UK arrival date and NINO registration date information for non-UK nationals at the time of their NINO registration sourced from HMRC's NPS is robust and used for National Statistics after 2002.

These statistics provide an estimate of the number of individuals currently being liable to income tax and NICs or claiming tax credits or Child Benefit who, when they first registered for a NINO, were non-UK nationals. This approach is consistent with the established approach to identify the nationality of benefit claimants in existing Official Statistics series[5].

HMRC's tax credits data identify the NINOs of all adults in tax credits recipient families. In order to make the tax credits data comparable to the income tax, NICs and Child Benefit data, which are all based on an individual and not family level, couple households have been split into two adults and each adult's tax credits entitlement is equal to half the family's total tax credits entitlement.

Contact point

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[5] Nationality at point of NINO registration of DWP working age benefit recipients: data to Feb 15
https://www.gov.uk/government/statistics/nationality-at-point-of-nino-registration-of-dwp-working-age-benefit-recipients-data-to-feb-2015