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Income Tax Liabilities Statistics



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About these statistics

This is a National Statistics publication produced by HM Revenue and Customs. However, statistics for years 2008-09 and later are projections and fall outside the scope of National Statistics (see Annex B). For more information on National Statistics and governance of statistics produced by public bodies please see the UK Statistics Authority website (www.statisticsauthority.gov.uk).

The tables in this publication provide breakdowns of the number of individual income taxpayers and income tax liabilities by taxpayer's age and gender, marginal rate of tax, income source, tax band, and Country and Government Office Region.

New or updated statistics in this release

These statistics were published on the 28th January 2011 giving updates to the projected figures for 2008-09 to 2010-11 using economic assumptions reflecting the economic forecast published by the Office for Budget Responsibility (OBR) on 29th November 2010. There are no changes to the National Statistics published in these tables for tax years 2007-08 and earlier. The next scheduled release will be in April or May 2011, when projections for 2008-09 to 2010-11 will be updated using economic assumptions consistent with OBR forecast produced for Budget 2011, and new projections for 2011-12 released for the first time. In accordance with the Code of Practice for official statistics, the exact date of publication will be given not less than one calendar month before publication on both the HMRC website and Office for National Statistics publication hub.

Note that the statistics published in this release would normally have been based on newly released survey data for 2008-09, and statistics for 2008-09 would be National Statistics outturns. Due to a delay in the compilation of the Survey of Personal Incomes (see separate announcement¹) statistics for 2008-09 continue to be projections and all projections continue to be based on the SPI 2007-08 as with the last release of these statistics. We will publish statistics for 2008-09 that are not projections, and therefore will be National Statistics, when the survey data becomes available. We expect this to be in Autumn 2011.

We have also published alongside this publication an extended time series for Table 2.1 showing number of taxpayers from year 1978-79, and also Table 2.2 showing taxpayers by country. These historical data were last published in previous paper copies of Inland Revenue Statistics. To make the data more readily accessible we have republished this data in this release with Excel tables available on our website:

http://www.hmrc.gov.uk/stats/income_tax/table2-1a.xls

http://www.hmrc.gov.uk/stats/income_tax/table2-2a.xls

¹ <http://www.hmrc.gov.uk/stats/delay-sept10.htm>

SECTION 1: Introduction

What is income tax?

Income tax is an annual tax on an individual's income for a tax year (6th April to the 5th April the following year). It is the UK Government's largest single source of tax revenue.

Most sources of income are liable for income tax and adding all these sources together will give an individual's total income assessable for tax for the tax year. There are some sources of income that are not liable for tax and will not contribute towards an individual's taxable income. These sources include some social security benefits and income from some tax efficient savings vehicles (e.g. Individual Savings Accounts and some National Savings & Investment products). Tax reliefs are available for contributions to pension schemes and donations to charities.

Since April 1990 the UK has had a system of independent taxation. This means that the tax liability for each taxpayer is based solely on their own income and circumstances, and the income of spouses or partners or other family members has no effect on the total tax paid by an individual. The family circumstances of an individual also has no effect on the amount of income tax that they are liable for. The exception to this is for married couples or civil partnerships who are living together where at least one spouse or partner was born before 6th April 1935, who can still claim Married Couples Allowance.

Taxpayers receive an allowance for an amount of income they can receive without tax being charged on it, although from 2010-11 this is reduced or fully withdrawn for taxpayers with high incomes. This allowance is dependent on the individual's age and income. Individuals aged 65 – 74, and 75 and over receive higher allowances than those aged under 65, although this is reduced by £1 for every £2 above the income limit (£22,900 for 2010-11) (but as a general rule not below the amount of the personal allowance for someone aged under 65). All individuals, regardless of their age, with an income above £100,000 have their allowance reduced by £1 for every £2 of the excess until it is withdrawn completely. People who are registered as blind in England and Wales, or who in Scotland and Northern Ireland cannot do any work for which eyesight is essential, can claim blind person's allowance.

The rate of tax charged on a given £1 of income depends on the source of that income and the individual's total income for the tax year. There are three different sources of income for tax purposes:

- Income other than savings and dividends, hereafter referred to informally as "earnings", which includes earnings from employment, but also profits from self-employment, pensions, taxable benefits and income from property

- Savings income (e.g. bank and building society interest)
- Dividends

The general rule is that income is taxable at one of the main rates of income tax (the basic rate, the higher rate and from 2010-11 the additional rate). There are alternative rates of tax for dividends that would otherwise be taxable at one of the main rates.

For each of these income sources there are different tax bands and rates of tax as shown in the table:

Income tax rates 2010-11 by type of income and tax band

Source	Starting rate for savings ¹	Basic rate	Higher rate	Additional rate
Taxable income after allowance	£0 - £2,440	£0 - £37,400	£37,401 - £150,000	More than £150,000
Earnings ²	-	20%	40%	50%
Savings	10%	20%	40%	50%
Dividends ³	-	10%	32.5%	42.5%

1 The starting rate for savings is a special rate of tax for savings income only. It is only available to the extent that the individual's taxable income from earnings does not exceed the starting rate limit.

2 Includes all taxable income not defined as savings or dividend income.

3 Dividends are paid with a non-reclaimable 10 per cent tax credit that satisfies the tax liability for dividends taxable at the basic rate.

Income tax works on a stack basis. This means that "earnings" income is taxed first, then savings income is taxed, and then dividend income is taxed. Some examples using 2010-11 rates and allowances are provided below:

Example 1: Higher rate taxpayer with only earnings of £47,000

Earnings:	£47,000
<i>Deduct</i>	
Personal Allowance	£6,475
Taxable Income	£40,525

The first £37,400 of taxable income is taxed at the basic rate, any remaining taxable income up to £150,000 is taxed at the higher rate and any taxable income above £150,000 is taxed at the additional rate.

Amount taxed at Basic Rate	£37,400	@ 20 per cent = £7,480
Amount taxed at Higher Rate	(£40,525 - £37,400)	@ 40 per cent = £1,250
Total income tax liability		£8,730

Example 2: Individual with earnings of £6,750 and interest from savings of £1,000

Earnings:	£6,750
Interest from savings:	£1,000

Earnings is the bottom slice of taxable income and so deduct as much as the Personal Allowance as possible from earnings first and tax any earnings left
Earnings taxed at basic rate (£6,750 - £6,475) @ 20 per cent = £55

Income from savings is the second slice of taxable income. Taxable income so far is £275. We have £1,000 of income from savings which all falls within the starting rate band for savings income.

Savings taxed at starting rate £1,000 @ 10 per cent £100

Total income tax liability £155

Example 3: Individual with earnings of £40,000, interest from savings of £2,000 and income from dividends of £4,000

Earnings:	£40,000
Interest from savings:	£2,000
Income from dividends:	£4,000

Earnings is the bottom slice of taxable income and so deduct as much as the Personal Allowance as possible from earnings first and tax any earnings left
Earnings taxed at basic rate (£40,000 - £6,475) @ 20 per cent = £6,705

Income from savings is the second slice of taxable income. Taxable income so far is £33,525. The £2,000 of savings income all falls within the basic rate band as it will take taxable income up to £35,525 which is below the £37,400 basic rate limit.

Savings income taxed at basic rate £2,000 @ 20 per cent £400

Income from dividends is the final slice of taxable income. Taxable income so far is £35,525. There is £4,000 of dividend income but there is only £1,875 of the basic rate band left (£37,400 - £35,525) so £1,875 of dividend income will be taxed at the basic rate and the rest at the higher rate.

Dividend income taxed at basic rate £1,875 @ 10 per cent £188

Dividend income taxed at higher rate £2,125 @ 32.5 per cent £691

Total income tax liability £7,983

Note that a dividend tax credit exists covering tax liabilities due on dividends income at 10%. Statistics on dividends tax and therefore total tax in this release are measured on a liabilities basis, i.e. gross of the dividends tax credit, as in example 3 above.

An individual's tax liabilities may be reduced by further allowances given as income tax reductions, e.g. Married Couple's Allowance. More information on income tax is available from the HMRC website², and a short glossary of technical terms used in this release is provided at Annex C.

² <http://www.hmrc.gov.uk/incometax/basics.htm>

How income tax is collected is dependent on the type of the income an individual has and the total income of that taxpayer. For most individual taxpayers, income tax on employment income or occupational pensions is collected through Pay As You Earn (PAYE) where income tax is calculated and deducted from the taxpayer's pay or pension before being paid over directly to HMRC by the employer or pension provider. Tax on savings income is usually deducted at source by banks or building societies at the basic rate, with additional income tax due for higher and additional rate taxpayers being collected either through PAYE (via a change in tax code) or through Self Assessment.

Taxpayers with high levels of income or who are self-employed will be required to pay any additional tax due through Self Assessment (SA). There are lags between when taxes collected through SA are received and when the corresponding tax liabilities arise. This is because the majority of tax collected through SA is not usually paid until the year after the liability arises.

Recent changes to income tax

The personal allowance and most income tax limits are statutorily increased each year with the annual increase in the Retail Price Index (RPI) for September in the previous year. The Government may also legislate to introduce other changes to allowances and limits to over-ride indexation, or introduce changes to income tax rates and structures.

The main recent changes can be summarised as follows:

- In 2008-09, the basic rate of income tax was reduced from 22 per cent to 20 per cent and the 20 per cent savings rate was abolished. The 10 per cent starting rate for savings was introduced. The personal allowance was increased by £600 above indexation, and the personal allowances for those aged 65-74 and 75 and over were increased by £1,180 above indexation. The basic rate limit was reduced by £1,200 after indexation.
- In 2009-10, the personal allowance was increased by £130 above indexation and the basic rate limit was increased by £800 above indexation.
- In 2010-11, all existing allowances and limits remained at their 2009-10 levels, reflecting the annual change in the RPI being negative in the previous September.

Additionally, two changes to the structure of income tax came into effect: the first was the introduction of a new tax rate, the additional tax rate, set at 50 per cent for taxable income over £150,000 (42.5 per cent for dividends); the second reduces the personal allowance by £1 for every £2 of taxable income above £100,000 until fully withdrawn, regardless of the individual's age.

For details of current and historic income tax allowances and rates see [tables A1 to A4](#)³.

³ http://www.hmrc.gov.uk/stats/tax_structure/menu.htm

What does this publication tell me?

All the statistics in this publication, except for table 2.7, are based on modelled income tax liabilities based on taxpayer survey information. Due to lags in the collection of income tax for some individuals, particularly for the self-employed and taxpayers with very high incomes within SA, these statistics do not show the amount of tax that is collected in any particular year, and will not match HMRC's published statistics on income tax receipts or the OBR's published forecasts of tax receipts. The main purpose of this publication is to provide breakdowns of taxpayer numbers and tax liabilities, e.g. by taxpayer's gender, age or marginal rate, that are not readily available on a receipts basis.

Statistics up to 2007-08 are National Statistics based on a sample of administrative data for the relevant tax year (Survey of Personal Incomes, SPI). SPI data is not yet available for analysis for years 2008-09 and later, and all statistics for these years are projections based on the SPI data for 2007-08. These projections fall outside the scope of National Statistics. Tax liabilities are modelled using the HM Revenue and Customs Personal Tax Model. Annex B describes the data sources and modelling and projections methodologies in more detail.

The statistics show for each tax band how many taxpayers have their highest income tax rate at that band and the total and average income tax liabilities for those taxpayers, with various breakdowns including by income, income source, age, gender and country and Government Office Region. It also shows how income and income tax are spread over the income distribution.

Who might be interested?

These tables are likely to be of interest to policy makers in government, academics, 'think-tanks' and other research bodies and journalists. They would be of use to individuals or organisations interested in the number of taxpayers and tax liabilities in total, and the distributions of numbers and amounts, for example by taxpayer marginal rate or tax band. Users interested in the spread of income or income tax liabilities across the taxpayer income distribution may also be interested in these tables.

User engagement

We are committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so we can improve our official statistics and identify gaps in the statistics that we produce. If you would like to comment on these statistics or have any enquiries on the statistics please contact the statistical contents named at the end of this section.

Alternatively we would welcome any views you have using the link to the feedback form below. We will undertake to review user comments on a quarterly basis and use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals.

<http://www.hmrc.gov.uk/stats/user-engagement.htm>

Publication and revision strategy

These statistics are published twice yearly, usually within two calendar months after the OBR's Budget and autumn economic forecasts. Release dates will be announced on the UK Statistics Hub and the HMRC National Statistics release schedule. Any delays to the publication date will be announced on the HMRC National Statistics website.

The outturn statistics will be revised only if an error is discovered in the survey data or modelling. Projections, which are not National Statistics, will be revised on each publication until the sample of administrative data for that year is available for analysis.

Statistical contacts

Enquiries about statistics on income tax distributions and liabilities should be directed to the statisticians responsible for these statistics:

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SECTION 2: Income Tax Liabilities Statistics and Distributions

The statistics in Section A (Tables 2.1 to 2.6) provide analyses of income tax payers and income tax liabilities in the United Kingdom.

These statistics are based on HMRC's annual Survey of Personal Incomes (SPI), a representative sample of UK income taxpayers. Individuals' income tax liabilities are modelled according to the information SPI provides on taxpayer incomes and relevant personal characteristics, e.g. age. The latest SPI outturn survey data is for the tax year 2007-08. Statistics for 2008-09 and later years are projections, and subject to revision. Data sources and methods are described in more detail in Annex B.

Summary of key statistics

The headline outturn statistics for taxpayers and income tax liabilities in 2007-08 are:

- There were 32.5 million individual income taxpayers in 2007-08, an increase of 700 thousand on the previous tax year (Table 2.1).
- Within the 2007-08 taxpayer total, 3.4 million (10.6%) were starting rate taxpayers, 1.1 million (3.3%) were "savers" rate taxpayers, 24.1 million (74.2%) were basic rate taxpayers, and 3.9 million (11.9%) were higher rate taxpayers (Table 2.1).
- Average rates of income tax⁴ due were 2.6% for starting rate taxpayers, 6.8% for "savers" rates taxpayers, 13.9% for basic rate taxpayers and 27.5% for higher rate taxpayers (Table 2.6).
- 4.2% of income tax liabilities were due on taxable incomes within the starting rate tax band, 55.4% in the basic rate band, and 40.4% in the higher rate band. (Table 2.6).
- The large majority of taxpayers (29.9 million or 92.2%) had total income below £50,000, with smaller numbers at high incomes, including 14 thousand with income of £1 million or more (Table 2.5).
- The richest 50% of taxpayers by income accounted for 77.9% of pre-tax incomes and 89.6% of tax liabilities; for the top 1% by income, shares in income and tax were 13.4% and 24.4% (Table 2.4).

⁴ Total income tax liabilities as a per cent of total income before deductions and tax allowances (see glossary – Annex C)

Projections for tax years to 2010-11 show:

- Taxpayer numbers are projected to fall to 30.6 million (Table 2.1).
- The proportion of taxpayers liable at higher rates of tax declines, to 10.0% for the higher rate, with a further 0.9% (275 thousand) estimated to be liable at the additional rate introduced in April 2010 (Table 2.1).
- Average rates of income tax fall to 12.6% for basic rate taxpayers in 2010-11 and to 27.0% for higher rate taxpayers in 2009-10.⁵ The average rate for additional rate taxpayers in 2010-11 is 40.3% (Table 2.6).
- The combined share of tax liabilities due at the higher and additional rates of tax is 41.8% in 2010-11 (Table 2.6).

⁵ Individuals with taxable incomes above £150,000 in 2010-11 become additional rate taxpayers, affecting projections for the remaining higher rate taxpayers in 2010-11.

Table 2.1 – Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2010-11 – shows how the number of individuals with positive income tax liabilities (taxpayers) has changed over time. The table begins in 1990-91, the year that independent taxation for all individuals was introduced in the UK; previously married couples were taxed jointly. The table provides separate breakdowns of the income taxpaying population over time by marginal tax rate, by gender and by age group.

Latest available SPI survey data shows an estimated 32.5 million taxpayers in 2007-08, of which 18.2 million (56.1%) were male, and 5.9 million (18.3%) above the State Pension Age of 65 for males and 60 for females. Comparable figures for the UK population aged 16 and over in 2007-08 are 48.6% male, and 19.0% above State Pension Age.⁶

An individual's marginal tax rate – the proportion of an extra pound of income that would be paid in income tax – depends on their total taxable income (income after deductions and tax allowances – see Glossary) and the make-up of that income.

In 2007-08, an estimated 24.1 million individuals, representing the large majority of all taxpayers (74.2%) had sufficient earnings to pay tax on that income at the basic rate of then 22%. A further 1.1 million (3.3%) had savings and/or dividends income within the basic rate band which attracted lower rates of tax ("savers" rate taxpayers). These compare with an estimated 3.9 million individuals (11.9%) liable for tax at the higher rate in 2007-08. At the other end of the income spectrum, total taxable income for a further 3.4 million taxpayers (10.6%) was below the starting rate limit in 2007-08, to which a rate of 10% then applied.

The number of taxpayers rose by 700 thousand in 2007-08 compared with the previous tax year, in line with increases in the previous two years, but above the trend since 1990-91. During periods of economic growth, numbers of income taxpayers tend to rise, as growth in earnings and other incomes usually exceeds annual price indexation of annual tax free allowances (a process known as fiscal drag), and also due to increases in employment. Fiscal drag also typically leads to increasing numbers of individuals liable for tax at the higher rate, which rose by an estimated 100 thousand in 2007-08 compared with the previous year.

Numbers liable to pay income tax may also be affected by income tax policy changes over and above the usual indexation of tax allowances and limits. There were no income tax policy changes introduced in 2007-08 that significantly impacted on estimated numbers of taxpayers.

The number of income taxpayers is projected to have fallen from 32.5 million in 2007-08 to 31.3 million in 2008-09 and 30.3 million in 2009-10, before recovering to 30.6 million in 2010-11. There were above indexation increases in personal allowances in 2008-09 (£600 for those aged under 65 and £1,180 for those aged 65 and over), and also 2009-10 (£130 for those aged under 65). Taxpayer numbers in this period are also likely to have been affected by the recession in

⁶ Derived from Office for National Statistics Mid Year Population Estimates for 2007 and 2008, <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=15106>

the UK economy. UK gross domestic product in volume terms fell by 6.4% between the first quarter of 2008 and the third quarter of 2009, subsequently rising by 2.6% by the third quarter of 2010.

The distribution of taxpayers by marginal tax rate is also projected to have changed significantly during this period. Estimated numbers liable at the higher rate fell from 3.9 million in 2007-08 (11.9% of the total) to 3.1 million in 2009-10 (10.3%). The basic rate limit was increased by £800 above inflation in 2009-10. The starting rate of tax was removed for earnings in 2008-09, leading to a significant decline in estimated numbers in that group to just 0.4 million.

The additional rate of tax was introduced in April 2010. A projected 275 thousand taxpayers are estimated to be liable at the additional rate in 2010-11.

Interpreting Table 2.1: The SPI is an annual cross section sample survey comprising a different sample of taxpayers each tax year. Changes in taxpayer numbers between years will in part reflect sampling variation.

Note also that there have been a number of methodological improvements to the SPI which are likely to cause some discontinuities in time-series estimates of taxpayer numbers in survey years up to 2007-08. The key changes are summarised in Annex B.

Classification of taxpayers by marginal tax rate is described in the detailed notes to the table and in Annex B. Note that the classification of taxpayers by marginal tax rate has changed over time reflecting changes in the structure of the income tax system.

Table 2.1a, in Annex A, provides previously published historical estimates of the number of taxpayers in the period 1978-79 to 1989-90, a period of joint income taxation of married couples. Statistics on numbers of taxpayers by marital or civil partnership status are not available for the more recent period as information on marriage and civil partnerships is not now routinely collected in the income tax system.

Table 2.2 – Number of individual income taxpayers by country and region, 1999-00 to 2010-11 – provides a breakdown of trends in individual taxpayer numbers by country and Government Office Region.

In 2007-08, the largest number of taxpayers are estimated to reside in South East (14.4% of the total), followed by London (12.4%) and the North West (10.8%) Government Office Regions. The region with the lowest number of taxpayers is Northern Ireland (2.5%), followed by the North East (4.1%) and Wales (4.6%). These rankings are mirrored in regional rankings for shares in the UK population aged 16 and over.

Within the taxpayer totals for 2007-08, there are three regions where the proportion of higher rate taxpayers exceeds the UK average (11.9%): London (18.4%), the South East (16.3%), and East of England (14.1%). By contrast, under-representation of higher rate taxpayers is most marked in Wales (7.6%), the North East (7.6%) and Northern Ireland (8.1%).

Numbers of taxpayers are estimated to have risen across all regions in 2007-08 compared with the previous year, except in the North East and Yorkshire and the Humber where reductions of 10,000 are estimated, though within typical sampling error margins.

Compared with the 2007-08 outturns, taxpayer numbers in 2010-11 are projected to be around 5-6% lower in all regions of the UK.

Interpreting Table 2.2: See notes on interpreting Table 2.1. Taxpayer country and region are determined by individuals' residential postcode.

Projections of taxpayer numbers by country and region beyond the 2007-08 outturns are based on economic assumptions for growth in employment and incomes in the UK as a whole, and should be regarded as illustrative in that they make no explicit allowance for migration or geographical variations in economic developments. Annex B provides further details.

2.1

Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2010-11

Numbers: thousands

Year	All taxpayers	Lower (1) or starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
1990-91	26,100	.	.	24,400	1,700	.	15,400	10,700	23,000	3,120	3,620
1991-92	25,700	.	.	24,100	1,620	.	15,100	10,600	22,800	2,930	3,590
1992-93	25,400	4,240	.	19,400	1,720	.	14,900	10,500	22,400	2,960	3,480
1993-94	25,000	5,390	.	17,900	1,740	.	14,600	10,300	22,000	3,040	3,570
1994-95	25,300	5,180	.	18,200	2,000	.	14,700	10,600	22,100	3,250	3,860
1995-96	25,800	5,770	.	18,000	2,130	.	15,000	10,800	22,500	3,320	3,970
1996-97	25,700	7,350	.	16,200	2,080	.	14,900	10,800	22,400	3,280	3,860
1997-98	26,200	7,690	.	16,400	2,120	.	15,200	11,000	22,800	3,390	4,000
1998-99	26,900	8,090	.	16,500	2,350	.	15,600	11,300	23,300	3,670	4,340
1999-00	27,200	2,280	950	21,400	2,510	.	15,500	11,700	23,600	3,580	4,220
2000-01	29,300	2,820	1,010	22,600	2,880	.	16,900	12,400	25,300	3,950	4,660
2001-02	28,600	3,030	860	21,700	3,000	.	16,400	12,200	24,500	4,090	4,780
2002-03	28,900	3,100	730	22,000	3,040	.	16,500	12,400	24,700	4,190	4,920
2003-04	28,500	3,220	730	21,600	2,960	.	16,100	12,400	24,500	3,950	4,700
2004-05	30,300	3,570	833	22,500	3,330	.	17,000	13,300	26,000	4,250	5,110
2005-06	31,100	3,490	866	23,100	3,590	.	17,600	13,500	26,900	4,160	5,100
2006-07	31,800	3,450	927	23,700	3,770	.	17,900	13,900	27,300	4,520	5,590
2007-08	32,500	3,440	1,070	24,100	3,870	.	18,200	14,200	27,700	4,790	5,930
2008-09 (8)	31,300	367	625	26,600	3,680	.	17,800	13,500	26,900	4,420	5,520
2009-10 (8)	30,300	296	591	26,200	3,130	.	17,300	13,000	25,900	4,350	5,410
2010-11 (8)	30,600	271	562	26,500	3,060	275	17,500	13,100	26,000	4,590	5,660

Source: Survey of Personal Incomes.

Table updated January 2011

Key

. not applicable

Footnotes at end of table 2.2

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region ⁽⁹⁾, 1999-2000 to 2010-11

Government Office Region (GOR)											Numbers: thousands
Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
England											
1999-00	22,900	1,910	800	18,000	2,230	.	13,100	9,860	19,900	3,040	3,570
2000-01	24,700	2,350	853	18,900	2,560	.	14,200	10,500	21,400	3,310	3,900
2001-02	24,200	2,530	733	18,300	2,660	.	13,900	10,300	20,700	3,450	4,030
2002-03	24,300	2,570	615	18,400	2,680	.	14,000	10,300	20,800	3,510	4,090
2003-04	23,800	2,660	618	17,900	2,610	.	13,500	10,300	20,500	3,300	3,920
2004-05	25,400	2,960	716	18,800	2,920	.	14,300	11,100	21,800	3,550	4,260
2005-06	26,000	2,890	737	19,200	3,130	.	14,700	11,300	22,500	3,460	4,230
2006-07	26,600	2,850	795	19,700	3,280	.	15,000	11,600	22,900	3,770	4,650
2007-08	27,100	2,850	904	20,000	3,360	.	15,200	11,900	23,100	3,970	4,910
2008-09 (8)	26,200	307	543	22,100	3,200	.	14,900	11,300	22,500	3,670	4,580
2009-10 (8)	25,300	250	513	21,800	2,720	.	14,500	10,800	21,700	3,610	4,490
2010-11 (8)	25,600	229	489	22,000	2,660	245	14,700	10,900	21,800	3,810	4,690
North East											
1999-00	1,090	106	33	890	56	.	629	457	935	150	177
2000-01	1,160	116	41	939	67	.	664	499	1,010	157	185
2001-02	1,180	147	36	927	66	.	682	494	1,010	169	198
2002-03	1,190	145	30	946	71	.	683	509	1,020	171	198
2003-04	1,170	139	28	933	75	.	686	489	1,020	159	186
2004-05	1,260	155	31	988	86	.	701	559	1,100	165	194
2005-06	1,250	149	30	978	89	.	708	538	1,090	151	181
2006-07	1,330	155	31	1,040	97	.	748	578	1,150	177	219
2007-08	1,320	151	36	1,030	101	.	732	587	1,130	186	233
2008-09 (8)	1,270	15	17	1,140	95	.	719	552	1,100	169	214
2009-10 (8)	1,230	11	18	1,120	77	.	697	530	1,060	167	210
2010-11 (8)	1,240	10	16	1,130	80	4	706	538	1,070	179	224

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)

Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
North West											
1999-00	3,080	335	111	2,420	216	.	1,740	1,340	2,700	380	458
2000-01	3,220	327	106	2,550	232	.	1,840	1,380	2,800	417	497
2001-02	3,190	368	93	2,480	250	.	1,830	1,360	2,750	431	507
2002-03	3,210	371	78	2,510	253	.	1,820	1,390	2,740	468	549
2003-04	3,160	393	84	2,430	253	.	1,770	1,390	2,720	438	519
2004-05	3,310	412	89	2,530	282	.	1,830	1,480	2,860	456	553
2005-06	3,360	405	88	2,570	298	.	1,880	1,480	2,920	438	539
2006-07	3,450	405	96	2,640	315	.	1,920	1,530	2,970	484	601
2007-08	3,490	398	111	2,660	317	.	1,920	1,570	2,980	507	633
2008-09 (8)	3,360	43	64	2,960	296	.	1,870	1,490	2,900	466	588
2009-10 (8)	3,250	34	61	2,900	248	.	1,820	1,430	2,790	460	577
2010-11 (8)	3,290	32	58	2,930	252	15	1,840	1,450	2,800	486	604
Yorkshire and the Humber											
1999-00	2,210	165	80	1,820	140	.	1,260	952	1,950	259	307
2000-01	2,390	254	90	1,890	157	.	1,380	1,010	2,090	296	351
2001-02	2,340	269	70	1,830	176	.	1,360	983	2,040	307	364
2002-03	2,360	285	59	1,840	179	.	1,380	986	2,050	314	370
2003-04	2,340	280	58	1,830	174	.	1,350	996	2,050	299	354
2004-05	2,430	306	65	1,860	200	.	1,380	1,050	2,100	325	389
2005-06	2,500	297	69	1,920	216	.	1,430	1,070	2,190	308	377
2006-07	2,590	306	75	1,980	231	.	1,470	1,120	2,250	341	418
2007-08	2,580	296	79	1,980	228	.	1,470	1,120	2,220	364	446
2008-09 (8)	2,480	26	44	2,200	216	.	1,430	1,060	2,150	333	411
2009-10 (8)	2,400	22	42	2,160	181	.	1,390	1,010	2,070	329	404
2010-11 (8)	2,430	19	42	2,180	183	11	1,410	1,020	2,080	349	424

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)											Numbers: thousands
Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
East Midlands											
1999-00	1,940	150	66	1,570	149	.	1,130	812	1,710	234	276
2000-01	2,080	217	71	1,620	169	.	1,200	876	1,810	268	318
2001-02	2,070	242	61	1,590	174	.	1,210	855	1,770	293	336
2002-03	2,090	223	51	1,640	182	.	1,230	867	1,810	285	332
2003-04	2,090	240	53	1,620	179	.	1,190	901	1,820	274	328
2004-05	2,190	263	62	1,660	204	.	1,260	932	1,890	297	357
2005-06	2,240	265	63	1,690	218	.	1,300	941	1,940	295	362
2006-07	2,300	260	68	1,750	224	.	1,320	986	1,980	318	395
2007-08	2,340	253	78	1,780	231	.	1,350	992	2,000	340	421
2008-09 (8)	2,260	26	44	1,970	219	.	1,320	939	1,950	312	390
2009-10 (8)	2,180	21	41	1,940	184	.	1,280	900	1,880	306	382
2010-11 (8)	2,210	20	38	1,950	187	11	1,300	910	1,890	325	400
West Midlands											
1999-00	2,380	200	75	1,930	174	.	1,370	1,010	2,080	301	354
2000-01	2,530	263	75	1,990	198	.	1,490	1,040	2,210	321	386
2001-02	2,500	275	66	1,960	205	.	1,460	1,050	2,180	329	391
2002-03	2,500	277	63	1,960	203	.	1,450	1,050	2,150	348	408
2003-04	2,490	305	58	1,930	204	.	1,430	1,070	2,170	327	392
2004-05	2,640	323	68	2,020	226	.	1,510	1,130	2,290	351	421
2005-06	2,640	312	71	2,020	236	.	1,510	1,140	2,310	338	415
2006-07	2,710	308	75	2,080	254	.	1,570	1,150	2,340	378	463
2007-08	2,750	299	87	2,110	256	.	1,570	1,180	2,360	390	474
2008-09 (8)	2,660	31	50	2,330	241	.	1,530	1,120	2,290	362	442
2009-10 (8)	2,560	26	48	2,290	201	.	1,490	1,070	2,210	355	433
2010-11 (8)	2,590	23	45	2,310	204	13	1,510	1,090	2,220	377	454

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)											Numbers: thousands
Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
East of England											
1999-00	2,530	173	100	1,970	292	.	1,510	1,020	2,190	339	393
2000-01	2,750	242	93	2,080	338	.	1,630	1,120	2,380	375	437
2001-02	2,720	257	80	2,030	354	.	1,610	1,120	2,310	409	468
2002-03	2,780	269	70	2,080	360	.	1,640	1,140	2,370	408	482
2003-04	2,740	295	71	2,020	351	.	1,570	1,170	2,350	386	459
2004-05	2,840	312	84	2,070	382	.	1,630	1,210	2,420	428	513
2005-06	2,980	316	93	2,160	408	.	1,720	1,260	2,550	429	524
2006-07	3,010	309	96	2,180	423	.	1,730	1,280	2,550	462	566
2007-08	3,070	314	109	2,220	435	.	1,770	1,310	2,590	486	608
2008-09 (8)	2,970	35	68	2,450	416	.	1,730	1,240	2,520	449	568
2009-10 (8)	2,870	28	66	2,420	354	.	1,690	1,180	2,430	443	557
2010-11 (8)	2,910	26	62	2,450	347	31	1,710	1,200	2,450	467	581
London											
1999-00	3,290	273	91	2,460	470	.	1,780	1,510	2,910	384	452
2000-01	3,610	304	111	2,630	566	.	1,980	1,630	3,190	426	501
2001-02	3,390	303	89	2,420	574	.	1,860	1,530	2,980	410	486
2002-03	3,420	311	71	2,470	572	.	1,880	1,540	3,010	409	481
2003-04	3,330	316	75	2,400	542	.	1,830	1,500	2,960	376	454
2004-05	3,740	396	88	2,620	631	.	2,030	1,710	3,340	401	493
2005-06	3,790	368	85	2,670	673	.	2,090	1,710	3,410	385	483
2006-07	3,890	363	94	2,720	711	.	2,150	1,740	3,470	417	523
2007-08	4,030	391	109	2,790	743	.	2,230	1,800	3,590	436	549
2008-09 (8)	3,900	38	72	3,070	714	.	2,170	1,730	3,490	404	514
2009-10 (8)	3,760	32	68	3,040	622	.	2,100	1,660	3,360	397	503
2010-11 (8)	3,800	29	66	3,050	566	87	2,120	1,680	3,380	419	527

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)

Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
South East											
1999-00	3,990	287	134	3,030	543	.	2,280	1,720	3,420	572	657
2000-01	4,340	355	151	3,220	618	.	2,530	1,810	3,700	635	742
2001-02	4,240	382	140	3,090	634	.	2,430	1,810	3,580	664	775
2002-03	4,140	389	113	3,010	633	.	2,390	1,760	3,480	666	769
2003-04	3,990	403	113	2,870	609	.	2,270	1,720	3,360	632	741
2004-05	4,330	464	133	3,070	669	.	2,430	1,910	3,650	684	815
2005-06	4,500	458	143	3,170	722	.	2,540	1,950	3,820	680	825
2006-07	4,580	440	154	3,240	745	.	2,570	2,010	3,850	727	894
2007-08	4,660	434	177	3,290	758	.	2,590	2,070	3,900	763	938
2008-09 (8)	4,510	52	113	3,620	726	.	2,550	1,970	3,800	715	885
2009-10 (8)	4,370	47	102	3,590	625	.	2,480	1,890	3,660	703	868
2010-11 (8)	4,420	43	98	3,610	605	59	2,510	1,910	3,680	735	900
South West											
1999-00	2,410	223	111	1,880	192	.	1,370	1,030	1,990	417	491
2000-01	2,590	270	115	1,990	216	.	1,500	1,100	2,180	415	484
2001-02	2,550	288	98	1,940	221	.	1,450	1,090	2,110	442	506
2002-03	2,570	295	79	1,980	223	.	1,500	1,080	2,140	438	505
2003-04	2,500	291	77	1,910	222	.	1,440	1,060	2,090	410	488
2004-05	2,620	326	96	1,950	245	.	1,480	1,140	2,180	441	520
2005-06	2,710	326	95	2,020	271	.	1,540	1,170	2,280	438	529
2006-07	2,760	308	105	2,060	285	.	1,560	1,200	2,290	467	572
2007-08	2,860	316	118	2,130	294	.	1,600	1,260	2,360	498	611
2008-09 (8)	2,750	41	71	2,370	275	.	1,570	1,190	2,290	458	567
2009-10 (8)	2,660	31	67	2,330	231	.	1,530	1,130	2,210	448	554
2010-11 (8)	2,700	28	63	2,360	232	15	1,550	1,150	2,220	472	577

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)							Numbers: thousands				
Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
Wales											
1999-00	1,200	104	58	971	69	.	711	492	1,030	170	205
2000-01	1,330	143	51	1,060	75	.	765	566	1,110	217	255
2001-02	1,330	145	40	1,060	79	.	768	557	1,130	198	232
2002-03	1,360	162	36	1,070	83	.	780	575	1,140	218	262
2003-04	1,340	169	37	1,050	85	.	762	578	1,140	200	239
2004-05	1,410	186	37	1,090	98	.	802	606	1,180	223	268
2005-06	1,450	178	37	1,130	107	.	825	627	1,230	222	269
2006-07	1,480	178	40	1,150	112	.	837	643	1,240	240	295
2007-08	1,510	176	51	1,170	115	.	852	655	1,250	257	316
2008-09 (8)	1,450	21	26	1,290	109	.	829	617	1,210	236	291
2009-10 (8)	1,390	16	24	1,260	90	.	805	589	1,160	232	286
2010-11 (8)	1,420	14	23	1,280	93	4	817	598	1,170	245	299
Scotland											
1999-00	2,270	190	71	1,850	167	.	1,290	984	1,990	288	344
2000-01	2,490	246	84	1,970	193	.	1,420	1,070	2,160	326	389
2001-02	2,450	266	67	1,910	213	.	1,350	1,110	2,120	330	393
2002-03	2,490	274	59	1,940	216	.	1,360	1,130	2,150	340	411
2003-04	2,470	281	59	1,930	207	.	1,350	1,130	2,150	326	394
2004-05	2,570	308	61	1,970	237	.	1,400	1,180	2,230	344	425
2005-06	2,650	294	63	2,030	261	.	1,440	1,200	2,310	341	423
2006-07	2,700	289	66	2,070	276	.	1,470	1,230	2,330	372	465
2007-08	2,780	283	73	2,140	288	.	1,500	1,280	2,380	398	499
2008-09 (8)	2,680	26	39	2,340	276	.	1,470	1,220	2,320	365	464
2009-10 (8)	2,600	18	37	2,310	232	.	1,430	1,170	2,240	361	457
2010-11 (8)	2,630	17	36	2,330	234	14	1,440	1,180	2,250	381	476

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2010-11

continued

Government Office Region (GOR)

Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
Northern Ireland											
1999-00	638	58	18	526	36	.	347	291	579	59	73
2000-01	666	64	17	545	40	.	375	291	595	71	83
2001-02	552	66	11	434	41	.	318	235	486	66	79
2002-03	629	72	13	500	44	.	347	282	546	83	99
2003-04	701	79	12	562	48	.	385	316	624	77	98
2004-05	746	88	10	597	52	.	411	335	661	85	107
2005-06	773	87	16	612	59	.	436	338	688	86	105
2006-07	785	85	15	623	63	.	439	346	703	82	101
2007-08	801	82	22	632	65	.	450	351	706	95	118
2008-09 (8)	775	8	9	696	62	.	439	336	686	89	111
2009-10 (8)	748	8	8	682	51	.	427	321	661	87	108
2010-11 (8)	759	8	7	689	51	4	433	326	667	92	114

Source: Survey of Personal Incomes.

Table updated January 2011

Key

. not applicable

Footnotes for tables 2.1 and 2.2

(1) Taxpayers with total taxable income below the lower rate limit and some taxpayers whose savings and dividend income took them above the lower rate limit. From 1993-94 until 1998-99 a number of taxpayers with taxable income in excess of the lower rate limit only paid tax at the lower rate. This was because it was only their dividend income and (from 1996-97) their savings income which took their taxable income above the lower rate limit, and such income was chargeable to tax at the lower rate and not the basic rate.

(2) In 1999-2000 the starting rate replaced the lower rate. Between 1999-2000 and 2007-08 taxpayers with total taxable income below the starting rate limit. From 2008-09 taxpayers with no taxable earnings and total taxable income from savings below the starting rate limit.

(3) Taxpayers with no taxable earnings and total taxable income from savings and dividends between the starting or lower rate limit and the basic rate limit. Before 1999-2000 these taxpayers would have been classified as lower rate taxpayers.

(4) Between 1999-2000 and 2007-08 taxpayers whose total taxable income is between the starting rate limit and basic rate limit and includes income from earnings or income taxed as earnings. From 2008-09 taxpayers whose income includes earnings or other income taxed as earnings and with total taxable income below the basic rate limit.

(5) Before 2010-11 taxpayers with total taxable income above the basic rate limit. From 2010-11 taxpayers with total taxable income between the basic rate limit and the higher rate limit.

(6) Taxpayers with total taxable income above the higher rate limit.

(7) Taxpayers aged 65 years or older for men and 60 years or older for women in 2009-10. The female State Pension Age is being increased gradually from April 2010 to be equalised with the male State Pension Age by November 2018. The female State Pension Age for the purposes of this table in 2010-11 is 60 years 6 months.

(8) Projected estimates based upon the 2007-08 Survey of Personal Incomes using economic assumptions consistent with the OBR's November 2010 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

(9) Some UK taxpayers reside abroad, or region is not known (255,000 in 2007-08). Sum of taxpayer numbers across countries and regions in Table 2.2 therefore will not match UK total shown in Table 2.1.

Table 2.4 – Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2010-11 – shows how the distributions of income and tax liabilities have evolved since 1999-00. Shares in total income provide one measure of how equally income is distributed across the taxpaying population. Shares of total tax liabilities for different income groups reflect both the underlying distribution of incomes assessable for tax and also the progressivity of the income tax system.

Taxpayers in the top half of the before tax income distribution (richest 50%) accounted for a 77.9% share of total income before tax in 2007-08, compared with a 22.1% share for those in the bottom half of the income distribution.

Shares in total tax liabilities of high income groups are larger than for incomes, reflecting the progressive structure of the income tax system. Taxpayers in the top half of the income distribution accounted for 89.6% of income tax liabilities in 2007-08, compared with 10.4% for the bottom half.

Distributions of income and tax liabilities become progressively more unequal moving towards the very top end of the income distribution. Shares of total income before tax and tax liabilities for the highest 10% of the taxpayer population by income were 36.0% and 54.3% respectively in 2007-08, rising to 13.4% and 24.4% for the richest 1% by income.

Table 2.4 shows that the distribution of total income among taxpayers has tended to become less equal over time. The income share for the richest 50% of taxpayers has risen by 0.2 percentage points a year on average between 1999-00 and 2007-08, with larger average gains for richer percentile groups. Developments in 2007-08 were consistent with this trend, with income shares for those in the top half of the distribution rising compared with the previous year, particularly for the richest 10% of taxpayers.

Projections of income shares across the taxpayer income distribution for 2008-09 to 2010-11 should be considered illustrative, as projection of incomes for all taxpayers generally take account only of average UK growth in incomes during this period, whereas growth in income has tended to be stronger for higher income individuals in the period to 2007-08.

The projected reductions in income shares for the high income percentile groups between 2007-08 and 2010-11 reflect a number of factors including the projected decline in taxpayer numbers over the same period⁷, and relatively low growth in some income sources (e.g. savings and dividends) that represent a larger share in total incomes for higher income groups.

Interpreting Table 2.4. The table relates to taxpayers only, as the SPI survey is only fully representative of UK taxpayers. The table does not provide a complete picture of individual income equality in the UK due to the exclusion of non taxpayers, and because the SPI records only those incomes that are assessable for tax (e.g. a range of non-taxable social security benefits and tax credits are not included). Taxpayers are ranked on the basis of total income assessable for tax

⁷All other things equal, a reduction in taxpayer numbers overall will move some higher income taxpayers into lower percentile groups, reducing income shares for richer percentile groups.

(earnings, savings and dividends incomes) before any deductions (e.g. pension contributions) and tax allowances, and then divided into specific groups (e.g. lowest and highest 50% by total income).

2.4 Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2010-11

Taxpayers only

Percentage

Percentile Groups (ranged on total income before tax)	Lowest				Lower	Higher	Highest			
	1%	5%	10%	25%	50%	50%	25%	10%	5%	1%
Share of Total Income										
Before Tax										
1999-00	0.2	1.3	2.8	8.9	23.8	76.2	53.4	32.9	23.3	11.0
2000-01	0.2	1.2	2.7	8.5	23.2	76.8	54.1	33.7	24.0	11.5
2001-02	0.2	1.2	2.7	8.6	23.4	76.6	53.9	33.4	23.7	11.1
2002-03	0.2	1.2	2.7	8.6	23.5	76.5	53.7	33.1	23.3	10.8
2003-04	0.2	1.2	2.7	8.5	23.3	76.7	53.9	33.3	23.6	11.0
2004-05	0.2	1.2	2.7	8.4	22.9	77.1	54.4	33.6	23.8	11.3
2005-06	0.2	1.2	2.6	8.3	22.4	77.6	55.3	34.8	25.1	12.2
2006-07	0.2	1.2	2.6	8.2	22.2	77.8	55.8	35.5	25.8	12.9
2007-08	0.2	1.1	2.5	8.1	22.1	77.9	56.1	36.0	26.4	13.4
2008-09 (1)	0.2	1.2	2.7	8.6	22.8	77.2	55.4	35.6	26.1	13.3
2009-10 (1)	0.2	1.3	2.8	8.8	23.1	76.9	55.1	35.2	25.8	13.1
2010-11 (1)	0.2	1.3	2.8	8.8	23.1	76.9	54.8	34.8	25.2	12.4
After Tax										
1999-00	0.3	1.5	3.4	10.2	26.4	73.6	50.0	29.3	19.9	8.8
2000-01	0.3	1.5	3.2	9.9	25.8	74.2	50.6	29.8	20.4	9.2
2001-02	0.3	1.5	3.2	9.9	26.0	74.0	50.3	29.5	20.0	8.9
2002-03	0.3	1.5	3.2	10.0	26.1	73.9	50.1	29.2	19.7	8.6
2003-04	0.3	1.4	3.2	9.8	25.9	74.1	50.4	29.5	20.1	8.9
2004-05	0.3	1.4	3.2	9.8	25.5	74.5	50.8	29.7	20.3	9.1
2005-06	0.3	1.4	3.1	9.6	25.1	74.9	51.7	30.8	21.3	9.9
2006-07	0.3	1.4	3.1	9.6	24.9	75.1	52.1	31.4	22.0	10.5
2007-08	0.2	1.4	3.1	9.5	24.8	75.2	52.4	31.8	22.5	10.9
2008-09 (1)	0.3	1.5	3.2	9.9	25.3	74.7	51.9	31.4	22.1	10.7
2009-10 (1)	0.3	1.5	3.3	10.1	25.6	74.4	51.5	31.2	21.9	10.5
2010-11 (1)	0.3	1.5	3.3	10.2	25.8	74.2	50.9	30.1	20.7	9.2
Share of Total Tax										
1999-00	-	0.1	0.3	2.4	11.6	88.4	69.5	50.3	39.6	21.3
2000-01	-	0.1	0.3	2.2	11.3	88.7	70.3	51.5	40.7	22.2
2001-02	-	0.1	0.3	2.2	11.1	88.9	70.8	51.9	40.8	21.8
2002-03	-	0.1	0.3	2.2	11.1	88.9	70.5	51.5	40.2	21.0
2003-04	-	0.1	0.3	2.2	11.2	88.8	70.1	50.9	39.8	20.8
2004-05	-	0.1	0.3	2.1	10.8	89.2	70.7	51.4	40.3	21.4
2005-06	-	0.1	0.3	2.1	10.6	89.4	71.5	52.9	41.9	22.7
2006-07	-	0.1	0.3	2.1	10.5	89.5	71.8	53.5	42.6	23.5
2007-08	-	0.1	0.3	2.1	10.4	89.6	72.2	54.3	43.4	24.4
2008-09 (1)	-	0.1	0.6	2.8	11.4	88.6	71.7	54.6	44.0	24.9
2009-10 (1)	-	0.1	0.6	2.8	11.4	88.6	71.5	54.3	44.0	25.1
2010-11 (1)	-	0.1	0.5	2.6	11.0	89.0	72.3	55.5	45.3	26.6

Source: Survey of Personal Incomes.

Table updated January 2011

Key

- negligible

Footnotes for table

2.4

(1) Projected estimates based upon the 2007-08 Survey of Personal Incomes using economic assumptions consistent with the OBR's November 2010 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

Table 2.5 – Income tax liabilities, by income range, 2007-08 to 2010-11 – shows numbers of taxpayers and their tax liabilities by income range and marginal rate for tax years 2007-08 (outturn statistics) to 2010-11 (projections). Analysis by income range provides a snapshot of the distribution of taxpayer incomes in a given tax year. Analysis by marginal rate provides a snapshot of the tax liabilities of e.g. basic and higher rate taxpayers in a given tax year.

In 2007-08, an estimated 5.7m taxpayers (17.5% of the total) had total income below £10,000, while 12.0 million (37.1%) had total income between £10,000 and £20,000, and 12.2 million (37.6%) had total income between £20,000 and £50,000. Combined these groups accounted for 92.2% of all taxpayers in 2007-08.

Numbers of taxpayers with total incomes above £50,000 in 2007-08 are estimated to be much smaller by comparison at 2.5 million (7.8%), though Table 2.5 shows that there are small numbers of taxpayers with very high incomes, including an estimated 14 thousand with incomes above £1,000,000. The distribution of taxpayers by total income therefore exhibits significant right skew.

Table 2.5 also shows total tax liabilities and average rates of income tax for taxpayers within these income groups. Average rates of tax rise with total income band, for example from 8.9% in 2007-08 for those with incomes between £10,000 and £15,000, to 17.1% (£30,000 to £50,000), 24.6% (£50,000 to £100,000), and 36.0% for those with incomes above £1,000,000.

The distribution of total tax liabilities by taxpayer's marginal rate shows significant differences compared with numbers in the taxpayer population. In 2007-08, higher rate taxpayers (11.9% by number) accounted for 57.3% of total tax due whereas basic rate taxpayers (74.2% by number) accounted for 41.6% of total tax liabilities, and starting rate taxpayers (10.6% by number) accounted for just 0.4% of total tax liabilities.

Compared with 2007-08 outturns, numbers of taxpayers with total income below £10,000 are projected to fall by 2.1 million by 2010-11. The income tax personal allowance for those aged under 65 rose from £5,225 to £6,475 over this period. Numbers of income taxpayers in higher income bands are projected to remain more stable by comparison.

Average income tax rates are projected to fall between 2007-08 and 2010-11 for all income groups with total income below £100,000, reflecting increases in tax allowances and limits. Average tax rates for groups with incomes above £150,000 are projected to rise, particularly in 2010-11. The additional rate of income tax was introduced in April 2010 (50% for incomes other than dividends, and 42.5% for dividends) and also gradual withdrawal of personal allowances for those with taxable incomes above £100,000.

Interpreting Table 2.5. Income groups are defined in the table in terms of the lower limit for total income before any deductions (e.g. pension contributions) and tax allowances. The lowest income limit shown for each tax year corresponds to the personal allowance for individuals aged under 65. Taxable income is net of these deductions and allowances, and this explains why total income for some

taxpayers at each marginal tax rate in Table 2.5 exceeds the corresponding limits for taxable incomes that apply to the tax bands (e.g. total income for some basic rate taxpayers exceeds the basic rate limit for taxable income).

Classification of taxpayers by marginal tax rate is described in the detailed notes to the table and in Annex B. Column totals for tax liabilities of taxpayers by marginal rate show all liabilities of such taxpayers, including liabilities paid at other rates of tax (e.g. total liabilities of higher rate taxpayers includes their liabilities due at the basic and other rates of income tax).

For each income group, the average rate of income tax is calculated as total tax liabilities expressed as a percentage of total income defined above. Deductions and allowances will vary across individuals within each group contributing to differences in individual tax rates within groups over and above differences in individual incomes. An individual's marginal rate of tax places an upper limit on the average rate of tax due on their total income; average tax rates therefore rise towards 40% for the highest income groups in 2007-08, the then highest marginal rate of income tax.

2.5 Income tax liabilities, by Income Range, 2007-08 to 2010-11

2007-08													
Numbers: thousands; Amounts: £ million													
Range of total income (lower limit)	Starting rate (1) taxpayers		"Savers" rate (3) taxpayers		Basic rate (4) taxpayers		Higher rate (5) taxpayers		All taxpayers	Liability after tax reductions (7)	Total income of taxpayers	Average rate of tax	Average amount of tax
£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%	£
5,225	2,230	245	42	6	14	3	..	..	2,290	254	14,700	1.7	111
7,500	984	137	243	80	2,170	1,070	..	..	3,400	1,280	29,800	4.3	378
10,000	85	31	454	248	6,060	7,070	..	..	6,600	7,350	82,200	8.9	1,110
15,000	30	33	131	199	5,270	11,700	..	..	5,430	11,900	94,600	12.6	2,200
20,000	49	91	104	247	6,700	25,200	..	..	6,850	25,500	168,000	15.2	3,720
30,000	56	171	90	306	3,850	22,600	1,340	11,400	5,340	34,500	201,000	17.1	6,460
50,000	..	..	2	6	12	65	1,880	30,600	1,900	30,700	125,000	24.6	16,200
100,000	..	..	1	1	1	6	327	11,800	328	11,800	39,600	29.8	36,000
150,000	..	..	..	..	..	..	127	6,970	128	6,970	21,900	31.8	54,500
200,000	..	..	..	..	-	2	149	14,400	149	14,400	43,100	33.4	96,300
500,000	..	..	..	..	..	..	28	6,660	28	6,660	19,200	34.7	235,000
1,000,000	..	..	..	..	..	..	14	11,400	14	11,400	31,700	36.0	823,000
All Ranges	3,440	707	1,070	1,090	24,100	67,700	3,870	93,200	32,500	163,000	870,000	18.7	5,010

In 2007-08 all taxpayers are liable on taxable income other than savings and dividend income at the starting rate of 10 per cent on the first £2,230, at the basic rate of 22 per cent on the next £32,370 and 40 per cent over £34,600. Dividend income is charged at 10 per cent up to the basic rate limit of £34,600 and 32.5 per cent above. Savings income is charged at 10 per cent up to the starting rate limit, at 20 per cent between the starting and basic rate limits and 40 per cent above.

2.5 Income tax liabilities, by Income Range, 2007-08 to 2010-11

continued

2008-09 ⁽⁸⁾

Numbers: thousands; Amounts: £ million

Range of total income (lower limit)	Starting rate (2) taxpayers		"Savers" rate (3) taxpayers		Basic rate (4) taxpayers		Higher rate (5) taxpayers		All taxpayers	Liability after tax reductions (7)	Total income of taxpayers	Average rate of tax	Average amount of tax
	£	Number	Amount	Number	Amount	Number	Amount	Number						Amount	Number	Amount	%	£
6,035	118	5	49	2	1,270	177	..	..	1,440	185	9,750	1.9	129
7,500	138	10	66	14	2,680	1,240	..	..	2,880	1,260	25,500	5.0	438
10,000	87	16	190	91	6,330	6,870	..	..	6,610	6,980	82,300	8.5	1,060
15,000	7	6	98	117	5,330	11,100	..	..	5,430	11,200	94,600	11.8	2,060
20,000	7	10	108	220	6,810	23,700	..	..	6,920	23,900	169,000	14.1	3,450
30,000	10	28	111	346	4,200	23,100	1,130	9,110	5,460	32,600	205,000	15.9	5,970
50,000	..	..	2	5	15	75	1,900	29,500	1,920	29,600	126,000	23.5	15,400
100,000	..	..	1	1	1	6	329	11,700	331	11,700	39,900	29.3	35,300
150,000	..	..	..	..	-	2	128	6,930	129	6,930	22,100	31.4	53,800
200,000	..	..	..	..	-	2	149	14,400	150	14,400	43,100	33.3	95,900
500,000	..	..	..	..	..	..	28	6,670	28	6,670	19,300	34.6	235,000
1,000,000	..	..	..	..	..	..	14	11,500	14	11,500	32,100	35.7	824,000
All Ranges	367	76	625	798	26,600	66,200	3,680	89,700	31,300	157,000	869,000	18.0	5,010

In 2008-09 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £34,800 and 40 per cent over £34,800. Dividend income is charged at 10 per cent up to the basic rate limit of £34,800 and 32.5 per cent above. Savings income is charged at 10 per cent up to the starting rate limit on the first £2,320, at 20 per cent between the starting and basic rate limits and 40 per cent above.

2.5 Income tax liabilities, by Income Range, 2007-08 to 2010-11

continued

2009-10 ⁽⁸⁾													
Numbers: thousands; Amounts: £ million													
Range of total income (lower limit)	Starting rate (2) taxpayers		"Savers" rate (3) taxpayers		Basic rate (4) taxpayers		Higher rate (5) taxpayers		All taxpayers	Liability after tax reductions (7)	Total income of taxpayers	Average rate of tax	Average amount of tax
£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%	£
6,475	83	3	41	1	826	82	..	..	950	86	6,660	1.3	90
7,500	95	7	60	10	2,480	988	..	..	2,640	1,000	23,200	4.3	381
10,000	95	14	175	69	6,190	6,120	..	..	6,460	6,200	80,400	7.7	960
15,000	7	6	80	84	5,160	10,200	..	..	5,250	10,300	91,400	11.3	1,960
20,000	7	11	108	201	6,730	22,700	..	..	6,850	23,000	168,000	13.7	3,350
30,000	8	23	123	358	4,820	27,000	568	4,580	5,510	32,000	208,000	15.4	5,800
50,000	..	..	3	7	23	130	1,930	28,500	1,950	28,700	128,000	22.4	14,700
100,000	..	..	-	1	2	11	323	11,300	326	11,300	39,300	28.7	34,600
150,000	..	..	..	..	1	3	126	6,710	127	6,710	21,700	31.0	53,100
200,000	..	..	..	..	1	3	146	13,900	146	14,000	42,200	33.1	95,300
500,000	..	..	..	..	..	..	28	6,510	28	6,510	18,900	34.5	234,000
1,000,000	..	..	..	..	..	..	14	11,200	14	11,200	31,200	36.0	825,000
All Ranges	296	64	591	732	26,200	67,300	3,130	82,800	30,300	151,000	858,000	17.6	4,990

In 2009-10 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £37,400 and 40 per cent over £37,400. Dividend income is charged at 10 per cent up to the basic rate limit of £37,400 and 32.5 per cent above £37,400. Savings income is charged at 10 per cent up to the starting rate limit on the first £2,440, at 20 per cent between the starting and basic rate limits and 40 per cent above.

2.5 Income tax liabilities, by Income Range, 2007-08 to 2010-11

continued

2010-11 (8)

Numbers: thousands; Amounts: £ million

Range of total income (lower limit)	Starting rate (2) taxpayers		"Savers" rate (3) taxpayers		Basic rate (4) taxpayers		Higher rate (5) taxpayers		Additional rate (6) taxpayers		All taxpayers	Liability after tax reductions (7)	Total income of taxpayers	Average rate of tax	Average amount of tax
£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%	£
6,475	78	2	46	2	811	80	..	..	..	..	935	84	6,550	1.3	90
7,500	88	6	62	11	2,460	977	..	..	..	..	2,610	994	23,000	4.3	381
10,000	82	13	157	63	6,170	6,040	..	..	..	..	6,410	6,120	79,900	7.7	954
15,000	7	6	74	79	5,110	10,100	..	..	..	..	5,190	10,200	90,300	11.3	1,960
20,000	7	11	105	193	6,850	23,100	..	..	..	..	6,960	23,300	170,000	13.7	3,350
30,000	8	23	116	333	5,030	28,300	614	4,950	..	..	5,770	33,600	218,000	15.4	5,820
50,000	..	..	2	6	24	133	2,060	30,500	..	..	2,080	30,600	137,000	22.3	14,700
100,000	..	..	1	1	2	11	339	12,200	..	..	342	12,300	41,000	29.9	35,800
150,000	..	..	..	..	1	3	47	2,270	98	5,900	146	8,170	24,700	33.1	56,000
200,000	..	..	..	..	1	3	4	143	138	15,400	143	15,600	41,100	37.9	109,000
500,000	..	..	..	..	..	..	..	..	26	7,360	26	7,370	17,800	41.4	281,000
1,000,000	..	..	..	..	..	..	..	..	13	12,700	13	12,700	28,600	44.5	1,010,000
All Ranges	271	63	562	688	26,500	68,700	3,060	50,100	275	41,400	30,600	161,000	878,000	18.3	5,260

Source: Survey of Personal Incomes.

Table updated January 2011

In 2010-11 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £37,400, 40 per cent over the basic rate limit of £37,400 and 50 per cent over the higher rate limit of £150,000. Dividend income is charged at 10 per cent up to the basic rate limit of £37,400, 32.5 per cent above £37,400 and 42.5 per cent above £150,000. Savings income is charged at 10 per cent up to the starting rate limit on the first £2,440, at 20 per cent up to £37,400, 40 per cent above £37,400 and 50 per cent above £150,000.

Key

- . not applicable
- .. not available or sample size too small to produce a reliable estimate
- negligible

Footnotes for table 2.5

- (1) Taxpayers with total taxable income below the starting rate limit.
- (2) Taxpayers with no taxable earnings and total taxable income from savings below the starting rate limit.
- (3) Taxpayers with no taxable earnings and total taxable income from savings and dividends between the starting or lower rate limit and the basic rate limit.
- (4) In 2007-08 taxpayers whose total taxable income is between the starting rate limit and basic rate limit and includes income from earnings or income taxed as earnings. From 2008-09 taxpayers whose income includes earnings or other income taxed as earnings and with total taxable income below the basic rate limit.
- (5) Before 2010-11 taxpayers with total taxable income above the basic rate limit. From 2010-11 taxpayers with total taxable income between the basic rate limit and the higher rate limit.
- (6) Taxpayers with total taxable income above the higher rate limit.
- (7) In this context tax reductions refer to allowances given at a fixed rate, for example the Married Couples Allowance.
- (8) Projected estimates based upon the 2007-08 Survey of Personal Incomes using economic assumptions consistent with the OBR's November 2010 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

Table 2.6 – Income tax liabilities, by income source and tax band, 2007-08 to 2010-11 – shows total tax liabilities due broken down by income source (earnings, savings and dividends) and by income tax band for tax in 2007-08, and projections to 2010-11.

In 2007-08, the large majority of income tax liabilities (89.5% of the total) were due on earnings (which includes earnings from employment, but also profits from self-employment, pensions, taxable benefits and income from property). Remaining shares in total liabilities were 6.1% for dividends income and 4.4% for savings income. These results largely reflect the composition of taxpayer incomes by source.⁸

In 2007-08, £90.2 billion of tax liabilities (55.4% of the total) were due on taxable incomes of all taxpayers falling within the basic rate tax band (the 2007-08 basic rate limit was £34,600), compared with £65.7 billion (40.4%) in the higher rate band. The remaining £6.8 billion tax liabilities in 2007-08 (4.2%) were due on taxable incomes in the starting rate band (2007-08 starting rate limit was £2,230).

As a complement to Table 2.5, average rates of income tax for taxpayers by taxpayer marginal rate are also shown in Table 2.6. Average rates are estimated to rise from 2.6% of total income for starting rate taxpayers in 2007-08 to 13.9% for basic rate taxpayers, and to 27.5% for higher rate taxpayers. The average rates of tax for “savers” rate taxpayers was 6.8% in 2007-08, reflecting the lower rates of tax that applied on both savings and dividends income in the basic rate band compared with earnings.

Tax liabilities on savings income are projected to decline significantly, to 1.8% of total liabilities in 2010-11, as savings incomes decline due to lower interest rates. The share in total liabilities of tax on earnings is projected to rise to 92.0% in 2010-11. The dividends liabilities share is also projected to rise to 6.2% in 2010-11.

Projected changes in shares of tax liabilities by income tax band between 2007-08 and 2010-11 are affected by a number of tax policy changes during the period. The starting rate of tax was removed for earnings in April 2008, and subsumed into the basic rate band. The combined share of liabilities at the starting and basic rates is projected to increase from 59.6% in 2007-08 to 60.2% in 2009-10, with a corresponding reduction in the higher rate share. The introduction of the additional rate of tax in April 2010 contributes to a projected increase in the combined share of liabilities at the higher and additional rates to 41.8% in 2010-11, compared with 39.8% at the higher rate in the previous year.

Interpreting Table 2.6. The purpose of Table 2.6 is to provide breakdowns of income tax by income source and tax band. Estimated outturns for tax liabilities in 2007-08 will not match published estimates of income tax receipts. Projections of total tax liabilities beyond the 2007-08 outturn are illustrative, based only on economic assumptions for the key factors affecting taxpayer numbers and

⁸ Detailed statistics on taxpayer incomes are regularly published by HMRC: http://www.hmrc.gov.uk/stats/income_distribution/menu.htm

incomes, e.g. employment and earnings growth. They will not match Office for Budgetary Responsibility forecasts for income tax receipts, which take account of all factors relevant to growth in income tax receipts.

Estimates and projections of liabilities on dividends income are gross of the 10% dividends tax credit that covers the first 10% of tax due on dividends income for all taxpayers. Estimates of liabilities for given tax bands include tax paid on incomes in that band by all taxpayers, e.g. the totals for starting rate tax in 2007-08 include the starting rate tax liabilities of basic and higher rate taxpayers.

2.6 Income tax liabilities, by income source and tax band, 2007-08 to 2010-11

2007-08					
Amounts: £ million					
	Starting rate (1) taxpayers	"Savers" rate (3) taxpayers	Basic rate (4) taxpayers	Higher rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (7)					
Tax on Earnings:					
Starting rate	327	79	5,370	838	6,620
Basic rate	-	-	59,900	25,200	85,100
Higher rate	-	-	-	54,000	54,000
Tax on Savings:					
Starting rate	55	89	-	10	154
Basic rate	-	520	1,870	681	3,070
Higher rate	-	-	-	3,860	3,860
Tax on dividends:					
Ordinary rate	325	405	612	749	2,090
Higher rate	-	-	-	7,860	7,860
Allowances given as tax reductions	10	75	282	166	532
Tax liability after allowances given as income tax reduction	707	1,090	67,700	93,200	163,000
Average Rate of Tax %	2.6	6.8	13.9	27.5	18.7
Average amount of tax £	206	1,030	2,810	24,100	5,010

2.6 Income tax liabilities, by income source and tax band, 2007-08 to 2010-11 continued

2008-09 ⁽⁸⁾					
Amounts: £ million					
	Starting rate (2) taxpayers	"Savers" rate (3) taxpayers	Basic rate (4) taxpayers	Higher rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (7)					
Tax on Earnings:					
Starting rate	-	-	63,600	23,800	87,400
Basic rate	-	-	-	54,500	54,500
Higher rate					
Tax on Savings:					
Starting rate	27	48	67	7	149
Basic rate	-	222	1,700	496	2,420
Higher rate	-	-	-	2,950	2,950
Tax on dividends:					
Ordinary rate	49	528	871	649	2,100
Higher rate	-	-	-	7,280	7,280
Allowances given as tax reductions					
	1	31	300	120	452
Tax liability after allowances given as income tax reduction					
	76	798	66,200	89,700	157,000
Average Rate of Tax %					
	2.1	6.7	12.7	27.0	18.0
Average amount of tax £					
	208	1,280	2,490	24,400	5,010

2.6 Income tax liabilities, by income source and tax band, 2007-08 to 2010-11 continued

2009-10 ⁽⁸⁾

Amounts: £ million

	Starting rate (2) taxpayers	"Savers" rate (3) taxpayers	Basic rate (4) taxpayers	Higher rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (7)					
Tax on Earnings:					
Starting rate	-	-	65,100	21,900	87,000
Basic rate	-	-	-	51,800	51,800
Higher rate					
Tax on Savings:					
Starting rate	20	29	54	4	107
Basic rate	-	108	1,170	206	1,480
Higher rate	-	-	-	1,500	1,500
Tax on dividends:					
Ordinary rate	44	594	951	645	2,230
Higher rate	-	-	-	6,710	6,710
Allowances given as tax reductions	1	28	276	132	437
Tax liability after allowances given as income tax reduction	64	732	67,300	82,800	151,000
Average Rate of Tax %	2.1	6.2	12.5	27.0	17.6
Average amount of tax £	218	1,240	2,570	26,400	4,990

2.6 Income tax liabilities, by income source and tax band, 2007-08 to 2010-11 continued

2010-11 (8)						
Amounts: £ million						
	Starting rate (2) taxpayers	"Savers" rate (3) taxpayers	Basic rate (4) taxpayers	Higher rate (5) taxpayers	Additional rate (6) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (7)						
Tax on Earnings:						
Starting rate						
Basic rate	-	-	66,600	21,400	2,000	89,900
Higher rate	-	-	-	23,700	11,100	34,800
Additional rate	-	-	-	-	23,300	23,300
Tax on Savings:						
Starting rate	18	25	52	3	-	98
Basic rate	-	93	1,080	168	12	1,350
Higher rate	-	-	-	737	119	856
Additional rate	-	-	-	-	648	648
Tax on dividends:						
Ordinary rate	45	570	1,030	671	22	2,340
Higher rate	-	-	-	3,450	947	4,400
Additional rate	-	-	-	-	3,250	3,250
Allowances given as tax reductions	-	23	256	55	73	407
Tax liability after allowances given as income tax reduction	63	688	68,700	50,100	41,400	161,000
Average Rate of Tax %	2.2	6.2	12.6	23.4	40.3	18.3
Average amount of tax £	232	1,220	2,600	16,400	151,000	5,260

Source: Survey of Personal Incomes.

Table updated January 2011

Key

- not applicable

Footnotes for table 2.6

(1) Taxpayers with total taxable income below the starting rate limit.

(2) Taxpayers with no taxable earnings and total taxable income from savings below the starting rate limit.

(3) Taxpayers with no taxable earnings and total taxable income from savings and dividends between the starting or lower rate limit and the basic rate limit.

(4) In 2007-08 taxpayers whose total taxable income is between the starting rate limit and basic rate limit and includes income from earnings or income taxed as earnings. From 2008-09 taxpayers whose income includes earnings or other income taxed as earnings and with total taxable income below the basic rate limit.

(5) Before 2010-11 taxpayers with total taxable income above the basic rate limit. From 2010-11 taxpayers with total taxable income between the basic rate limit and the higher rate limit.

(6) Taxpayers with total taxable income above the higher rate limit.

(7) In this context tax reductions refer to allowances given at a fixed rate, for example the Married Couples Allowance.

(8) Projected estimates based upon the 2007-08 Survey of Personal Incomes using economic assumptions consistent with the OBR's November 2010 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

SECTION 3: Specimen families

Table 2.7 – Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2010-11 – shows how income tax burdens have evolved over time for illustrative families with a single wage earner at specific earnings levels across the earnings distribution. From 1999-00, income tax burdens take account of the financial support families receive in the form of tax credits, and are shown for single persons, and couples with and without children

In 2009-10, childless single persons with earnings at the 10th percentile have an estimated income tax burden of 10.9 per cent. This increases to 15.0 per cent at the median (50th percentile) and 20.2 per cent at the 90th percentile. For childless couples the tax burden is the same except for those at the 10th percentile, who would still be entitled to Working Tax Credit (WTC). WTC reduces their income tax burden from 10.9 per cent of gross earnings to 0.5 per cent of gross earnings, offsetting most of their income tax liability. Childless single people also qualify for WTC but only receive support at earnings levels below those shown in the table.

A couple with two children is eligible for WTC and Child Tax Credit (CTC). CTC extends much further up the income scale than WTC, reducing tax burdens for a couple with two children at all the earnings levels shown in the table. At the 10th percentile the amount of CTC and WTC received exceeds income tax liabilities, reducing their income tax burden from 10.9 per cent (without tax credits) to -34.7 per cent of gross income. As the child element of tax credits is withdrawn at higher earnings levels, the difference in tax burdens for families with and without children steadily falls. At the 90th percentile, tax credits lower the income tax burden for the two child family from 20.2 per cent of gross income to 19.3 per cent.

In 2009-10 tax burdens for all family types at the earnings points depicted were lower than in 2008-09. This is primarily because annual earnings growth at each percentile point in the table was lower than increases in income tax allowances, limits and tax credit rates through indexation. In addition, the income tax personal allowances for under 65s was increased by £130 above indexation in 2009-10.

In particular, there was a large fall in the income tax burden for those at the 90th percentile in 2009-10, to 20.2 per cent from 21.2 per cent in 2008-09. The higher rate threshold for income tax increased by £800 above indexation, affecting only those at the upper end of the earnings distribution. This annual fall in the tax burden was smaller for couples with two children at the 90th percentile in 2009-10 reflecting a reduction in CTC for this family. In 2009-10, earnings at the 90th percentile is estimated to have increased above the £50,000 tax credit second income threshold at which point the family element of CTC begins to be withdrawn.

Projections for 2010-11 show income tax burdens rising, broadly returning to 2008-09 levels for most families shown in the table. Income tax allowances and limits were not increased in 2010-11 reflecting negative RPI inflation in September 2009, and tax credit rates increased by less than earnings growth.

Interpreting Table 2.7. Table 2.7 is different to the other tables in this release. The tax burdens are shown for illustrative (hypothetical) families with given circumstances and earnings. These examples are not designed to represent the overall UK taxpaying population, whose family circumstances and incomes do vary widely. SPI survey data is not used in constructing the table. Earnings levels assumed in the table are derived from the Office for National Statistics's Annual Survey of Hours and Earnings, with latest available data for April 2010. Outturns for tax burdens therefore are published to 2009-10, with projections for 2010-11. Since 1999-00, the tax burdens take account of the financial support families receive in the form of tax credits. Tax credit entitlements exceed income tax liabilities in some cases leading to negative estimated tax burdens.

2.7

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2010-11

Per cent of gross earnings	Position in earnings (1) distribution					
	10 th percentile	25 th Percentile	50 th Percentile	mean	75 th percentile	90 th Percentile
1990-91						
Gross earnings (£ weekly)	133.6	172.9	238.2	273.9	328.2	439.2
Tax burden (per cent of gross earnings)						
Single	14.2	16.6	18.9	19.7	20.6	21.7
Married (2)	8.0	11.9	15.5	16.7	18.1	19.8
1991-92						
Gross earnings (£ weekly)	143.7	185.7	255.8	294.7	354.1	473.1
Tax burden (per cent of gross earnings)						
Single	14.0	16.5	18.8	19.6	20.5	21.7
Married (2)	8.2	12.0	15.6	16.8	18.2	19.9
1992-93						
Gross earnings (£ weekly)	150.6	195.2	269.0	310.8	373.6	499.5
Tax burden (per cent of gross earnings)						
Single	12.7	15.5	18.1	19.1	20.1	21.3
Married (2)	7.2	11.3	15.1	16.4	17.8	19.6
1993-94						
Gross earnings (£ weekly)	155.6	201.5	277.6	321.3	385.3	517.0
Tax burden (per cent of gross earnings)						
Single	12.8	15.6	18.2	19.1	20.1	21.3
Married (2)	7.5	11.5	15.2	16.5	17.9	19.7
1994-95						
Gross earnings (£ weekly)	159.2	207.0	286.1	331.0	396.5	533.5
Tax burden (per cent of gross earnings)						
Single	12.8	15.6	18.2	19.1	20.1	21.7
Married (2)	8.6	12.4	15.9	17.1	18.4	20.4
1995-96						
Gross earnings (£ weekly)	163.5	213.8	295.7	343.9	411.9	556.3
Tax burden (per cent of gross earnings)						
Single	12.8	15.6	18.2	19.2	20.1	22.0
Married (2)	9.7	13.3	16.6	17.7	18.9	21.1
1996-97						
Gross earnings (£ weekly)	171.1	223.0	308.0	359.6	428.9	580.1
Tax burden (per cent of gross earnings)						
Single	12.1	14.9	17.4	18.3	19.2	21.0
Married (2)	9.1	12.5	15.7	16.9	18.0	20.1

2.7

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2010-11

continued

	Position in earnings (1) distribution					
	10 th percentile	25 th Percentile	50 th Percentile	mean	75 th percentile	90 th Percentile
1997-98						
Gross earnings (£ weekly)	178.8	232.1	320.8	376.1	446.6	604.3
Tax burden (per cent of gross earnings)						
Single	11.7	14.3	16.7	17.6	18.5	20.3
Married (2)	8.7	12.0	15.0	16.2	17.3	19.5
1998-99						
Gross earnings (£ weekly)	186.2	241.2	332.7	392.3	465.0	631.8
Tax burden (per cent of gross earnings)						
Single	11.7	14.3	16.7	17.6	18.5	20.5
Married (2)	8.8	12.0	15.0	16.2	17.3	19.6
1999-2000						
Gross earnings (£ weekly)	194.1	251.0	346.0	409.9	483.9	659.2
Tax burden (per cent of gross earnings)						
Single	11.2	13.9	16.4	17.4	18.3	20.5
Married (2)	9.2	12.4	15.3	16.5	17.5	19.9
With two children	-23.1	-4.3	13.3	16.5	17.5	19.9
2000-01						
Gross earnings (£ weekly)	202.6	261.7	361.7	432.0	506.8	697.7
Tax burden (per cent of gross earnings)						
Childless	11.1	13.6	15.9	16.9	17.6	20.6
With two children	-25.3	-6.2	11.9	16.9	17.6	20.6
2001-02						
Gross earnings (£ weekly)	211.3	272.5	376.8	454.5	529.6	737.3
Tax burden (per cent of gross earnings)						
Childless	10.9	13.4	15.8	16.8	17.6	20.9
With two children	-27.6	-8.1	10.6	14.6	15.7	20.3
2002-03						
Gross earnings (£ weekly)	218.6	283.6	397.5	479.6	562.2	781.0
Tax burden (per cent of gross earnings)						
Childless	11.0	13.6	16.0	17.0	17.7	21.6
With two children	-27.3	-7.4	11.7	14.9	15.9	21.3
2003-04						
Gross earnings (£ weekly)	226.5	293.1	411.8	492.9	581.8	804.8
Tax burden (per cent of gross earnings)						
Childless single	11.4	13.8	16.2	17.1	17.9	21.9
Childless couple	1.6	13.8	16.2	17.1	17.9	21.9
With two children	-27.5	-7.9	11.4	15.0	16.1	20.6

2.7

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2010-11

continued

	Position in earnings (1) distribution					
	10 th percentile	25 th Percentile	50 th Percentile	mean	75 th percentile	90 th Percentile
2004-05						
Gross earnings (£ weekly)	232.8	301.8	425.4	507.8	601.6	833.0
Tax burden (per cent of gross earnings)						
Childless single	11.4	13.8	16.2	17.1	17.9	22.0
Childless couple	1.9	13.8	16.2	17.1	17.9	22.0
With two children	-29.5	-9.3	10.5	15.1	16.1	20.7
2005-06						
Gross earnings (£ weekly)	240.5	312.3	440.9	528.6	626.1	869.7
Tax burden (per cent of gross earnings)						
Childless single	11.4	13.8	16.2	17.2	17.9	22.2
Childless couple	2.0	13.8	16.2	17.2	17.9	22.2
With two children	-29.4	-9.1	10.7	15.2	16.2	21.0
2006-07						
Gross earnings (£ weekly)	248.2	321.0	451.6	543.7	641.0	896.1
Tax burden (per cent of gross earnings)						
Childless single	11.4	13.8	16.2	17.2	17.9	22.3
Childless couple	2.5	13.8	16.2	17.2	17.9	22.3
With two children	-29.0	-9.1	10.6	15.2	16.3	21.1
2007-08						
Gross earnings (£ weekly)	257.4	332.1	468.1	562.3	663.3	927.0
Tax burden (per cent of gross earnings)						
Childless single	11.4	13.8	16.2	17.2	17.9	22.2
Childless couple	3.1	13.8	16.2	17.2	17.9	22.2
Couple with two children	-28.5	-8.9	10.8	15.3	16.3	21.1
2008-09						
Gross earnings (£ weekly)	266.2	343.0	483.7	580.8	684.5	958.9
Tax burden (per cent of gross earnings)						
Childless single	11.3	13.2	15.2	16.0	16.6	21.2
Childless couple	1.1	13.2	15.2	16.0	16.6	21.2
Couple with two children	-32.9	-12.3	8.4	14.2	15.1	20.1
2009-10						
Gross earnings (£ weekly)	273.2	351.1	493.8	592.8	699.1	977.6
Tax burden (per cent of gross earnings)						
Childless single	10.9	12.9	15.0	15.8	16.4	20.2
Childless couple	0.5	12.9	15.0	15.8	16.4	20.2
Couple with two children	-34.7	-13.8	7.4	14.0	14.9	19.3
2010-11 (3)						
Gross earnings (£ weekly)	281.4	361.6	508.6	610.7	720.1	1,007.1
Tax burden (per cent of gross earnings)						
Childless single	11.2	13.1	15.1	15.9	16.5	20.8
Childless couple	1.8	13.1	15.1	15.9	16.5	20.8
Couple with two children	-33.4	-12.8	8.1	14.2	15.1	20.1

Source: Survey of Personal Incomes.

Table updated January 2011

Footnotes for table 2.7

(1) Earnings are for full-time males and females on adult rates with pay unaffected by absence.

(2) Married partner calculation assumes that the person is claiming the full Married Couple's Allowance.

(3) Projections based on Annual Survey of Hours and Earning (ASHE) data to April 2010, and earnings growth assumptions consistent with the OBR's November 2010 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

Annex A: Historic tables

2.1a Number of taxpayers and income tax liabilities

Numbers: thousands; Amounts: £ billion

Year	Taxpayers with income greater than reliefs and allowances due	Number of individuals paying tax	Single people	Husbands	Wives	Taxpayers aged under 65	Taxpayers aged 65 and over	Higher rate taxpayers	Taxpayers liable to investment income surcharge	Total income tax liability
1978-79	21,400	25,900	9,220	12,040	4,750	-	-	763	611	20
1979-80	21,600	25,900	9,650	11,780	4,510	-	-	674	236	23
1980-81	21,000	24,900	9,050	11,700	4,150	-	-	796	273	27
1981-82	20,800	24,800	9,230	11,230	4,350	-	-	1,090	324	31
1982-83	20,800	24,600	9,400	11,080	4,110	-	-	983	289	33
1983-84	20,300	24,000	9,400	10,690	4,050	-	-	860	238	33
1984-85	20,200	23,800	9,370	10,490	3,930	-	-	930	-	35
1985-86	20,200	23,700	9,520	10,350	3,830	-	-	950	-	39
1986-87	20,400	23,900	9,830	10,360	3,690	-	-	1,120	-	43
1987-88	20,800	24,300	10,250	10,280	3,750	-	-	1,190	-	45
1988-89	21,200	25,200	10,360	10,640	4,150	-	-	1,350	-	47
1989-90	21,500	25,000	11,210	9,880	3,880	-	-	1,500	-	53
1990-91	-	26,100	10,730	9,660	5,710	22,980	3,120	1,700	-	60
1991-92	-	25,700	10,940	9,170	5,780	22,760	2,930	1,620	-	63

Source: Survey of Personal Incomes, published in Inland Revenue Statistics 1994.

Footnotes for table 2.1a

1. In the first column of table 2.1a each taxpaying married couple is counted as one taxpayer. The figures in the second column headed 'Number of individuals paying tax' count husbands and wives separately. Up to and including 1989-90, they are the sum of the figures in the first column and the number of taxpaying wives in column 5 (see Footnote 2), less estimates of the number of taxpaying wives where the husband's income was below the tax threshold.
2. In estimating the number of taxpaying wives in years up to and including 1989-90 a married woman is counted if her earned income exceeds the wife's earned income allowance and any personal allowances and reliefs unused against her husband's income. Wives' earned income may consist of wages, salaries, self-employment income or pensions. No account is taken of wives' investment income, which was taxed as income of their husbands before 1990-91.
3. Following the introduction of Independent Taxation from 6 April 1990 all taxpayers are taxed separately on their income and so the first column of table 2.1a has been discontinued. Most of the figures are derived from the Survey of Personal Incomes. However, for 1990-91 and 1991-92 this survey does not measure any amounts of the married couple's allowance used by married women. The aggregate figures in table 2.1 have been adjusted to take this into account.

2.2a

Number of income tax payers, by country

Numbers: thousands

Year	United Kingdom ²	England and Wales ²	Scotland	Northern Ireland
1938-39	3,800	3,380	360	60
1948-49	14,500	13,100	1,230	190
1958-59	17,700	15,800	1,560	310
1968-69	20,700	18,700	1,620	410
1972-73	18,900	17,000	1,510	410
1973-74 ¹	19,700	17,700	1,740	390
1974-75 ¹	20,400	18,300	1,750	440
1975-76 ¹	20,800	18,600	1,820	450
1976-77 ¹	21,200	19,100	1,790	440
1977-78 ¹	20,600	18,700	1,770	420
1978-79 ¹	21,400	19,200	1,880	460
1979-80 ¹	21,600	19,400	1,960	470
1980-81	21,000	18,700	1,850	450
1981-82	20,800	18,500	1,820	440
1982-83	20,800	18,500	1,790	460
1983-84	20,300	18,000	1,850	490
1984-85	20,200	18,000	1,750	440
1985-86	20,200	18,000	1,770	440
1986-87	20,400	18,300	1,740	420
1987-88	20,800	18,600	1,810	410
1988-89	21,200	18,900	1,860	480
1989-90 ³	21,500	19,300	2,060	480
1990-91 ³	26,100	24,100	2,340	540
1991-92 ³	25,700	23,500	2,320	510
1992-93 ³	25,400	22,800	2,280	578
1993-94	25,000	22,300	2,190	541
1994-95	25,300	22,400	2,340	593
1995-96	25,800	23,000	2,230	575
1996-97	25,700	22,700	2,330	566
1997-98	26,200	23,300	2,370	570
1998-99	26,900	24,000	2,310	630
1999-00	27,200	24,100	2,270	638

Source: Survey of Personal Incomes, published in Inland Revenue Statistics.

Footnotes for table 2.2a

1 Including in these years, building society investors covered by the Survey of Personal Incomes whose income does not exceed their allowances and reliefs.

2 Members of Her Majesty's Forces and the Merchant Navy and a few Civil Servants mainly serving abroad are included in England and Wales and therefore the United Kingdom.

3 Following a change in methodology, the numbers for England and Wales, Scotland and Northern Ireland are based on tax liabilities calculated by excluding Mortgage Interest Relief at Source (MIRAS) and therefore do not sum to the number for the United Kingdom which is based on tax liabilities including MIRAS.

Notes on the table

1. The breakdown by country in table 2.2a is, so far as possible, of the total number of taxpayers shown in the first column of table 2.1a

2. Up to 1968-69 taxpayers are assigned to the countries in which the tax offices dealing with their main sources of income were situated: usually the tax office was near to the place of employment or business. From 1972-73 to 1979-80 self-employed persons are assigned in the same way as before while employed persons are assigned to their countries of residence. From 1980-81, wherever possible, taxpayers are allocated to their countries of residence. A small number of taxpayers whose country of residence is not known continue to be allocated according to the location of their tax offices.

Annex B: Data sources and Methodology

Annex B first describes the data sources and methods used to compile statistics on the number of taxpayers and income tax liabilities shown in Tables 2.1 to 2.6 of this release.

The methods used to compile estimates of the percentage of earnings paid in income tax by individuals at specific income levels (Table 2.7) are quite distinct, and described in a later section.

A Tables 2.1 to 2.6

Data sources

The published estimates of the number of persons in the UK with positive income tax liabilities (“taxpayers”) and the magnitude of those tax liabilities are based on HMRC’s Survey of Personal Incomes (SPI).

The SPI is a sample survey derived from information held by HMRC tax offices on persons who could be liable to UK income tax. The survey is conducted annually, and consists of a different sample of individuals each tax year. For each individual in the sample, SPI includes information on incomes assessable to income tax for the tax year, together with some basic information on individual characteristics, for example age and gender.

As described below, the survey information is used to derive estimates of income tax liabilities arising in a given tax year for each SPI case. These estimates of tax liabilities are summarised in Tables 2.1 to 2.6 of this release.

Note that this focus on tax liabilities means that the tables take no account of how tax is collected or when it is actually paid, which varies across taxpayers and different types of income. For example, a significant portion of UK income tax is paid in arrears through the Self Assessment (SA) system.

Partly for this reason, the outturns for income tax liabilities shown in Tables 2.1 to 2.6 for a particular period will differ from published outturns for Government income tax receipts shown in HMRC’s published Table 2.8:

http://www.hmrc.gov.uk/stats/income_tax/table2-8.xls

Similarly, projections of income tax liabilities shown in each table (and described further below) will not match official forecasts of total income tax receipts compiled by the Office for Budgetary Responsibility.

The main purpose of Tables 2.1 to 2.6 therefore is to provide analyses of income tax that are not readily available through tax receipts data or forecasts, for example the distribution of tax liabilities by income source or tax band, or by Country and region.

The SPI sample totalled approximately 600,000 records in 2007-08, the latest available, and is made up of three separate samples drawn from the following HMRC administrative systems:

- COP: covering all employees and recipients of occupational or personal pensions with a Pay-As-You-Earn (PAYE) record.
- CESA: covering the SA population which includes those with income from self-employment, rent, or untaxed investment income, as well as company directors and individuals with high incomes or complex tax affairs.
- Claims: covering persons without COP or CESA records who have had too much tax deducted on incomes at source (e.g. on savings income) and claim a repayment from HMRC.

Some individuals with a PAYE record are also in the SA system. These individuals are excluded from the PAYE population prior to sampling, as their SA record provides a more complete picture of their taxable income.

SPI sample selection for PAYE cases is stratified by gender, marital status (for men only), previous year PAYE income, and the presence of particular tax allowances. It is stratified by main source of income and total income for those within self assessment. The stratified SPI sample design purposely yields very large sub-samples of SPI cases with very high incomes, increasing the precision of estimates of tax liabilities and taxable incomes.

PAYE sample cases are grossed to the PAYE population in each stratum (excluding those also in SA). SA sample cases are grossed up to a forecast of the number of people in each stratum who will eventually file 2007-08 tax returns. Claims cases are drawn randomly from the Claims population using a sampling fraction of around 1 in 30.

The resulting estimates are fully representative of the UK income taxpaying population in a given tax year, as all taxpayers will be in contact with HMRC through one or more of the administrative systems described above. The SPI sample does include cases whose tax liabilities are estimated to be zero, but these cases are not representative of the entire non-taxpayer population, most of whom have no tax record. The published tables of incomes and tax liabilities are for taxpayers only.

SA tax returns provide a complete picture of incomes assessable for tax for the SPI sample cases drawn from the SA system. However, information is typically less complete for PAYE cases, as the system does not record those incomes on which tax is deducted at source (e.g. savings income). In some cases, these amounts can be estimated reliably at case level on the basis of recorded adjustments to PAYE tax codes. For the remaining PAYE cases, these amounts must be imputed so that the relevant income totals for the SPI population as a whole, and the distribution of amounts across taxpayers, are consistent with information available from other sources, for example from deposit takers or household surveys.

The latest available SPI is for 2007-08, and underpins Tables 2.1 to 2.6 of this release, including the projections of taxpayers and income tax liabilities for the tax

years 2008-09 to 2010-11. Compilation and publication of the 2008-09 SPI has been delayed – see separate announcement:

<http://www.hmrc.gov.uk/stats/delay-sept10.htm>

SPI datasets for 2007-08 and earlier years are available for public use via the UK Data Archive at Essex University:

<http://www.data-archive.ac.uk/>

Methodology for modelling income tax liabilities

Numbers of taxpayers, total income tax liabilities, and the distributions of income tax liabilities shown in Tables 2.1 to 2.6 are estimated using HMRC's Personal Tax Model (PTM).

PTM is a microsimulation model of the UK income tax system. 'Microsimulation' denotes modelling of tax with reference to individual case level data, in this context the large sample of individuals within the SPI. For each sample case, PTM models income tax liabilities due in a given tax year based on the main features and parameters of the income tax system applying in that year, and incomes assessable for tax recorded in SPI.

The introductory section in the main text ("What is income tax") provides a brief summary of how tax liabilities are calculated. An overview of the PTM modelling process applied to each SPI sample case is given below.

Step 1: "Total income" is summed across the various components of income assessable for tax recorded or imputed in SPI, with separate sub-totals for "earnings" (comprising all incomes taxed like earnings), "savings" and "dividends".

Tip: Income tax liabilities by range of total income as defined here are shown in Table 2.5. The distribution of total income for taxpayers is shown in Table 2.4.

Step 2: "Income after deductions" is calculated by PTM as total income minus contributions to occupational and private pensions and charities, on which tax relief is provided at 100%; PTM deducts pension contributions from earnings income and contributions to charities from savings income.

Step 3: PTM calculates personal allowances, initially on the basis of an individual's age, and with blind person's allowance allocated where applicable. PTM's final assessment of personal allowances takes account of the excess of income after deductions over the aged income limit for SPI cases aged 65 and over and, from 2010-11, the excess of income after deductions over £100,000 for all SPI cases.

Step 4: The resulting allowance is allocated first to earnings, then savings and then dividends incomes (after deductions) in order to derive sub-totals for "taxable income".

Step 5: Taxable incomes are allocated to the starting, basic, higher and, from 2010-11, additional rate tax bands beginning with taxable earnings, then savings, and then dividends, with corresponding gross tax liabilities in each category found by applying the corresponding rate of income tax.

Step 6: The resulting total for income tax liabilities is adjusted to take account of other allowances given as income tax reductions (sometimes called “tax credits”). PTM takes the following such allowances into account: Married Couples Allowance, Maintenance Payments Relief, Community Investment Tax relief, Venture Capital Trust Relief and Enterprise Investment Scheme Relief.

Tip: Resulting PTM estimates of tax liabilities on earnings, savings and dividends after allowances given as income tax reductions are shown in Tables 2.5 and 2.6. For publication purposes (Tables 2.1 to 2.6), PTM computes tax liabilities on dividend income gross of the 10% (non-payable) tax credit that applies to all dividend income.

As with similar models of personal taxes and benefits, it is neither possible nor practical to incorporate all of the detailed features of the UK income tax system into the PTM modelling process. For example, the list of deductions and allowances built into the PTM modelling process at steps 2-6 is not exhaustive, but does cover the most significant tax income tax reliefs by value. These simplifications in the PTM modelling process should be noted by users of Tables 2.1 to 2.6.

Taxpayers and taxpayer marginal rates

SPI sample cases with PTM modelled tax liabilities greater than zero are classified as income taxpayers and underpin the analyses of numbers of taxpayers shown in Tables 2.1 and 2.2. PTM further classifies taxpayers by their “marginal rate” of tax, as seen in Tables 2.1, 2.2, 2.5 and 2.6.

In practice, the marginal rate of tax an individual will pay on an additional pound of income will depend on what type of income it is, as well as the total and composition of their other taxable incomes. For example, an individual with earnings only lying in the basic rate tax band would face a marginal rate of 20% on an additional pound of earnings in 2010-11; the same rate would apply to an extra pound of savings, whereas a 10% rate would apply for dividends in 2010-11.

PTM adopts a simplified and strictly ordered method in allocating marginal rates to SPI sample cases:

- From 2010-11, cases with total taxable income above the higher rate limit (£150,000) are classified as Additional rate taxpayers.
- Cases with total taxable income above the basic rate limit (£37,400 in 2010-11) are classified as Higher rate taxpayers.

- Remaining cases with non-zero total taxable income lying at or below the basic rate limit are classified as either Starting, “Savers” or Basic rate taxpayers according to the make-up of their total taxable income:
 - Those with any taxable earnings are classified as Basic rate taxpayers.
 - Those without taxable earnings, and with taxable savings only below the starting rate limit for savings income are classified as Starting rate taxpayers.
 - Those without taxable earnings, and with taxable savings exceeding the starting rate limit or taxable dividends, are classified as “Savers” rate taxpayers.

PTM’s allocation of marginal rates to SPI cases has changed over time reflecting the changing structure of the income tax system. The allocation described above applies from 2008-09, when the starting rate of tax was removed for earnings and dividends income.

For 2007-08 and earlier, all SPI cases with total taxable income below the starting rate limit are classified as starting rate taxpayers; and those with taxable incomes between the starting and basic rate limits are classified either at “Savers” rate (i.e. those without earnings charged at the then basic rate of 22%) or Basic rate otherwise.

Informally, all individuals classified by PTM as either Starting, “Savers” and Basic rate taxpayers may all be viewed as “non higher rate” taxpayers in the sense that their total taxable income is less than the basic rate limit, and so no tax liabilities are due at higher or additional rates of tax.

Tables 2.1, 2.2, 2.5 and 2.6 are presented in their current format to provide additional information showing these different types of non higher rate taxpayer, but some users may prefer to group together these categories depending on context and purpose; in a time-series context for example, this grouping is helpful in abstracting from those step changes in numbers assigned to each sub-category that have arisen directly as a result of changes to the structure of the income tax system.

Projections of taxpayer numbers and tax liabilities

Due to the time needed to receive and process tax returns and information provided by employers, SPI survey results are not available until several years after the tax year to which the survey data relate. The latest available SPI survey data is for 2007-08, and was first published in January 2010.

Projections for the following three tax years therefore are also given in Tables 2.1 to 2.6 in order to provide a more up-to-date assessment of income tax. Projection of the base survey data to later years inevitably means that these statistics are subject to greater uncertainties and potential error margins than outturns for 2007-08 and earlier. Projections for a given tax year are also subject to revision when more up-to-date SPI survey data or economic assumptions used in the projection process become available. The projections therefore fall outside of the scope of National Statistics.

The projections methods aim to capture where possible the most important likely influences on taxpayer numbers and amounts:

- SPI sample cases in the projection years are re-grossed according to a high level partition of the SPI sample by main income source: grossing factors for employed (i.e. main source pay) and self-employed (i.e. main source profit) sample cases are adjusted to take account of expected changes in the corresponding UK employed and self-employed populations; grossing factors for pensioner cases (i.e. main source occupational/private pension) are adjusted in line with Office for National Statistics (ONS) population projections.
- Nominal income amounts recorded in the base SPI survey data are projected at the UK level using forecasts for growth in a range of macroeconomic variables relevant to specific income sources. These variables include consumer prices, average earnings, specific social security benefit amounts, total self-employed profits, total dividends, interest rates and individuals' deposits. Uprating of nominal amounts recorded in the base SPI data for each income source is generally uniform across all sample cases, except for pay where growth rates are allowed to vary across the pay distribution according to the recent trends revealed in the ONS Annual Survey of Hours and Earnings.

The macroeconomic assumptions used in the projection process are consistent with the most recently published Office for Budget Responsibility (OBR) forecast for the UK economy. The projections in this January 2011 release of Income Tax Statistics and Distributions reflect the Autumn Forecast published by the OBR on 29 November 2010.

All economic assumptions employed in the projection process are at UK level, and are applied equally to all SPI sample cases irrespective of that individual's Country or region of residence. Projections of taxpayer numbers by Country and region are included in Table 2.2 reflecting user demand, but should be viewed as illustrative, as no explicit allowance is made for likely geographical variations in economic developments beyond the base SPI year. The projection methods are not considered sufficiently robust to release detailed projections of income tax liabilities by Country or region.

For the projections years, tax liabilities are modelled as described earlier with respect to re-grossed and uprated SPI dataset. Since projections are published only to the current tax year, the structure and parameters of the tax system (e.g. tax rates and allowances) underpinning the projections are known.

Changes to the income tax system that came into effect during the projection period might in some cases have had significant impacts on taxpayer behaviour, resulting in changes to earnings or other taxable incomes. Projection of the base SPI data makes explicit separate allowance for such effects where they can be reliably estimated. For example, projected SPI bases for 2010-11 make specific allowance for expected reductions in taxable incomes for those SPI cases affected by the introduction of the additional rate of tax and gradual withdrawal of personal allowances from £100,000 from April 2010.

Reliability of the estimates

Sampling error

The SPI is conducted in order to infer results for the UK taxpaying population as a whole, e.g. the number of such taxpayers and their total tax liabilities.

As with all sample surveys, estimates from the SPI are subject to sampling variation. That is, estimated totals (e.g. the number of taxpayers) and other sample statistics will vary from one sample to the next if repeated random samples were drawn, and in all cases will differ to some degree from the corresponding population totals purely by chance.

The extent of such variation depends on the degree of variation across the population in the variable of interest (e.g. income tax liabilities), and the size of the sample drawn. Intuitively, such variation in sample-based results will decline as the sample size is increased, but only through a complete survey of the entire population can sampling variation be eliminated completely.

Variability in a given sample-based statistic is measured by its standard error, which represents the standard deviation of the statistic of interest computed across all possible samples that could have been drawn from the population. The precision of estimates is typically illustrated through Confidence Intervals, which provide an estimated range of values which is likely to include the unknown population parameter with a given level of confidence.

95% Confidence Intervals for SPI-based estimates of the number of UK income tax payers and total tax liabilities by region and county in 2007-08 are published in HMRC Table 3.13a:

http://www.hmrc.gov.uk/stats/income_distribution/table-3-13a-feb2010.xls

Key results relevant to Tables 2.1 to 2.6 are repeated in the table below. At the UK level, the width of the 95% confidence intervals for numbers of taxpayers and total income tax liabilities are 100 thousand and £1 billion (0.3% and 0.6% of the central estimates). As the table shows, precision of estimates declines for smaller estimated totals, e.g. for numbers of taxpayers and tax liabilities in specific regions. In percentage terms, statistical intervals for projections of taxpayer numbers and liabilities in 2008-09 and later years are likely to be of similar magnitude.

The 95% confidence intervals may be interpreted in one of two ways: (i) if repeated samples were drawn and intervals computed as in the table below, those intervals would contain the unknown population parameter around 95 times in 100; or (ii) the lower and upper confidence limits provide a plausible range for the population parameter in the sense that if that parameter were greater[smaller] than the upper[lower] confidence limit then the probability of obtaining a sample estimate any lower[greater] than that observed would be just 2½%.

Table: Confidence intervals for estimates of taxpayer numbers and total tax liabilities

Survey of Personal Income 2007-08

	Taxpayers, thousands				Income tax liabilities, £million			
	Central estimate	Lower 95% CI	Upper 95% CI	as % estimate ¹	Central estimate	Lower 95% CI	Upper 95% CI	as % estimate ¹
United Kingdom	32,500	32,400	32,500	0.3	163,000	162,000	163,000	0.8
Government Office Region								
North East	1,320	1,300	1,340	3.5	4,730	4,550	4,910	7.7
North West	3,490	3,450	3,530	2.0	13,600	13,400	13,800	2.9
Yorkshire and the Humber	2,580	2,550	2,610	2.4	9,980	9,820	10,100	3.1
East Midlands	2,340	2,310	2,370	2.5	9,550	9,370	9,730	3.8
West Midlands	2,750	2,720	2,780	2.3	10,800	10,700	11,000	3.1
East of England	3,070	3,040	3,110	2.1	16,600	16,300	16,800	2.9
London	4,030	3,990	4,070	1.8	34,500	33,900	35,000	3.0
South East	4,660	4,620	4,700	1.6	28,900	28,600	29,300	2.3
South West	2,860	2,830	2,890	2.2	11,900	11,700	12,000	3.0
Wales	1,510	1,480	1,530	3.2	5,150	5,030	5,270	4.5
Scotland	2,780	2,750	2,810	2.3	11,900	11,700	12,100	3.1
Northern Ireland	801	783	819	4.4	3,080	2,990	3,180	6.2

Source: http://www.hmrc.gov.uk/stats/income_distribution/table-3-13a-feb2010.xls

1. 95% confidence interval width expressed as % of central estimate; note that intervals are not symmetric around central estimate.

Other potential sources of error

It is important to note that the confidence limits in the table above take account only of sampling variation in the published estimates.

Other potentially important sources of error in the published estimates include:

- Imputation errors: as described above, some components of income must be imputed for SPI cases within PAYE. These amounts are large in some cases, e.g. around half of taxpayer bank and building society interest totalling £22 billion is imputed in SPI 2007-08.
- Modelling errors: as noted above, income tax liabilities are estimated on the basis of the SPI survey data. The PTM tax modelling process attempts to capture all of the significant features of the UK income tax system, but inevitably this involves certain simplifications and omissions.
- Projections errors: potential errors in projection processes and also economic assumptions used in making the projections are likely to induce larger errors overall compared with published outturns for 2007-08 and earlier years.

Changes to SPI survey methodology

Changes in survey methodology may affect comparisons of SPI results across years. Key changes over recent survey years are briefly summarised below:

2007-08

- Re-design of the individual Main SA Return led to some discontinuities in SPI income variables at a detailed level (e.g. breakdown of interest

income), though this did not affect higher level income aggregates nor SPI-based estimates of income tax liabilities.

2006-07

- Change in data feeds for P14 employee end of year information to SPI led to some loss of detail in breakdown of income taxed as earnings between employment income, occupational pensions or other taxable social security benefits for PAYE cases with more than one income source. This did not affect SPI-based estimates of tax liabilities.

2005-06

- Improved consolidation of P14 employee end of year information for PAYE cases with more than one employment or occupational pension leads to more complete picture of annual income for these cases, and some increase in SPI-based estimated of tax liabilities.
- Change to calculation of grossing factors leads to small increase in estimate of the number of taxpayers.

B Table 2.7

Introduction

Table 2.7 “Percentage of earnings paid in income tax” depicts income tax burdens over time for a selection of specific family types, assuming that there is a single earner in the family with earnings at specific points in the earnings distribution.

The purpose and therefore methods underpinning Table 2.7 are quite distinct from Tables 2.1 to 2.6. The statistics in Table 2.7 do not relate to all UK taxpayers, nor any particular subset of UK taxpayers, but rather hypothetical families assuming specific family circumstances (e.g. concerning numbers of children) and gross wages. Family circumstances and wages in all cases are by assumption, and SPI data is not used in the calculations. The family types depicted are illustrative but far from exhaustive; circumstances and incomes in practice vary widely across families in the UK.

Table 2.7 also differs from the other tables in this release by taking account of the amounts of tax credits the depicted families would be entitled to. Tax credits provide financial support to working families and families with children, based on household circumstances including hours worked, family income, claimant’s age, the number and age of children and childcare costs. An introduction to the tax credit system is published alongside HMRC’s regularly published tax credit statistics:

<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm>

Methods

Gross income tax liabilities and tax credit entitlements are calculated for each family in each tax year assuming specific family circumstances and the presence of a single wage earner with gross earnings at specified points in the earnings distribution.

The family types depicted in Table 2.7 have changed over time, reflecting changes to the systems, including the introduction of tax credits in 1999-00, abolition of Married Couples Allowance for all born before 6th April 1935, and reforms to the tax credits system in April 2003.

Since 2003-04, income tax burdens are presented for single adult families without children, couple families without children, and couples with two children. For all family types, the calculations assume a single wage earner with gross earnings as specified in Table 2.7.

The income tax calculations assume that:

- the taxable income of the wage earner consists only of the specified gross earnings; and that the partner in couples is a non taxpayer.
- the wage earner is entitled only to the personal allowance for under 65s, and has no deductions (e.g. pension contributions) or other allowances (e.g. blind persons allowance) reducing gross tax liabilities.

The tax credit calculations assume that:

- wage earners are aged 25 and work full-time (>30 hours per week) and so are entitled to Working Tax Credit (WTC) (including the second adult element where applicable) and the WTC 30 hour element whatever their family circumstances or earnings.
- the family with two children is entitled to the Child Tax Credit (CTC) family premium and per child element, but not the baby element (i.e. both children are aged 1 or over); and does not receive any support through WTC for childcare costs.
- the final (tapered) tax credit award is based on a family income that consists solely of the gross earnings of the wage earner.

Calculations for each tax year are based on the prevailing structure and parameters of the income tax and tax credit systems. Table 2.7 shows tax net of tax credits entitlements, and expressed as a percentage of gross earnings. In some cases, calculated tax credit entitlements exceed income tax liabilities, leading to a negative estimate of tax overall as a per cent of income.

Earnings

Earnings at the specified points in the earnings distributions are based on the Office for National Statistics Annual Survey of Hours and Earnings (ASHE): <http://www.statistics.gov.uk/statBase/product.asp?vlnk=13101>

The specific ASHE-based earnings percentiles used in Table 2.7 relate to gross weekly pay for all employees (ASHE Table 1-1a), on an annualised basis. ASHE is published annually with an April reference period. Figures for tax years are derived by HMRC as an average of the ASHE results for the adjacent Aprils.

Projections

The most recently published ASHE results are for April 2010, published on 8 December 2010, permitting derivation of estimates of earnings across the distribution up to tax year 2009-10.

Projections of income tax burdens are also provided for 2010-11. Earnings are projected to grow equally across the distribution in 2010-11 using an economic assumption consistent with the Office for Budget Responsibility's most recent UK economic forecast.

The projections shown in Table 2.7 are outside the scope of National Statistics.

Annex C: Glossary

Allowances

The amount of income which an individual can receive before being liable for income tax. The main example of an allowance is the personal allowance.

Average rate of income Tax

Total liabilities expressed as a per cent of total income, where income is measured before deductions and tax allowances.

Basic rate limit

This is the highest income point for taxable income (after allowances) at which basic rate income tax is charged.

Dividend Income

Income from shares.

Deductions

Other tax reliefs such as payments made gross to pension schemes.

Earnings

For simplicity this publication refers to total income excluding savings and dividend income as “earnings”. Note that “earnings” therefore includes earnings from employment, profits/losses from self-employment, income from pensions and any other income excluding savings or dividends.

Higher rate limit

This is the highest income point for taxable income (after allowances) at which higher rate income tax is charged.

Pay As You Earn (PAYE)

PAYE is the system which HMRC uses to collect income tax from employees pay as they earn it. Employers and pensions providers deduct the income tax liable and pay it over to HMRC on behalf of the individual at each pay period.

Starting rate limit/Starting rate for savings limit

This is the highest income point for taxable income (after allowances) at which starting rate income tax is charged. From 2008-09 the starting rate limit was abolished and a new starting rate limit for savings was introduced. The new limit only applies to savings income where earnings are below the starting rate for savings limit.

Savings Income

A particular class of income that includes interest on bank and building society interest.

Self Assessment (SA)

SA is system where an individual declares their income and calculates their own income tax due after the end of the tax year. Taxpayers included in SA are higher earners, self-employed and taxpayers with complex tax affairs.

Survey of Personal Incomes (SPI)

An annual survey of individuals who could be liable for income tax derived from HMRC administrative systems holding data on persons within PAYE, SA and income tax claims.

Taxable income

Income assessable to income tax after allowances

Tax liabilities

The income tax due on income at the point that a taxpayer receives that income.

Tax receipts

The amount of income tax collected by HMRC.

Total income

The sum of an individual's income liable to income tax. This includes earnings from employment, profits from self-employment, pensions income, some social security benefits savings income, income from shares (dividends), rental income, and income paid from trusts.