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# Income Tax Liabilities Statistics 2009-10 to 2012-13

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## Background notes

**Income Tax Liabilities Statistics (ITLS)** is an Official Statistics publication by HM Revenue and Customs (HMRC).

The United Kingdom Statistics Authority (UKSA) has confirmed that the outturn ITLS statistics for 2009-10 and earlier tax years can be designated as National Statistics, subject to HMRC implementing the enhancements listed in section 1.5 of its November 2011 Assessment Report 157 *Statistics on Income Tax*: <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-157---statistics-on-income-tax.pdf>

National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. More information is available at: [www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk).

ITLS projections for tax years 2010-11 to 2012-13 currently fall outside the scope of National Statistics, and will be assessed by UKSA in 2012.

## Data sources, methods and quality

These statistics are based on HMRC's annual Survey of Personal Incomes (SPI), a representative sample survey of the tax records of individuals in HMRC's Pay As You Earn (PAYE), Self Assessment (SA) and repayment claims administrative systems. Individuals' tax liabilities are estimated using the information SPI provides on taxpayer incomes and circumstances (e.g. their age).

Data sources and methods are described in Annex B. Information about the quality of the statistics are set out in Annex C.

As in previous releases, ITLS Table 2.2 provides projections of taxpayer numbers by taxpayer marginal rate for countries and regions. These projections are indicative only. Users should note that the reliability of these projections by country and region is under review, particularly those for additional rate taxpayers, with the possibility that they be withdrawn from future releases (Annex C).

## New in this release and next release

ITLS was last published in April 2011. This release provides new analysis of outturn liabilities statistics for tax year 2009-10, based on recently published Survey of Personal Incomes (SPI) outturn data.

The release also provides revised projections for tax years 2010-11 to 2011-12, and new projections for 2012-13, based on the 2009-10 SPI data and projected using economic assumptions consistent with the Office for Budget Responsibility's (OBR) March 2012 *Economic and fiscal outlook*: <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2012/>

Methods used to project incomes and tax liabilities for high earners from 2010-11 have been improved in order to reflect new evidence recently published by HMRC concerning the response of high income taxpayers to recent changes in tax rates; and methods used to project potential taxpayer numbers have also been modified (see Annex B).

Projections for 2012-13 do not take account of the high income child benefit charge coming into effect in January 2013 (see Annex A).

In response to user responses to the recent survey of income tax statistics, Table 2.5 has been expanded to provide more detail at high income levels. Additional information has also been added to Table 2.4.

ITLS is usually published twice yearly, in December/January and April/May, with revised projections based on the OBR's latest published economic forecast, until final statistics based on outturn SPI survey data can be published. The next scheduled release will be in December 2012 or January 2013, containing new SPI outturn data for tax year 2010-11 and revised projections to 2012-13 following the OBR's Autumn 2012 economic forecast. 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 (ONS) publication hub.

Production and publication of the 2008-09 SPI has been delayed. It was not possible to obtain all data required to update the SPI with comprehensive information on individuals' income and tax liabilities in time to process the 2008-09 data before starting work on the 2009-10 SPI. Therefore a decision was made to prioritise the 2009-10 SPI over the 2008-09 SPI so as to provide more up to date information earlier. HMRC remains committed to producing the 2008-09 SPI and will announce publication dates as soon as they have been confirmed.

## **Historic estimates**

In response to user requests, a selection of historic ITLS tables have been made available via our menu page:

[http://www.hmrc.gov.uk/stats/income\\_tax/menu.htm#liabilities](http://www.hmrc.gov.uk/stats/income_tax/menu.htm#liabilities)

Historic versions of Tables 2.5 and 2.6 are new with this release.

## **Relevance and use**

Using SPI survey data, ITLS Section A provides detailed outturn statistics and projections of individual income taxpayer numbers, income tax liabilities and average rates of tax broken down by taxpayer characteristics such as age and gender, income levels and groupings (e.g. the richest 10%), and by marginal rate of tax (e.g. basic rate taxpayers). Section A also shows tax liabilities arising on different forms of income subject to income tax and in each tax band. As a complement to the survey-based statistics, ITLS Section B sets out trends in income tax burdens over time for a selection of illustrative family types and earnings levels.

HMRC also publishes statistics on income tax receipts:

[http://www.hmrc.gov.uk/stats/t\\_receipt/menu.htm](http://www.hmrc.gov.uk/stats/t_receipt/menu.htm)

Liabilities are amounts of income tax due on incomes arising in a given tax year whereas receipts are amounts of income tax paid and collected in a given year. Statistics on income tax liabilities and receipts in any year can differ appreciably, due to lags in the payment and collection of tax particularly under SA, or when over or underpayments occur which are repaid or recovered in a later year. Data sources and methods underpinning the statistics also differ. Receipts statistics are based on aggregate administrative data sources whereas liability statistics are compiled using a sample of individuals' tax records.

The detailed breakdowns of income tax liabilities provided in ITLS are not available on a receipts basis, and are not generally available in other statistical publications. Liabilities statistics also reflect more closely and immediately than tax receipts the impact of changes in the income tax policy regime and developments in the wider economy. They are used by individuals with an interest in the income tax base and tax policy in government, 'think tanks', other research bodies and academia, as well as journalists and other commentators.

HMRC publishes further outturn statistics on income tax liabilities, and in particular analyses of individuals' incomes that give rise to those tax liabilities in *Personal Incomes Statistics*:

[http://www.hmrc.gov.uk/stats/income\\_distribution/menu.htm](http://www.hmrc.gov.uk/stats/income_distribution/menu.htm)

Due to the time needed to receive and process tax returns and information provided by employers, SPI survey results are subject to a lag of several years. Projections up to the current tax year, 2012-13, are provided to bring the statistics up to date, and enhance their timeliness and usability. Projections beyond the current tax year are not provided as tax rates, allowances and thresholds impacting on the statistics are not known until announced by the Government.

The projections methods, described in Annex B, have been chosen to suit ITLS's key purpose of providing informative breakdowns of income taxpayers and liabilities. Provision of projections of total tax is not a key purpose of the ITLS release, and the use of other data sources and alternative projection methods would be required to make them suitable for that particular purpose. They should not be seen or used as alternative or competitor forecasts of income tax produced by other organisations.

The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances, and twice yearly publishes five-year forecasts for the economy and public finances, including income tax receipts: <http://budgetresponsibility.independent.gov.uk/>

## **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 have comments or queries on these statistics, please contact the statistical contacts named on the front page of this release, or use HMRC's user engagement form: <http://www.hmrc.gov.uk/stats/user-engagement.htm>

User comments are reviewed regularly, and results of surveys and consultations are published. Information on the most recent survey of users of HMRC income tax statistics is available here:

[http://www.hmrc.gov.uk/stats/income\\_tax/user-survey-results.pdf](http://www.hmrc.gov.uk/stats/income_tax/user-survey-results.pdf)

## **Further information**

Further information setting out the context for these statistics and projections is provided in Annex A. This includes an introduction to the UK income tax system and a summary of recent income tax policy changes which impact on the ITLS statistics. Annex D provides a glossary of terms.

## **SECTION A: Income Tax Liabilities Statistics**

### **Summary of key statistics**

**Key outturns** for taxpayers and income tax liabilities in 2009-10 are:

- 30.6 million individual income taxpayers in 2009-10.
- taxpayer numbers fell by 1.89 million in 2009-10 compared with 2007-08.
- 27.4 million non-higher rate taxpayers (89.6% of all taxpayers) and 3.19 million higher rate taxpayers (10.4%).
- relative to total income before allowances, deductions and reliefs, average rates of tax were 12.5% for basic rate taxpayers and 27.0% for higher rate taxpayers.
- the richest 50% of taxpayers by total income accounted for a 77.1% share of total income and 88.8% of tax liabilities.
- the richest 1% of taxpayers by total income accounted for a 13.9% share of total income and 26.5% of tax liabilities
- 90.5% of tax liabilities were due on earnings, 7.1% on dividends and 2.4% on savings.
- 59.4% of tax liabilities were due on taxable incomes falling within the basic rate tax band; 40.6% in the higher rate band; and 0.1% in starting rate band

**Projections** for tax years 2010-11 to 2012-13, which are not National Statistics, show:

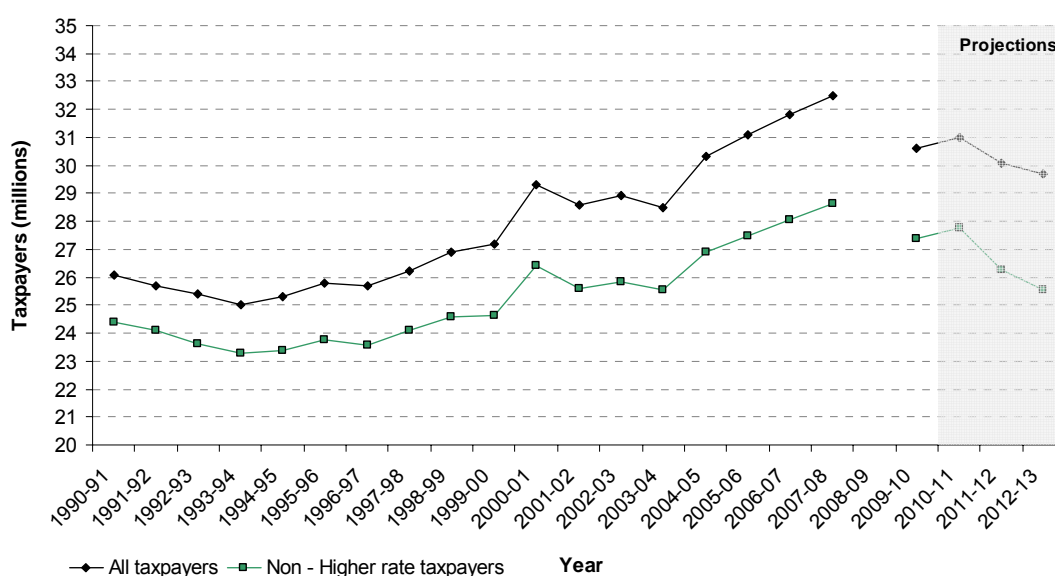
- 29.7 million taxpayers in 2012-13, 0.9 million lower than in 2009-10
- 4.10 million higher rate taxpayers (13.8% of all taxpayers), 0.9 million higher than in 2009-10.
- average rates of tax fall to 11.4% for basic rate taxpayers in 2012-13 and rise to 27.2% for those liable at higher rates.

Users should note outturns and projections for the highest income taxpayers are strongly affected by likely responses to changes in the top rate of income tax.

The remainder of this section provides more detailed commentary and statistics on income taxpayers and liabilities in 2009-10, and the projections to 2012-13, followed by the detailed tables.

**Table 2.1 – Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2012-13:** 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 by taxpayers' marginal tax rate, by gender and by age group.

**Figure 1: Income taxpayers**



Latest available SPI survey data shows an estimated 30.6 million taxpayers in 2009-10, of which 17.1 million (55.9%) were male, and 5.69 million (18.6%) above the State Pension Age of 65 for males and 60 for females. Comparable figures for the UK population aged 16 and over in 2009-10 are 48.7% male, and 19.5% above State Pension Age.<sup>1</sup>

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 and its composition. In 2009-10, an estimated 27.4 million individuals, representing the large majority of all income taxpayers (89.6%) were non-higher rate taxpayers, with no liabilities due at the higher rates of tax. The remaining 3.19 million taxpayers (10.4%) were higher rate taxpayers. Basic and higher rates of tax on earnings and savings were 20% and 40% respectively; lower rates applied to dividend income.

Among non-higher rate taxpayers, there were 163,000 starting rate taxpayers (0.5% of all taxpayers), classified as those with taxable savings only below the £2,440 starting rate limit on which a 10% tax rate applied. This estimate may be understated due to difficulties in assessing numbers with taxable savings income who would otherwise be non-taxpayers, where imputation is required for SPI cases in PAYE only, and fall below previously published projections. A further

<sup>1</sup> Derived from Office for National Statistics Mid Year Population Estimates for 2009 and 2010, <http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm:77-22371>



602,000 (2.0%) without taxable earnings but with taxable savings above the starting rate limit and/or taxable dividends were savers rate taxpayers, where rates of 20% and 10% applied to savings and dividends. The remaining 26.6 million (87.0%) non-higher rate taxpayers had taxable earnings and are classified as basic rate taxpayers.

Taxpayer numbers fell by 1.89 million in 2009-10 compared with 2007-08, a little less than previously projected in ITLS. Personal allowances increased by more than RPI indexation, particularly in 2008-09 (£600 above indexation for those aged under 65 and £1,180 for those aged 65 and over), but also 2009-10 (£130 above indexation for under 65s). Taxpayer numbers in this period are also likely to have been affected by the recession in the UK economy. UK gross domestic product (GDP) in volume terms fell by 7.0% between the first quarter of 2008 and the second quarter of 2009, reflected in a decline in earnings growth to low levels and falling employment. By comparison, taxpayer numbers fell by 1.1 million in the three tax years to 1993-94.

Projections to 2012-13, which are not National Statistics, show taxpayer numbers declining by a further 0.9 million to 29.7 million in 2012-13. GDP rose in the period to the third quarter of 2010, with taxpayer numbers projected to rise by 0.5 million in 2010-11, when tax allowances were fixed in nominal terms. However, taxpayer numbers are projected to fall significantly after, in part reflecting significant increases in the personal allowance for under 65s, particularly in 2011-12 (£690 above indexation) and also 2012-13 (£210 above indexation). In cash terms, the personal allowance rose from £6,475 in 2009-10 (and 2010-11) to £8,105 in 2012-13.

Numbers liable at higher rates of tax, however, are projected to rise by 0.9 million, from 3.19 million (10.4% of taxpayers) in 2009-10 to 4.10 million (13.8%) in 2012-13. While the proportion of taxpayers liable at higher rates normally rises over time as income growth typically exceeds price indexation of tax thresholds, UK earnings growth was below RPI inflation for income tax indexation in this particular period, and so the usual 'fiscal drag' process would be in reverse at aggregate level. More important, the higher rate threshold for income tax fell in cash terms from £43,875 in 2010-11 (as in 2009-10) to £42,475 in 2011-12 (remaining at that level in 2012-13), raising higher rate taxpayer numbers significantly relative to income growth.

Based on the projected SPI sample data, in 2010-11 a projected 255,000 taxpayers were liable to the additional rate of tax introduced in April 2010, rising above 300,000 by 2012-13. These projections are subject to considerable uncertainties, not least concerning likely responses of high income individuals to the new tax rate. The projected level and profile of additional rate taxpayers is affected by inevitably uncertain assessments of the degree of forestalling (bringing forward) of incomes to 2009-10 ahead of the introduction of the additional rate, and the unwinding of this effect plus underlying behavioural responses from 2010-11. Allowance for forestalling particularly has led to lower projections of additional rate taxpayer numbers than previously published in ITLS. Users should note that these projections may change markedly as new evidence emerges.

The 2010-11 projection for additional rate taxpayers, and related projections, are broadly consistent with HMRC's detailed published assessment of the 50p tax rate<sup>2</sup> which draws on SA returns received to date for that year. However, some inevitable small differences arise through ITLS's use and projection of earlier sample survey data for 2009-10.

*Interpreting Table 2.1: Starting, savers and basic rate taxpayers are non-higher rate taxpayers, and might all be considered "basic" rate taxpayers in the sense that no tax is due at higher rates. The separate categories are published recognising that the highest marginal rate of tax paid will depend on the make-up of their taxable income, and this affected significant numbers of taxpayers particularly before April 2008 when the starting rate of tax on earnings was removed. Classification of taxpayers by marginal rate is described in Annex B, and is subject to discontinuities over time reflecting the changing structure of UK income tax.*

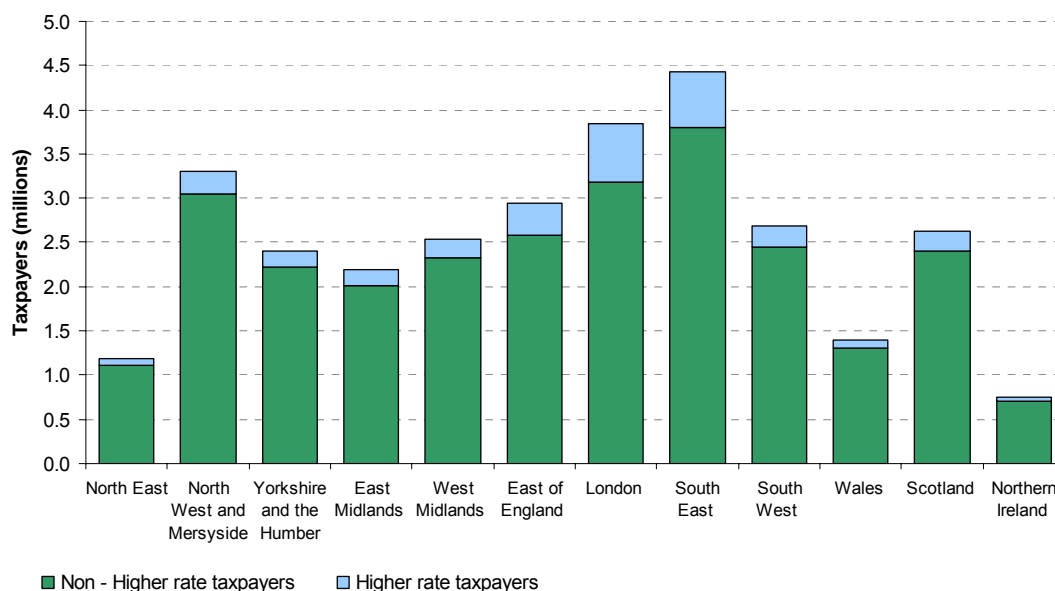
*The SPI is an annual cross section sample survey comprising a different sample of taxpayers each tax year. Changes in taxpayer numbers between years will in part reflect sampling variation (annex C). Changes to SPI survey methods may also lead to some discontinuities in the accumulated time-series estimates of taxpayer numbers in survey years up to 2009-10.*

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<sup>2</sup> The exchequer effect of the 50 per cent additional tax rate, HMRC:  
<http://www.hmrc.gov.uk/budget2012/excheq-income-tax-2042.pdf>

**Table 2.2 – Number of individual income taxpayers by country and region, 1999-00 to 2012-13:** provides a breakdown of trends in individual taxpayer numbers over time by country and Government Office Region.

**Figure 2: Income taxpayers by country and region, 2009-10**



In 2009-10, the largest number of taxpayers are estimated to reside in South East (14.5% of the total), followed by London (12.5%) and the North West and Merseyside (10.8%) Government Office Regions. The countries and regions with the lowest number of taxpayers are Northern Ireland (2.4%), followed by the North East (3.9%) and Wales (4.6%). These rankings are closely mirrored in country and regional ranks for shares in the UK population aged 16 and over.

Within the taxpayer totals for 2009-10, there are three regions where the proportion of higher rate taxpayers exceeds the UK average (10.4%): London (17.0%), the South East (14.5%), and East of England (12.3%). By contrast, under-representation of higher rate taxpayers is most marked in Wales (6.4%), Northern Ireland (also 6.4%) and the North East (6.8%).

Taxpayer numbers fell across all countries and regions in 2009-10 compared with 2007-08, though these reductions ranged between 4.5% in the East of England and 10.1% in the North East.

ITLS projections, which are not National Statistics, show taxpayer numbers declining by around 2-4% in all countries and regions between 2009-10 and 2012-13, closely in line with the UK projection. These regional projections of taxpayer numbers are indicative, and show relatively close correspondence with the expected UK trend due to projection methods (see notes below and Annex B).

Projections of additional rate taxpayer numbers by regions and country for 2010-11 and later years are highly indicative, and are published for continuity with past publications while HMRC assesses their reliability in the light of separate evidence now available through SA tax returns for 2010-11 (Annex C).

*Interpreting Table 2.2: Taxpayer country and region for individuals in the SPI data are determined by individuals' residential postcode (not, for example, place of work if any). Projections of taxpayer numbers by country and region beyond the 2009-10 outturns are based on economic outturns/projection assumptions applying generally to the UK as a whole, and should be regarded as indicative in that they make no explicit allowance for geographical variations in economic trends. Annex B provides further details.*

**Table 2.4 – Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2012-13:** *shows how the distributions of individual incomes and tax liabilities have changed since 1999-00. Shares in total income assessable for income tax of different income groups 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 total income distribution (richest 50%) accounted for a 77.1% share of total income before tax in 2009-10, compared with a 22.9% share for those in the bottom half of the income distribution.

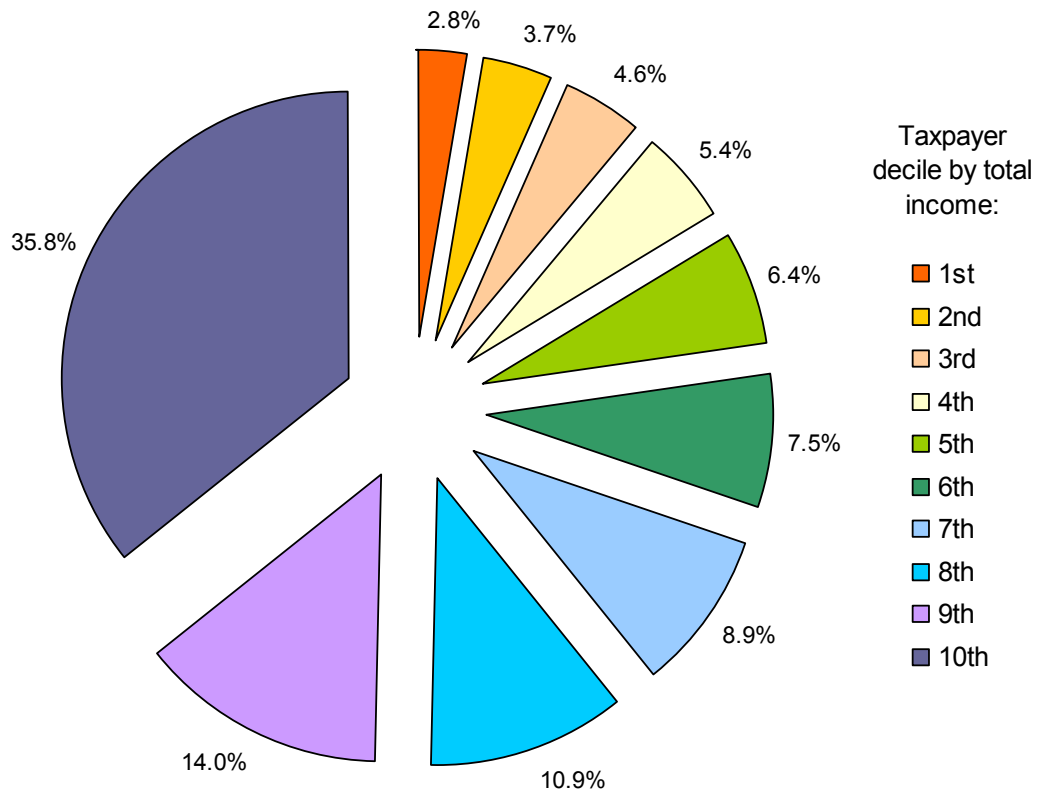
Shares in total tax liabilities of high income groups are larger than their income shares, reflecting the progressive structure of the income tax system. Taxpayers in the top half of the income distribution accounted for 88.8% of income tax liabilities in 2009-10, compared with 11.2% for the bottom half.

Relative to taxpayer populations, 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 richest 10% of the taxpayer population by total income were 35.8% and 54.9% respectively in 2009-10, and 13.9% and 26.5% for the richest 1% of taxpayers by total income.

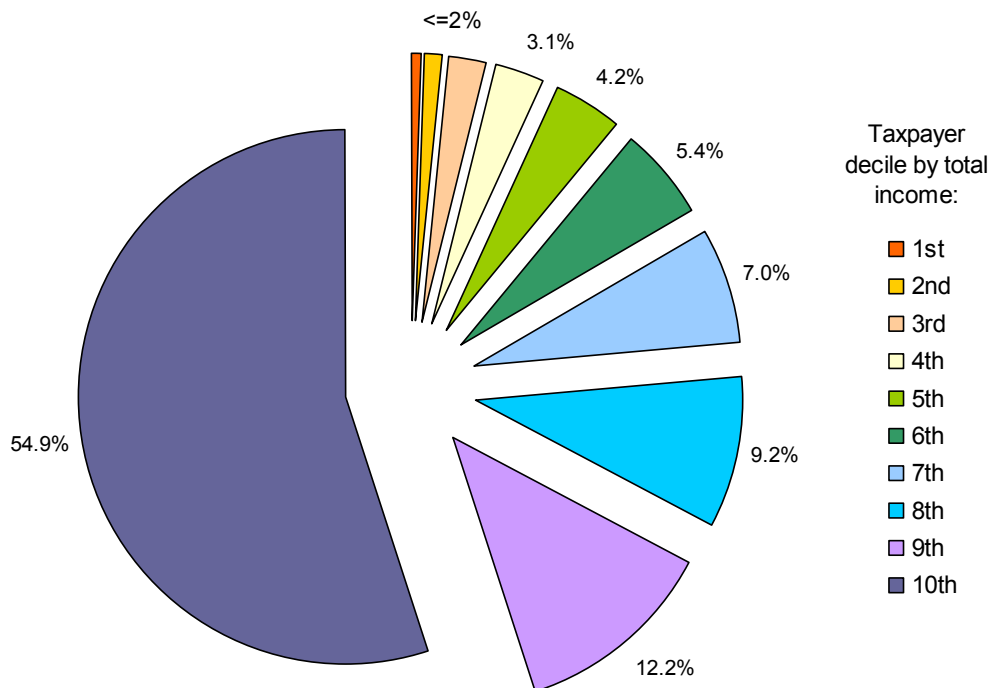
Table 2.4 shows that the distribution of total income among taxpayers has tended to become less equal over time. The income share for the richest 50% of taxpayers rose by 0.9 percentage points between 1999-00 and 2009-10. This is more than explained developments at the very top of the taxpayer income distribution. The income share for the top 1% rose by 2.9 percentage points over the same period, whereas income shares declined for those below the 95<sup>th</sup> percentile.

Increases in income shares for taxpayer groups below the 50<sup>th</sup> income percentile between 2007-08 and 2009-10 therefore were less typical of the medium-term trend, and arise at least in part due to the decline in taxpayer numbers overall. The income share for the richest 1% of taxpayers rose by 0.5 percentage points between 2007-08 and 2009-10. This was very likely much more than accounted for by one-off forestalling (bringing forward) of incomes to 2009-10 by high income individuals affected by the introduction of the additional rate of tax in April 2010. Forestalling is estimated at around £16-18 billion or 2 per cent of total taxpayer income among broadly the richest 1% in 2009-10, though this assessment is subject to considerable uncertainties. The tax liabilities share for the top 1% rose more sharply by 2.1 percentage points.

**Figure 3: Shares of total income by taxpayer total income decile, 2009-10**



**Figure 4: Shares of tax liabilities by taxpayer total income decile, 2009-10**



Projections of income shares for 2010-11 to 2012-13, which are not National Statistics, should be considered indicative, as the projection of incomes for all taxpayers generally takes account only of expected average UK growth in incomes during this period, whereas growth in income has tended to be stronger for higher income taxpayers in the period to 2009-10.

The total income share of the richest 1% of taxpayers is projected fall sharply to 10.6% in 2010-11, as their incomes fall below 'normal levels' (the counterpart of incomes brought forward to 2009-10), those levels also reduced by expected underlying responses to the increased top rate of tax. The projected top 1% income share rises as incomes return closer to normal in 2011-12, but dips again in 2012-13 reflecting likely deferral of incomes ahead of the reduction in the additional rate to 45% in 2013-14. Their share of tax liabilities is also expected to decline by 2.3 percentage points between 2009-10 and 2012-13.

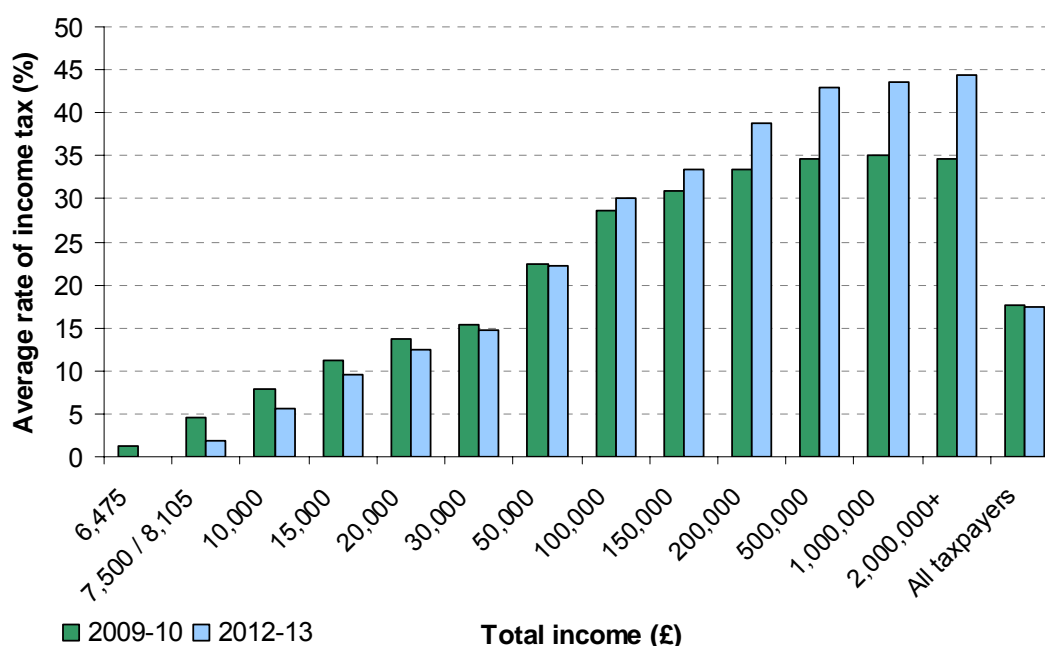
Projected increases in income shares between 2009-10 and 2012-13 among other taxpayer income groups represent to some degree the arithmetic counterpart of these large swings in incomes of the top 1%. Shares of tax, however, are projected to rise mainly for the top 10% (excluding the top 1%). Personal allowances rose significantly, particularly in 2011-12, but the higher rate threshold for 40% tax declined in cash terms over the same period.

*Interpreting Table 2.4. The table relates to taxpayers only, as the SPI survey provides complete coverage only for this group. The table does not provide a complete picture of individual income inequality 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 (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). Income levels at specific percentile points of the taxpayer total income distribution have been added to Table 2.4 to help users.*

**Table 2.5 – Income tax liabilities, by income range, 2009-10 to 2012-13:** shows numbers of taxpayers and their tax liabilities by range of total income and marginal rate of tax. 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.

**Figure 5: Average rate of income tax by income range, 2009-10 and 2012-13**



In 2009-10, an estimated 3.7m taxpayers (12.1% of the total) had total income assessable for tax between the personal allowance for under 65s of £6,475 but below £10,000, while 12.0 million (39.2%) had total income between £10,000 and £20,000, and 12.3 million (40.2%) had total income between £20,000 and £50,000. Combined these groups accounted for 91.5% of all taxpayers in 2009-10.

Numbers of taxpayers with total incomes above £50,000 in 2009-10 were much smaller by comparison at 2.59 million (8.5%). Table 2.5 also shows that there are small numbers of taxpayers with very high incomes, including an estimated 16,000 with incomes above £1,000,000, among which 5,000 have income above £2,000,000. 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 bands. Average rates of tax rise with total income band, for example from 11.3% of total income in 2009-10 for those with incomes between £15,000 and £20,000 (median taxpayer total income was £19,575 in 2009-10) to 15.4% (£30,000 to £50,000), 22.4% (£50,000 to £100,000), and 35.1% (£1,000,000 to £2,000,000). The average rate of tax for those in the £2,000,000 and over income band dips slightly to 34.1%.



The distribution of total tax liabilities by taxpayers' marginal rate therefore shows significant differences compared with taxpayer numbers. In 2009-10, non-higher rate (starting, savers and basic) taxpayers (89.6% by number) accounted for less than half of total liabilities (44.4%), whereas higher rate taxpayers (10.4% by number) accounted for 55.6% of total tax liabilities.

Projections for 2010-11 to 2012-13, which are not National Statistics, show increasing taxpayer numbers with incomes between £15,000 and £200,000 compared with 2009-10. However numbers with income below £10,000 fall significantly in 2011-12 and 2012-13, as the personal allowance for under 65s increased from £6,475 in 2010-11, to £7,475 then £8,105, contributing to a 910,000 reduction in taxpayer numbers overall. Numbers of taxpayers with total income above £200,000 are projected to decline in 2010-11, recovering in later years.

Average rates of income tax are projected to change little between 2009-10 and 2012-13 across all taxpayers, but fall more significantly for the bulk of taxpayers in income bands below the lower limit of £100,000, these reductions around 2 percentage points for income bands below £20,000. These projected falls are again concentrated in tax years 2011-12 and 2012-13, and reflect increases in personal allowances for under 65s. All else equal, these cash increases in the allowance conferred essentially fixed reductions in tax due for basic rate taxpayers over the period, and so their impact on average tax rates becomes progressively smaller as income rises.

Average tax rates in the £50,000 to under £100,000 income group are projected to fall only modestly. The basic rate limit declined in this same period, offsetting reductions in tax through higher allowances for those with income above the £43,875 higher rate threshold in 2009-10 and up to £100,000. For income groups above £100,000 average tax rates are projected to rise, these increases becoming progressively larger by income band. Withdrawal of personal allowances for those with income after deductions above £100,000 was introduced in April 2010 alongside the increase in the top rate of tax for taxable income above £150,000 to 50% for incomes other than dividends and 42.5% for dividends. The share of total liabilities accounted for by higher and additional rate taxpayers combined is projected to rise to 61.0% in 2012-13 from 55.6% in 2009-10.

*Interpreting Table 2.5. Income groups are defined in the table in terms of the lower limit for total income before any deductions, allowances and tax credits. 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, allowances, and credits, 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 significantly exceeds the basic rate limit for taxable income).*

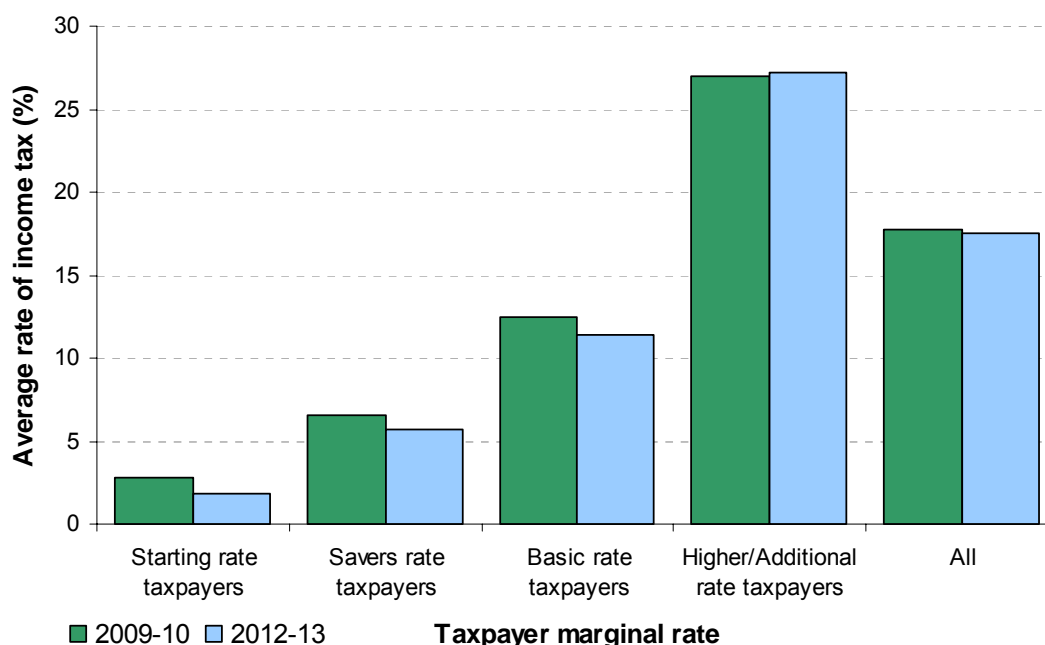
*Column totals for tax liabilities of taxpayers by marginal rate show total liabilities of such taxpayers, including liabilities paid at other rates of tax (e.g. total liabilities of higher rate taxpayers includes liabilities due at the basic and other rates of income tax).*

*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, allowances and tax credits 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 their average rate of tax due on their total income; average tax rates therefore rise towards 40% for the highest income groups in 2009-10 and 50% from 2010-11.*

*Average rates of tax for taxpayers with the highest incomes are projected to rise significantly between 2009-10 and 2012-13, reflecting the introduction of the additional rate of tax (see figure 5). However, behavioural responses to the changes to the top rate of tax are also reflected in significant changes in total income.*

**Table 2.6 – Income tax liabilities, by income source and tax band, 2009-10 to 2012-13:** shows total tax liabilities due broken down by income source (earnings, savings and dividends) and by income tax band.

**Figure 5: Average rate of income tax by income range, 2009-10 and 2012-13**



In 2009-10, the large majority of income tax liabilities (90.5% of the total) were due on earnings (which includes earnings from employment, but also profits from self-employment, pensions, taxable state benefits and income from property). Remaining shares in total liabilities were 7.1% for dividends income and 2.4% for savings income. These results largely reflect the composition of taxpayer incomes by source.<sup>3</sup>

In 2009-10, £91.3 billion of tax liabilities (59.4% of the total) were due on taxable incomes falling within the basic rate tax band (applying to the first £37,400 of taxable income that year), compared with £62.3 billion (40.6%) in the higher rate band. Just £0.103 billion in tax liabilities in 2009-10 (0.1%) were due on taxable incomes in the starting rate band, which applied to the first £2,440 of taxable savings only in 2009-10, following removal of the starting rate for earnings in 2008-09.

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 be 12.5% for basic rate taxpayers and 27.0% for higher rate taxpayers in 2009-10, compared with headline marginal tax rates of 20% and 40% for earnings. Average rates of tax in 2009-10 were 2.8% for starting rate taxpayers (with savings income below the starting rate limit and no taxable earnings) and 6.6% for savers rate taxpayers (with taxable savings above the starting rate limit

<sup>3</sup> HMRC publishes detailed statistics on taxpayer incomes based on SPI data: [http://www.hmrc.gov.uk/stats/income\\_distribution/menu.htm](http://www.hmrc.gov.uk/stats/income_distribution/menu.htm)

or taxable dividends but no taxable earnings). Headline marginal rates were 10% for starting rate savings, 20% for basic rate savings and 10% for dividends.

Projections for 2010-11 to 2012-13, which are not National Statistics, show that tax liabilities on savings income are projected to fall significantly in percentage terms by 2012-13, as savings incomes decline due to reductions in interest rates. Liabilities on earnings and dividends are also projected to have fallen in 2010-11, the latter in percentage terms particularly influenced by forestalling of income in 2009-10, but both are projected to recover in later years. Liabilities shares for earnings and savings are projected in 2012-13 to change by +0.8 and -0.8 percentage points respectively relative to 2009-10 levels.

Forestalling in 2009-10 exerts a significant influence on the projected profile of combined liabilities due at higher and additional rates of tax. These are projected to have fallen in 2010-11 as incomes for the richest decline from forestalled to below 'normal levels', but recover in later years as these special factors subside, and economic recovery is assumed to build. By 2012-13, combined liabilities due at the higher and additional rates of tax are projected to account for 43.6% of total liabilities compared with 40.6% in 2009-10, with a corresponding decrease in the share of liabilities due at basic rate.

For basic rate taxpayers, the average rate of income tax is projected to fall from 12.5% in 2009-10 and 2010-11 to 11.8% in 2011-12 and 11.4% in 2012-13, following increases in personal allowances for under 65s in these years. The average rate of higher and additional rate taxpayers combined is projected to have risen from 27.0% in 2009-10 to 27.7% in 2010-11, but falls back to 27.2% in 2012-13. Average rates of tax for high incomes groups from 2009-10 are also significantly affected by expected responses to changes in the top rate of tax.

*Interpreting Table 2.6. The purpose of Table 2.6 is to provide breakdowns of income tax liabilities by income source, by tax band and taxpayer marginal rate. Projections of total liabilities shown here and in other tables are for reference, but please see background notes on relevance and use of ITLS statistics and projections.*

*Dividends liabilities are gross of the 10% dividends tax credit that covers the first 10% of tax due on dividends income for all taxpayers.*

*Estimates of total liabilities for given tax bands include tax paid on incomes in that band by all taxpayers, e.g. totals for starting rate tax in 2007-08 include the starting rate tax liabilities of basic and higher rate taxpayers.*

*While Table 2.6 shows projections of liabilities arising at the additional rate of tax from 2010-11, it is not possible to infer the additional yield arising from its introduction from this table. Additional rate liabilities are shown only for given projected taxpayer incomes, and so the table gives no indication of reductions in income and yield arising due to behavioural responses. HMRC's definitive assessment of additional rate taxpayer numbers in 2010-11 and the additional yield arising from the introduction of the additional rate are as set out in its published report on the 50p rate.*

## 2.1 Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2012-13

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	954	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	857	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	734	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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	30,600	163	602	26,600	3,190	.	17,100	13,500	26,000	4,530	5,690
2010-11 (8)	31,000	136	574	27,100	3,000	255	17,400	13,700	26,200	4,800	5,880
2011-12 (8)	30,100	188	557	25,500	3,570	294	17,000	13,100	25,200	4,920	5,820
2012-13 (8)	29,700	182	540	24,800	3,800	307	16,900	12,800	24,600	5,030	5,760

Source: Survey of Personal Incomes.

Table updated April 2012

### Key

. not applicable

### Footnotes for tables 2.1

(a) Figures for 2008-09 tax year are not currently available.

(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 between the starting/lower rate limit and the basic rate limit and/or dividends at the 10p ordinary rate. 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 is 60 years and 6 months in 2010-11, 61 years in 2011-12 and 61 years and 6 months in 2012-13.

(8) Projected estimates based upon the 2009-10 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

## 2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2012-13

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)
<b>England</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	25,500	142	525	22,100	2,790	.	14,300	11,200	21,700	3,770	4,740
2010-11 (8)	25,900	119	502	22,400	2,610	231	14,500	11,400	21,900	3,990	4,890
2011-12 (8)	25,100	161	487	21,100	3,100	265	14,200	10,900	21,100	4,090	4,850
2012-13 (8)	24,800	156	473	20,500	3,300	276	14,100	10,600	20,600	4,180	4,790
<b>North East</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	1,190	4	17	1,090	80	.	682	505	1,020	164	202
2010-11 (8)	1,210	3	16	1,110	79	3	694	513	1,030	176	212
2011-12 (8)	1,170	7	15	1,050	99	4	682	493	993	182	213
2012-13 (8)	1,150	7	15	1,020	109	4	676	478	969	186	210
<b>North West</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	3,300	16	64	2,960	258	.	1,810	1,490	2,820	476	603
2010-11 (8)	3,350	13	61	3,020	249	15	1,840	1,510	2,850	507	625
2011-12 (8)	3,240	20	59	2,840	309	17	1,800	1,440	2,720	519	618
2012-13 (8)	3,180	19	56	2,760	331	18	1,780	1,400	2,650	531	608

## 2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2012-13

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)
<b>Yorkshire and the Humber</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,410	13	45	2,170	181	.	1,350	1,050	2,060	350	436
2010-11 (8)	2,450	11	41	2,210	176	11	1,380	1,070	2,070	375	455
2011-12 (8)	2,370	16	41	2,080	214	12	1,350	1,020	1,980	385	449
2012-13 (8)	2,320	14	41	2,030	231	13	1,330	991	1,930	393	443
<b>East Midlands</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,200	12	42	1,960	183	.	1,250	945	1,880	317	404
2010-11 (8)	2,230	10	39	2,000	177	10	1,270	960	1,900	337	418
2011-12 (8)	2,160	14	39	1,890	211	12	1,250	916	1,820	346	413
2012-13 (8)	2,120	13	37	1,840	224	13	1,240	890	1,770	354	407
<b>West Midlands</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,530	14	46	2,270	197	.	1,440	1,090	2,150	377	478
2010-11 (8)	2,570	11	45	2,310	189	11	1,460	1,110	2,170	400	494
2011-12 (8)	2,490	15	43	2,190	231	14	1,430	1,060	2,080	410	489
2012-13 (8)	2,450	15	44	2,130	246	14	1,410	1,030	2,030	420	484

## 2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2012-13

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)
<b>East of England</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,940	17	66	2,490	361	.	1,670	1,260	2,470	464	583
2010-11 (8)	2,980	13	63	2,540	339	29	1,700	1,280	2,490	490	602
2011-12 (8)	2,900	19	60	2,390	397	33	1,670	1,230	2,400	504	599
2012-13 (8)	2,860	18	59	2,330	421	35	1,660	1,200	2,340	515	592
<b>London</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	3,840	14	74	3,090	654	.	2,080	1,760	3,430	406	509
2010-11 (8)	3,880	13	72	3,130	583	82	2,110	1,780	3,460	427	522
2011-12 (8)	3,770	18	70	2,920	671	91	2,050	1,720	3,330	436	518
2012-13 (8)	3,720	18	68	2,840	708	94	2,030	1,690	3,280	447	514
<b>South East</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	4,430	29	105	3,660	641	.	2,480	1,950	3,700	731	915
2010-11 (8)	4,500	26	100	3,720	596	57	2,520	1,980	3,730	768	940
2011-12 (8)	4,380	30	98	3,500	693	65	2,470	1,910	3,600	786	933
2012-13 (8)	4,320	31	95	3,400	732	68	2,460	1,860	3,520	805	925



## 2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2012-13

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)
<b>South West</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,690	23	67	2,360	235	.	1,520	1,170	2,200	484	608
2010-11 (8)	2,730	19	63	2,410	227	13	1,550	1,190	2,220	510	624
2011-12 (8)	2,650	21	62	2,280	277	16	1,520	1,130	2,130	522	615
2012-13 (8)	2,610	21	58	2,220	297	17	1,510	1,100	2,080	534	610
<b>Wales</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	1,400	7	23	1,280	90	.	776	620	1,170	230	286
2010-11 (8)	1,420	6	20	1,300	89	4	791	630	1,180	245	298
2011-12 (8)	1,380	9	20	1,240	108	4	772	603	1,120	251	295
2012-13 (8)	1,350	9	18	1,200	117	5	766	587	1,100	256	292
<b>Scotland</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,630	9	39	2,350	235	.	1,430	1,200	2,260	370	466
2010-11 (8)	2,670	8	37	2,390	227	12	1,450	1,220	2,280	392	479
2011-12 (8)	2,600	12	35	2,270	270	14	1,430	1,170	2,200	402	475
2012-13 (8)	2,560	11	34	2,220	289	15	1,420	1,150	2,150	411	471

## 2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2012-13

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)
<b>Northern Ireland</b>											
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 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	747	3	8	689	48	.	402	346	656	91	112
2010-11 (8)	757	1	8	698	46	3	407	350	660	97	116
2011-12 (8)	730	3	8	659	56	3	393	336	630	99	114
2012-13 (8)	716	4	7	641	60	4	387	328	615	101	113

Source: Survey of Personal Incomes

Table updated April 2012

### Key

. not applicable

### Footnotes for tables 2.2

(a) Figures for 2008-09 tax year are not currently available.

(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 between the starting rate limit and the basic rate limit and/or dividends at the 10p ordinary rate.

(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 is 60 years and 6 months in 2010-11, 61 years in 2011-12 and 61 years and 6 months in 2012-13.

(8) Projected estimates based upon the 2009-10 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

(9) Some UK taxpayers reside abroad, or region is not known (270,000 in 2009-10). Sum of taxpayer numbers across countries and regions in Table 2.2 therefore will not match UK total shown in Table 2.1.

## 2.4 Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2012-13

Taxpayers only

Percentage

Percentile Groups (ranged on total income before tax)	Bottom				Bottom		Top		Top				Total (All Taxpayers) £bn
	1%	5%	10%	25%	50%	50%	25%	10%	5%	1%			
Share of Total Income											Total Income		
Before Tax											Before Tax		
1999-00	0.2	1.3	2.8	8.9	23.8	76.2	53.4	32.9	23.3	11.0	533		
2000-01	0.2	1.2	2.7	8.5	23.2	76.8	54.1	33.7	24.0	11.5	595		
2001-02	0.2	1.2	2.7	8.6	23.4	76.6	53.9	33.4	23.7	11.1	612		
2002-03	0.2	1.2	2.7	8.6	23.5	76.5	53.7	33.1	23.3	10.8	624		
2003-04	0.2	1.2	2.7	8.5	23.3	76.7	53.9	33.3	23.6	11.0	625		
2004-05	0.2	1.2	2.7	8.4	22.9	77.1	54.4	33.6	23.8	11.3	691		
2005-06	0.2	1.2	2.6	8.3	22.4	77.6	55.3	34.8	25.1	12.2	756		
2006-07	0.2	1.2	2.6	8.2	22.2	77.8	55.8	35.5	25.8	12.9	810		
2007-08	0.2	1.1	2.5	8.1	22.1	77.9	56.1	36.0	26.4	13.4	870		
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*		
2009-10	0.2	1.3	2.8	8.7	22.9	77.1	55.5	35.8	26.4	13.9	869		
2010-11 (1)	0.2	1.3	2.9	9.1	23.8	76.2	53.8	33.2	23.5	10.6	851		
2011-12 (1)	0.3	1.4	3.1	9.4	24.1	75.9	53.8	33.6	24.0	11.2	873		
2012-13 (1)	0.3	1.5	3.2	9.6	24.4	75.6	53.4	33.2	23.6	10.8	888		
After Tax											After Tax		
1999-00	0.3	1.5	3.4	10.2	26.4	73.6	50.0	29.3	19.9	8.8	440		
2000-01	0.3	1.5	3.2	9.9	25.8	74.2	50.6	29.8	20.4	9.2	489		
2001-02	0.3	1.5	3.2	9.9	26.0	74.0	50.3	29.5	20.0	8.9	505		
2002-03	0.3	1.5	3.2	10.0	26.1	73.9	50.1	29.2	19.7	8.6	515		
2003-04	0.3	1.4	3.2	9.8	25.9	74.1	50.4	29.5	20.1	8.9	514		
2004-05	0.3	1.4	3.2	9.8	25.5	74.5	50.8	29.7	20.3	9.1	568		
2005-06	0.3	1.4	3.1	9.6	25.1	74.9	51.7	30.8	21.3	9.9	618		
2006-07	0.3	1.4	3.1	9.6	24.9	75.1	52.1	31.4	22.0	10.5	661		
2007-08	0.2	1.4	3.1	9.5	24.8	75.2	52.4	31.8	22.5	10.9	708		
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*		
2009-10	0.3	1.5	3.3	10.0	25.4	74.6	52.0	31.6	22.4	11.2	716		
2010-11 (1)	0.3	1.6	3.4	10.4	26.3	73.7	50.2	29.0	19.5	8.0	702		
2011-12 (1)	0.3	1.7	3.7	10.8	26.9	73.1	49.8	28.9	19.6	8.3	719		
2012-13 (1)	0.3	1.8	3.8	11.1	27.3	72.7	49.3	28.5	19.2	7.9	733		
Share of Total Tax											Total Tax		
1999-00	-	0.1	0.3	2.4	11.6	88.4	69.5	50.3	39.6	21.3	93.2		
2000-01	-	0.1	0.3	2.2	11.3	88.7	70.3	51.5	40.7	22.2	106		
2001-02	-	0.1	0.3	2.2	11.1	88.9	70.8	51.9	40.8	21.8	107		
2002-03	-	0.1	0.3	2.2	11.1	88.9	70.5	51.5	40.2	21.0	109		
2003-04	-	0.1	0.3	2.2	11.2	88.8	70.1	50.9	39.8	20.8	111		
2004-05	-	0.1	0.3	2.1	10.8	89.2	70.7	51.4	40.3	21.4	123		
2005-06	-	0.1	0.3	2.1	10.6	89.4	71.5	52.9	41.9	22.7	138		
2006-07	-	0.1	0.3	2.1	10.5	89.5	71.8	53.5	42.6	23.5	150		
2007-08	-	0.1	0.3	2.1	10.4	89.6	72.2	54.3	43.4	24.4	163		
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*		
2009-10	-	0.1	0.6	2.7	11.2	88.8	72.0	54.9	44.8	26.5	154		
2010-11 (1)	-	0.1	0.6	2.9	11.8	88.2	70.7	52.7	42.1	22.7	149		
2011-12 (1)	-	0.1	0.5	2.6	11.0	89.0	72.5	55.2	44.4	24.8	154		
2012-13 (1)	-	0.1	0.5	2.6	10.8	89.2	72.8	55.3	44.3	24.2	155		

## 2.4

### Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2012-13

Continued Taxpayers only

Percentile points for total income before tax										Amounts: £
	1	5	10	25	50	75	90	95	99	Mean
1999-00	4,600	5,630	6,570	9,260	14,400	22,300	33,000	44,600	96,400	19,600
2000-01	4,620	5,520	6,480	9,280	14,800	23,000	34,200	46,700	102,000	20,300
2001-02	4,780	5,850	6,860	9,910	15,500	24,300	36,200	49,200	107,000	21,400
2002-03	4,860	5,960	6,970	10,000	15,800	24,700	36,700	49,800	108,000	21,600
2003-04	4,820	5,850	7,000	10,100	16,000	25,100	37,100	50,600	111,000	21,900
2004-05	4,980	6,070	7,260	10,300	16,400	26,100	39,000	52,400	117,000	22,800
2005-06	5,200	6,350	7,610	10,800	17,100	27,400	41,300	56,200	132,000	24,300
2006-07	5,410	6,600	7,880	11,200	17,700	28,400	42,900	58,500	141,000	25,500
2007-08	5,600	6,870	8,240	11,800	18,500	29,500	44,900	61,500	149,000	26,800
2008-09 (a)	*	*	*	*	*	*	*	*	*	*
2009-10	6,800	7,970	9,510	12,900	19,600	30,900	46,600	63,200	149,000	28,400
2010-11 (1)	6,800	7,990	9,530	13,000	19,600	31,000	46,700	63,400	147,000	27,400
2011-12 (1)	7,800	9,030	10,410	13,800	20,600	32,200	48,600	66,100	153,000	29,000
2012-13 (1)	8,430	9,690	11,070	14,500	21,300	33,300	50,500	68,500	156,000	29,900

Source: Survey of Personal Incomes

Table updated April 2012

#### Key

- negligible

#### Footnotes for table 2.4

(a) Figures for 2008-09 tax year are not currently available.

(1) Projected estimates based upon the 2009-10 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

## 2.5 Income tax liabilities, by Income Range, 2009-10 to 2012-13

2009-10													
Numbers: thousands; Amounts: £ million													
Range of total income (lower limit)	Starting rate (1) taxpayers		"Savers" rate (2) taxpayers		Basic rate (3) taxpayers		Higher rate (4) taxpayers		All taxpayers	Total income of taxpayers	Tax liability	Average rate of tax	Average amount of tax
£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%	£
6,475	40	1	39	2	963	93	.	.	1,040	7,290	96	1.3	92
7,500	44	5	66	12	2,550	1,050	.	.	2,660	23,400	1,060	4.5	400
10,000	59	11	169	71	6,320	6,300	.	.	6,540	81,500	6,380	7.8	975
15,000	6	4	94	102	5,350	10,600	.	.	5,450	94,800	10,700	11.3	1,970
20,000	6	8	104	201	6,690	22,600	.	.	6,800	166,000	22,800	13.7	3,350
30,000	7	23	128	418	4,720	26,600	636	5,060	5,490	208,000	32,100	15.4	5,840
50,000	..	..	2	7	24	134	1,930	28,600	1,960	128,000	28,700	22.4	14,700
100,000	..	..	..	..	2	7	322	11,200	324	39,100	11,200	28.6	34,500
150,000	..	..	..	..	..	..	117	6,250	118	20,100	6,250	31.0	53,200
200,000	..	..	..	..	..	..	140	13,600	140	40,900	13,600	33.3	97,300
500,000	..	..	..	..	..	..	31	7,350	31	21,200	7,350	34.7	238,000
1,000,000	..	..	..	..	..	..	11	5,090	11	14,500	5,090	35.1	476,000
2,000,000+	..	..	..	..	..	..	5	8,310	5	24,000	8,310	34.7	1,700,000
All Ranges	163	52	602	814	26,600	67,300	3,190	85,500	30,600	869,000	154,000	17.7	5,030

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, 2009-10 to 2012-13

continued

2010-11 <sup>(6)</sup>

Numbers: thousands; Amounts: £ million

Range of total income (lower limit)	Starting rate (1) taxpayers		"Savers" rate (2) taxpayers		Basic rate (3) taxpayers		Higher rate (4) taxpayers		Additional rate (5) taxpayers		All taxpayers	Total income of taxpayers	Tax liability	Average rate of tax	Average amount of tax
	£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%
6,475	28	1	39	2	976	94	.	.	.	.	1,040	7,300	97	1.3	93
7,500	39	4	64	11	2,600	1,060	.	.	.	.	2,700	23,800	1,070	4.5	396
10,000	52	9	160	65	6,420	6,380	.	.	.	.	6,630	82,600	6,450	7.8	973
15,000	5	4	85	90	5,410	10,700	.	.	.	.	5,500	95,700	10,800	11.3	1,970
20,000	5	7	96	181	6,810	23,000	.	.	.	.	6,910	169,000	23,200	13.7	3,350
30,000	7	21	128	412	4,830	27,200	643	5,160	.	.	5,610	212,000	32,800	15.4	5,840
50,000	..	..	2	7	25	139	1,980	29,300	.	.	2,010	132,000	29,500	22.4	14,700
100,000	..	..	..	..	2	9	340	12,300	.	.	342	41,200	12,300	29.9	36,000
150,000	..	..	..	..	-	1	36	1,680	116	6,640	152	25,400	8,320	32.8	54,600
200,000	..	..	..	..	..	..	2	66	114	13,000	116	34,100	13,000	38.2	112,000
500,000	..	..	..	..	..	..	..	..	19	5,300	19	12,800	5,300	41.5	281,000
1,000,000	..	..	..	..	..	..	..	..	5	2,990	5	6,990	2,990	42.8	599,000
2,000,000+	..	..	..	..	..	..	..	..	1	3,510	1	8,290	3,510	42.3	2,340,000
All Ranges	136	46	574	770	27,100	68,600	3,000	48,600	255	31,400	31,000	851,000	149,000	17.5	4,810

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.

## 2.5 Income tax liabilities, by Income Range, 2009-10 to 2012-13

continued

2011-12<sup>(6)</sup>

Numbers: thousands; Amounts: £ million

Range of total income (lower limit)	Starting rate (1) taxpayers		"Savers" rate (2) taxpayers		Basic rate (3) taxpayers		Higher rate (4) taxpayers		Additional rate (5) taxpayers		All taxpayers	Total income of taxpayers	Tax liability	Average rate of tax	Average amount of tax
	£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%
7,475	107	7	70	7	2,280	551	.	.	.	.	2,460	21,500	564	2.6	229
10,000	65	10	179	63	6,320	5,220	.	.	.	.	6,570	81,900	5,290	6.5	806
15,000	7	4	92	89	5,410	9,730	.	.	.	.	5,510	95,800	9,830	10.3	1,780
20,000	5	7	110	192	6,900	22,000	.	.	.	.	7,020	172,000	22,200	12.9	3,160
30,000	3	8	104	307	4,590	24,600	1,060	8,040	.	.	5,760	219,000	33,000	15.1	5,720
50,000	..	..	1	4	17	86	2,120	31,400	.	.	2,140	140,000	31,500	22.5	14,700
100,000	..	..	..	..	1	5	350	12,700	.	.	351	42,000	12,700	30.2	36,000
150,000	..	..	..	..	..	..	28	1,340	134	7,740	163	27,200	9,070	33.4	55,800
200,000	..	..	..	..	..	..	1	43	127	14,700	129	37,800	14,700	38.9	114,000
500,000	..	..	..	..	..	..	..	..	23	6,840	24	15,900	6,850	43.0	291,000
1,000,000	..	..	..	..	..	..	..	..	7	3,880	7	8,800	3,880	44.1	592,000
2,000,000+	..	..	..	..	..	..	..	..	3	4,970	3	11,500	4,970	43.3	1,980,000
All Ranges	188	36	557	663	25,500	62,200	3,570	53,500	294	38,100	30,100	873,000	154,000	17.7	5,130

In 2011-12 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £35,000, 40 per cent over the basic rate limit of £35,000 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 £35,000, 32.5 per cent above £35,000 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 £2,560, at 20 per cent up to £35,000, 40 per cent above £35,000 and 50 per cent above £150,000.

## 2.5 Income tax liabilities, by Income Range, 2009-10 to 2012-13

continued

2012-13 <sup>(6)</sup>

Numbers: thousands; Amounts: £ million

Range of total income (lower limit)	Starting rate (1) taxpayers		"Savers" rate (2) taxpayers		Basic rate (3) taxpayers		Higher rate (4) taxpayers		Additional rate (5) taxpayers		All taxpayers	Total income of taxpayers	Tax liability	Average rate of tax	Average amount of tax
	£	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount	%
8,105	94	5	59	4	1,620	295	.	.	.	.	1,780	16,100	304	1.9	171
10,000	71	10	174	55	6,050	4,410	.	.	.	.	6,290	79,100	4,470	5.7	711
15,000	8	5	93	81	5,430	9,080	.	.	.	.	5,530	96,200	9,160	9.5	1,660
20,000	5	7	113	190	7,000	21,400	.	.	.	.	7,110	174,000	21,600	12.4	3,030
30,000	3	9	99	283	4,720	24,800	1,070	8,140	.	.	5,900	224,000	33,200	14.8	5,630
50,000	..	..	1	3	17	88	2,320	33,500	.	.	2,340	152,000	33,600	22.1	14,400
100,000	..	..	..	..	1	5	371	13,400	.	.	372	44,500	13,400	30.1	35,900
150,000	..	..	..	..	..	..	29	1,400	144	8,330	174	29,100	9,740	33.4	56,000
200,000	..	..	..	..	..	..	2	49	131	15,100	133	39,000	15,100	38.8	114,000
500,000	..	..	..	..	..	..	..	..	23	6,710	23	15,600	6,710	43.0	290,000
1,000,000	..	..	..	..	..	..	..	..	6	3,680	6	8,460	3,690	43.6	591,000
2,000,000+	..	..	..	..	..	..	..	..	2	4,400	2	9,940	4,400	44.3	1,980,000
All Ranges	182	36	540	618	24,800	60,000	3,800	56,500	307	38,200	29,700	888,000	155,000	17.5	5,240

In 2012-13 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £34,370, 40 per cent over the basic rate limit of £34,370 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 £34,370, 32.5 per cent above £34,370 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 £2,710, at 20 per cent up to £34,370, 40 per cent above £34,370 and 50 per cent above £150,000.

Source: Survey of Personal Incomes

Table updated April 2012

### Key

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

### Footnotes for table 2.5

- (1) Taxpayers with no taxable earnings and total taxable income from savings below the starting rate limit.
- (2) Taxpayers with no taxable earnings and total taxable income from savings between the starting rate limit and the basic rate limit and/or dividends at the 10p ordinary rate.
- (3) Taxpayers whose income includes earnings or other income taxed as earnings and with total taxable income below the basic rate limit.
- (4) For 2009-10 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.
- (5) Taxpayers with total taxable income above the higher rate limit.
- (6) Projected estimates based upon the 2009-10 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.



## 2.6 Income tax liabilities, by income source and tax band, 2009-10 to 2012-13

2009-10					
Amounts: £ million					
	Starting rate (1) taxpayers	"Savers" rate (2) taxpayers	Basic rate (3) taxpayers	Higher rate (4) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (6)					
Tax on Earnings:					
Basic rate	.	.	65,300	22,100	87,400
Higher rate	.	.	.	51,700	51,700
Tax on Savings:					
Starting rate	13	32	53	5	103
Basic rate	.	156	1,220	291	1,670
Higher rate	.	.	.	1,880	1,880
Tax on Dividends:					
Ordinary rate	39	626	822	723	2,210
Higher rate	.	.	.	8,700	8,700
Allowances given as tax reductions	2	29	405	1,110	1,550
Tax liability after allowances given as income tax reduction	52	814	67,300	85,500	154,000
Average Rate of Tax %	2.8	6.6	12.5	27.0	17.7
Average amount of tax £	320	1,350	2,530	26,800	5,030

2010-11 (7)						
Amounts: £ million						
	Starting rate (1) taxpayers	"Savers" rate (2) taxpayers	Basic rate (3) taxpayers	Higher rate (4) taxpayers	Additional rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (6)						
Tax on Earnings:						
Basic rate	.	.	66,600	20,900	1,830	89,400
Higher rate	.	.	.	23,200	10,100	33,300
Additional rate	.	.	.	.	15,900	15,900
Tax on Savings:						
Starting rate	12	25	45	3	-	86
Basic rate	.	120	1,040	197	15	1,370
Higher rate	.	.	.	750	188	937
Additional rate	.	.	.	.	688	688
Tax on Dividends:						
Ordinary rate	34	625	881	647	32	2,220
Higher rate	.	.	.	2,870	960	3,830
Additional rate	.	.	.	.	1,650	1,650
Allowances given as tax reductions	2	25	391	203	908	1,530
Tax liability after allowances given as income tax reduction	46	770	68,600	48,600	31,400	149,000
Average Rate of Tax %	2.9	6.5	12.5	23.4	38.8	17.5
Average amount of tax £	339	1,340	2,530	16,200	123,000	4,810

## 2.6 Income tax liabilities, by income source and tax band, 2009-10 to 2012-13

continued

2011-12 (7)						
Amounts: £ million						
	Starting rate (1) taxpayers	"Savers" rate (2) taxpayers	Basic rate (3) taxpayers	Higher rate (4) taxpayers	Additional rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (6)						
Tax on Earnings:						
Basic rate	.	.	60,600	22,600	1,940	85,200
Higher rate	.	.	.	25,400	11,500	36,900
Additional rate	.	.	.	.	19,600	19,600
Tax on Savings:						
Starting rate	14	23	44	4	1	87
Basic rate	.	103	894	188	16	1,200
Higher rate	.	.	.	745	181	925
Additional rate	.	.	.	.	628	628
Tax on Dividends:						
Ordinary rate	22	536	625	1,060	46	2,290
Higher rate	.	.	.	3,470	1,410	4,880
Additional rate	.	.	.	.	2,710	2,710
Allowances given as tax reductions	1	23	359	215	973	1,570
Tax liability after allowances given as income tax reduction	36	663	62,200	53,500	38,100	154,000
Average Rate of Tax %	1.8	6.0	11.8	22.7	39.7	17.7
Average amount of tax £	192	1,190	2,440	15,000	130,000	5,130

2012-13 (7)						
Amounts: £ million						
	Starting rate (1) taxpayers	"Savers" rate (2) taxpayers	Basic rate (3) taxpayers	Higher rate (4) taxpayers	Additional rate (5) taxpayers	All taxpayers
Tax liability after allowances given as income tax reductions (6)						
Tax on Earnings:						
Basic rate	.	.	58,600	23,600	1,990	84,100
Higher rate	.	.	.	26,900	12,000	38,900
Additional rate	.	.	.	.	18,900	18,900
Tax on Savings:						
Starting rate	14	20	43	4	1	81
Basic rate	.	82	757	154	14	1,010
Higher rate	.	.	.	656	150	806
Additional rate	.	.	.	.	523	523
Tax on Dividends:						
Ordinary rate	22	516	609	1,190	51	2,390
Higher rate	.	.	.	4,080	1,580	5,660
Additional rate	.	.	.	.	2,940	2,940
Allowances given as tax reductions	1	19	345	209	708	1,280
Tax liability after allowances given as income tax reduction	36	618	60,000	56,500	38,200	155,000
Average Rate of Tax %	1.8	5.7	11.4	22.5	39.6	17.5
Average amount of tax £	198	1,140	2,420	14,900	125,000	5,240

Source: Survey of Personal Incomes.

Table updated April 2012

**Key**

- negligible
- . not applicable

**Footnotes for table 2.6**

- (1) Taxpayers with no taxable earnings and total taxable income from savings below the starting rate limit.
- (2) Taxpayers with no taxable earnings and total taxable income from savings between the starting rate limit and the basic rate limit and/or dividends at the 10p ordinary rate.
- (3) Taxpayers with total taxable income below the basic rate limit.
- (4) For 2009-10 taxpayers with total taxable income above the basic rate limit. From 2010-11 onwards taxpayers with total taxable income between the basic rate limit and the higher rate limit.
- (5) Taxpayers with total taxable income above the higher rate limit.
- (6) In this context tax reductions refer to allowances given at a fixed rate, for example the Married Couples Allowance.
- (7) Projected estimates based upon the 2009-10 Survey of Personal Incomes using economic assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

## SECTION B: Illustrative tax burdens

**Table 2.7 – Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2012-13:** shows how income tax burdens (tax due as per cent of gross earnings) have evolved over time for a range of 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

**Figure 6: Income tax (net of tax credits) as a per cent of gross earnings, 2012-13**



In 2010-11, the latest tax year for which earnings outturns are available, childless single persons with gross earnings at the 10<sup>th</sup> percentile of the earnings distribution had an estimated income tax burden of 11.0% of gross earnings. This increases to 15.0% at the median (50<sup>th</sup> percentile) and 20.5% at the 90<sup>th</sup> percentile. For single-earner childless couples, the tax burden is the same except for those at the 10<sup>th</sup> percentile who would still be entitled in 2010-11 to Working Tax Credit, which reduces their income tax burden to 0.6%. 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 10<sup>th</sup> percentile the amount of CTC and WTC received in 2010-11 significantly exceeds income tax liabilities due, giving a net tax burden of -35.2% of gross earnings. As the child element of tax credits is withdrawn at higher earnings levels, the difference in tax burdens for couple families with and without children steadily

falls. By the 75<sup>th</sup> earnings percentile, the CTC family element only is received, reducing the income tax burden for the two child family from 16.5% to 15.0%.

In 2010-11 tax burdens for all family types without children at the earnings points depicted rose by 0.1-0.3 percentage points compared with 2009-10. This is due to increased earnings against tax allowances and thresholds which were held constant in cash terms that year, most pronounced for those at the 90<sup>th</sup> percentile where higher rate tax is due. WTC for a childless couple at the 10<sup>th</sup> percentile also fell relative to earnings. For couples with two children up to median earnings, increased gross tax burdens were more than offset by increases in the CTC child element, reducing net tax burdens by 0.2 percentage points compared with 2009-10, whereas tax credits fell as per cent of earnings for those at the 90<sup>th</sup> percentile as the CTC family element was not increased.

Projections to 2012-13, which are not National Statistics, show gross income tax burdens falling significantly by 2012-13, by 1.8 percentage points for those at the 10<sup>th</sup> earnings percentile through to 0.7 percentage points for those at the 75<sup>th</sup> percentile. These reductions reflect significant increases in the personal allowance for under 65s relative to projected earnings growth, particularly in 2011-12. The gross income tax burden, however, rises by 0.9 percentage points in 2012-13 compared with 2010-11 at the 90<sup>th</sup> percentile due to the reduction in the higher rate threshold.

Taking account also of tax credits, the net tax burden for childless couples at the 10<sup>th</sup> percentile, by contrast, rises by 1.1 percentage points overall by 2012-13, as earnings growth in the period outstrips increases in WTC rates and thresholds, leading to a reduction in their cash award (movements for childless couples at higher earnings percentiles are as for childless single persons). For families with two children at the 10<sup>th</sup> earnings percentile, significant increases in the CTC child element, particularly in 2011-12, are sufficient to increase tax credits as a per cent of earnings and so reduce the net tax burden by 2.5 percentage points overall in 2012-13 compared with 2010-11. However, other tax credits changes dominate at higher earnings, including an increase in the withdrawal rate to 41% in 2011-12 and abolition of the second income threshold in 2012-13. Net tax burdens therefore rising by 0.8 and 1.6 percentage points at the 75<sup>th</sup> and 90<sup>th</sup> earnings percentiles in 2012-13 compared with 2010-11.

*Interpreting Table 2.7. Table 2.7 is different to the other tables in this release. The tax burdens are shown for illustrative families with given circumstances and earnings, and take account of financial support received through the tax credit system. SPI survey data is not used in constructing the table.*

*These illustrative families are not designed to represent the overall UK taxpaying population, whose family circumstances and incomes vary widely. 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 2011. Outturns for tax burdens therefore are published to 2010-11, with projections for 2010-11.*

*Since 1999-00, the illustrative 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 2012-13

Per cent of gross earnings	Position in earnings (1) distribution					
	10th percentile	25th Percentile	50th Percentile	mean	75th percentile	90th 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 2012-13

continued

	Position in earnings (1) distribution					
	10th percentile	25th Percentile	50th Percentile	mean	75th percentile	90th 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 2012-13

continued

	Position in earnings (1) distribution					
	10th percentile	25th Percentile	50th Percentile	mean	75th percentile	90th 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



## 2.7

### Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2012-13

continued

	Position in earnings (1) distribution					
	10th percentile	25th Percentile	50th Percentile	mean	75th percentile	90th Percentile
<b>2009-10</b>						
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	0.4	12.9	15.0	15.8	16.4	20.2
Couple with two children	-34.9	-14.1	7.0	14.0	14.9	19.2
<b>2010-11</b>						
Gross earnings (£ weekly)	276.7	355.3	499.8	601.9	708.2	993.2
Tax burden (per cent of gross earnings)						
Childless single	11.0	13.0	15.0	15.9	16.5	20.5
Childless couple	0.6	13.0	15.0	15.9	16.5	20.5
Couple with two children	-35.2	-13.8	6.8	14.1	15.0	19.7
<b>2011-12 (3)</b>						
Gross earnings (£ weekly)	282.6	362.8	510.4	614.7	723.3	1,014.3
Tax burden (per cent of gross earnings)						
Childless single	9.8	12.1	14.4	15.3	16.0	21.1
Childless couple	1.2	12.1	14.4	15.3	16.0	21.1
Couple with two children	-37.3	-15.6	6.5	13.6	14.6	21.1
<b>2012-13 (3)</b>						
Gross earnings (£ weekly)	289.3	371.5	522.6	629.4	740.5	1,038.5
Tax burden (per cent of gross earnings)						
Childless single	9.2	11.6	14.0	15.0	15.8	21.3
Childless couple	1.7	11.6	14.0	15.0	15.8	21.3
Couple with two children	-37.7	-15.9	6.4	15.0	15.8	21.3

Source: Survey of Personal Incomes.

Table updated April 2012

#### Footnotes for table 2.7

(1) Gross weekly earnings (Annual Survey of Hours and Earnings). Earnings are for full-time employee jobs (male and female) 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) Earnings projections based on Annual Survey of Hours and Earning (ASHE) data to April 2011, and earnings growth assumptions consistent with the OBR's March 2012 economic and fiscal outlook. These projections fall outside the scope of National Statistics.

## Annex A: Context and background information

### Income tax

An introduction to income tax is available on the HMRC website:

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

Income tax is an annual tax on individuals' income arising in a given tax year (6th April to the 5th April the following year). It is the UK Government's largest single source of tax revenue, with income tax receipts net of tax credits contributing £147.7 billion to total public sector current receipts of £550.8 billion in 2010-11.

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 in general has no effect on the total tax paid. 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 6<sup>th</sup> April 1935, who can still claim Married Couples Allowance (MCA).

Most sources of income are liable for income tax including earnings from employment and from self-employment, most pensions income (state, occupational and personal), interest on most savings, income from shares (dividends), rental income and income paid from trusts, and some social security benefits. Employees who receive non-cash benefits from their employers such as company cars, fuel, medical insurance, living accommodation or loans also pay tax on these benefits. Adding all these sources together will give an individual's total income assessable for tax, an aggregate that appears in several ITLS tables.

Some sources of income are not liable for tax including certain social security benefits, Child and Working Tax Credits, and income from tax exempt savings accounts (e.g. Individual Savings Accounts and some National Savings & Investment products): <http://www.hmrc.gov.uk/incometax/taxable-income.htm>

Most individuals resident in the UK for tax purposes receive a tax free or 'personal allowance' (PA), which is an amount of income they can receive each year tax-free. In 2012-13, the basic PA is £8,105 for individuals aged under 65. Individuals aged 65 to 74, and 75 and over receive higher allowances (£10,500 and £10,660 respectively), although these are reduced by £1 for every £2 above the income limit of £25,400. All individuals, regardless of 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.

Income tax is due only on taxable income above an individual's personal allowance. Even then, there are other reliefs and allowances that can reduce an individual's tax bill. Tax reliefs are available on contributions to pension

schemes and donations to charities. Employees and Directors may also receive tax relief on business expenses they have paid for. There are other allowances and reliefs that can reduce tax bills such as MCA described above. Unlike personal allowances, these are not amounts of income that can be received tax-free, rather they are amounts that may be deducted from any tax bill due.

Once tax-free allowances have been taken into account, income tax due is calculated using different tax rates for specific types of income across a series of tax bands. There are three different sources of income for tax purposes:

- income other than savings and dividends, often referred to informally as “earnings”, which includes earnings from employment, but also profits from self-employment, pension income, taxable benefits and rental income.
- savings income (e.g. bank and building society interest)
- dividends (i.e. income from shares in UK companies)

These sources are taxed at one of the main rates of income tax shown in the table below (the basic rate, the higher rate and, from 2010-11, the additional rate). Income tax works on a ‘stack’ basis. This means that earnings are taxed first, then savings and finally dividend income is taxed last. This means, for example, that if an individual has earnings after allowances sufficient to completely fill the basic rate tax band, all savings or dividends income would be charged at the higher (or additional) rates of tax.

**Income tax rates 2012-13 by type of income and tax band**

Source	Starting rate for savings <sup>1</sup>	Basic rate	Higher rate	Additional rate
Taxable income after allowances	£0 - £2,710	£0 - £34,370	£34,371 - £150,000	More than £150,000
Earnings <sup>2</sup>	-	20%	40%	50%
Savings	10%	20%	40%	50%
Dividends <sup>3</sup>	-	10%	32.5%	42.5%

<sup>1</sup> 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.

<sup>2</sup> Includes all taxable income not defined as savings or dividend income.

<sup>3</sup> Dividends are paid with a non-reclaimable 10 per cent tax credit that satisfies the 10% liability for dividends.

Note that a non-reclaimable dividend tax credit exists that satisfies the 10% tax liability due on grossed dividends at the basic rate (or 10% of liabilities due on dividends at higher rates). In that sense, tax rates effectively paid by individuals themselves are lower than shown in the table above (e.g. 0% for grossed dividends in the basic rate band). Irrespective of how such liabilities are satisfied, liabilities on dividends at 10% or higher rates still arise for all individuals with dividends income exceeding the personal allowance. For this reason, in this release statistics on individuals' dividends tax and therefore total tax liabilities, in turn partly determining estimated taxpayer numbers, are compiled on a “liabilities basis”, i.e. gross of or before the dividends tax credit discussed above.

A series of example tax calculations using 2012-13 rates and allowances are provided below.

**Table: Examples of tax liability calculations for 2012-13**

Liabilities rounded to nearest whole £

**Example 1: Individual aged under 65 with earnings only**

Tax allowance 8,105

	income:		income after allowance at:			income tax liabilities at:			Total liabilities
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	
<b>Earnings</b>	<b>50,000</b>	41,895	-	34,370	7,525	-	@20% = 6874	@40% = 3010	<b>9,884</b>
<b>Savings</b>	<b>0</b>	0	0	0	0	0	0	0	<b>0</b>
<b>Dividends</b>	<b>0</b>	0	-	0	0	-	0	0	<b>0</b>
<b>Total</b>	<b>50,000</b>	41,895	0	34,370	7,525	0	6,874	3,010	<b>9,884</b>

**Example 2: Individual aged under 65 with earnings, savings and dividends**

Tax allowance 8,105

	income:		income after allowance at:			income tax liabilities at:			Total liabilities
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	
<b>Earnings</b>	<b>40,000</b>	31,895	-	31,895	0	-	@20% = 6379	0	<b>6,379</b>
<b>Savings</b>	<b>2,000</b>	2,000	0	2,000	0	0	@20% = 400	0	<b>400</b>
<b>Dividends</b>	<b>5,000</b>	5,000	-	475	4,525	-	@10% = 48	@32.5% = 1471	<b>1,518</b>
<b>Total</b>	<b>47,000</b>	38,895	0	34,370	4,525	0	6,827	1,471	<b>8,297</b>

**Example 3: Individual aged under 65 with starting rate savings tax**

Tax allowance 8,105

	income:		income after allowance at:			income tax liabilities at:			Total liabilities
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	
<b>Earnings</b>	<b>8,500</b>	395	-	395	0	-	@20% = 79	0	<b>79</b>
<b>Savings</b>	<b>5,000</b>	5,000	2,315	2,685	0	@10% = 231.5	@20% = 537	0	<b>769</b>
<b>Dividends</b>	<b>0</b>	0	-	0	0	-	0	0	<b>0</b>
<b>Total</b>	<b>13,500</b>	5,395	2,315	3,080	0	232	616	0	<b>848</b>

**Example 4: Individual aged 65-74 with pension and savings income**

Tax allowance 10,500

	income:		income after allowance at:			income tax liabilities at:			Total liabilities
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	
<b>Earnings</b>	<b>12,000</b>	1,500	-	1,500	0	-	@20% = 300	0	<b>300</b>
<b>Savings</b>	<b>500</b>	500	500	0	0	@10% = 50	0	0	<b>50</b>
<b>Dividends</b>	<b>0</b>	0	-	0	0	-	0	0	<b>0</b>
<b>Total</b>	<b>12,500</b>	2,000	500	1,500	0	50	300	0	<b>350</b>

The way income tax is collected depends both on the type of the income and circumstances of the taxpayer. For most taxpayers, income tax on employment income or occupational pensions is collected through 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 their tax code or through SA.

Various categories of taxpayers including those with total income above £100,000, or income from savings, investments and property above a certain level, the self-employed, company directors and others with more complex tax affairs pay income tax due through Self Assessment (SA):

<http://www.hmrc.gov.uk/sa/need-tax-return.htm>

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 tax 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 to introduce changes to income tax rates and structures.

Details of current and historic income tax allowances and rates are published on the HMRC website: [http://www.hmrc.gov.uk/stats/tax\\_structure/menu.htm](http://www.hmrc.gov.uk/stats/tax_structure/menu.htm)

The main income tax changes over recent years can be summarised as follows.

### 2008-09

- The basic rate of income tax was reduced from 22% to 20% and the 20% savings rate was abolished. The 10 per cent starting rate was removed except for savings income.
- 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.

### 2009-10

- The personal allowance was increased by £130 above indexation and the basic rate limit was increased by £800 above indexation.

### 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% for taxable income over £150,000 (42.5% 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.

### 2011-12

- The personal allowance for those aged under 65 was increased by £1,000 in cash terms (£690 above indexation) and the basic rate limit was reduced by £2,400 in cash terms, leading to a £1,400 decrease in the higher rate threshold.
- The pension tax relief annual allowance was reduced from £255,000 to £50,000 in April 2011 (and the lifetime allowance falls from £1.8m to £1.5m from April 2012). These measures replaced a previously announced policy of restricting pensions relief for those with incomes of £150,000 and over.

## **2012-13**

- In 2012-13, the personal allowance for those aged under 65 was increased by £630 in cash terms (£210 above indexation) and the basic rate limit was reduced by the same amount, implying no change in the higher rate threshold.

Budget12 announced that Child Benefit will be withdrawn through an income tax charge for families where at least one individual has an income above £50,000 a year. Legislation introduced in Finance Bill 2012 states that the new charge will have effect from 7 January 2013. This new charge is not included in the ITLS projections for 2012-13. Its treatment in ITLS will be considered ahead of publication in 2013 of ITLS projections for 2013-14, when full year exchequer impacts will arise. Exchequer effects are set out in Budget12 Tables 2.1 and 2.2.

## **2013-14**

Changes to income tax rates, allowances and thresholds announced in the 2012 Budget will come into effect from 2013-14 or later, and so do not directly affect the statistics on tax liabilities shown in this release of ITLS:

<http://www.hm-treasury.gov.uk/budget2012.htm>

However, an adjustment for expected deferral of 2012-13 incomes among high earners in advance of the announced reduction in the additional rate of tax in April 2013 is built into the projections (Annex B).

## **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 and sampling**

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

The SPI is a sample survey of the tax records held by HMRC for individuals in the PAYE, SA and repayment claims administrative systems. 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 estimate income tax liabilities arising on incomes 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. As described in the introductory sections of this release, the ITLS statistics on tax liabilities will differ from statistics published on tax receipts.

The SPI sample totalled approximately 675,000 individual records in 2009-10, the latest available, representing an approximate 1½ per cent sample overall of individuals in contact with HMRC, and is made up of three separate samples drawn from the following HMRC administrative systems:

- National Insurance and PAYE Service (NPS): covering all employees and recipients of occupational or personal pensions with a PAYE record.
- Computerised Environment for Self Assessment (CESA): covering the SA population which includes individuals with self-employment, rental, or untaxed investment income, as well as company directors and individuals with high incomes or complex tax affairs.
- Claims: covering persons without NPS 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. Separate samples were drawn from each of these systems and different sampling strategies were used for each. The samples were structured as follows:

- The PAYE population from NPS was stratified by gender and by the sum of pay plus occupational pension income for the previous tax year. Where no previous year's income was available, cases were stratified by gender and by whether they were a higher rate taxpayer for the current tax year based on information available at the time the sample was drawn. The sampling fractions varied from 1 in 10 for individuals with high incomes and rare allowances to about 1 in 200 for people with low combined pay and pensions. In all, about 415,000 individuals were selected from NPS for inclusion in the 2009-10 SPI.
- For the SA population from CESA, the main source of income (self employment or employment/occupational pension) and ranges of income and tax were used to stratify the sample, with the sampling fraction varying from 1 in 1 for cases with very high income or tax up to about 1 in 200 for employees and occupational pensioners with smaller income or tax for 2009-10. In all, about 250,000 individuals were selected from SA for inclusion in the 2009-10 SPI.
- For claims cases, a random sample of about 1 in 20 was selected for inclusion in the SPI. This led to around 10,000 cases being selected for the survey.

The stratified SPI sample design purposely yields very large sub-samples of SPI cases with very high incomes who account for a large proportion of total liabilities, increasing the precision of estimates of tax liabilities and taxable incomes. Once data was collected for the three constituent parts of the sample, the data sets were joined together. After allowing for incomplete records and records that failed data validation tests, there were about 675,000 valid cases on the 2009-10 final SPI file.

## **Coverage of SPI and imputation of missing data items**

Not all of the individuals in the SPI sample are taxpayers. About 26 per cent have no income tax liability because allowances, deductions and reliefs exceed their total income. Where income exceeds the threshold for the operation of PAYE, the SPI provides the most comprehensive and accurate official source of data on personal incomes assessable for income tax.

However, as HMRC does not hold information for all people with personal incomes below this level, the SPI is not a representative data source for this part of the population and no attempt has been made to estimate the number of cases below the tax threshold or the amount of their incomes. Therefore the statistics in this publication only cover individuals liable to UK income tax (taxpayers) and their incomes, and the lowest level of total income in any of these tables is the personal allowance (£6,475 in 2009-10).



The coverage of investment income for the sample drawn from NPS is incomplete. This is because HMRC does not need information on interest from which tax has been deducted at source nor dividends and associated tax credit to operate the PAYE system for most individuals. In order to create a full picture of total income for this survey, it is necessary to impute values of bank and building society interest and dividends to some sample cases.

For interest and dividends imputation, the amount for each SPI case:

- is known for cases in Self Assessment from the amount declared on the Self Assessment Return
- can be inferred or estimated reasonably for NPS cases where there is an adjustment to the tax code for higher rate taxpayers
- is supplemented with information from interest paying institutions
- is unknown for NPS cases where there is no coding adjustment - typically those with no liabilities at the higher rate of tax.

Where no information at case level is available from HMRC administrative systems, estimated values are imputed to cases so that the population as a whole has amounts consistent with evidence from other sources (for example, amounts of tax accounted for by deposit takers or indicated by household surveys).

For interest income, starting from control totals at UK level, for the number of cases with interest and the total amount of that interest, the numbers of cases and amounts of interest in Self Assessment cases and those NPS cases with coding adjustments are deducted to leave targets for the remainder of the taxpayer population. These targets are at UK level – no attempt is made to control the targets to sub-UK geographical units. The cases to which amounts are attached by the imputation process and the amounts attached are determined by probabilistic methods with just the UK targets and distributions in mind.

For dividends income, the number of non SA cases with dividends income and distribution of imputed amounts were inferred from Family Resources Survey data for 2009-10.

As with investment income, HMRC does not have complete information about superannuation or personal pension contributions. Under PAYE, tax is paid on pay after the deduction of superannuation contributions and therefore HMRC does not need to record the contributions deducted from gross pay. For a small proportion of individuals, the superannuation contribution has been taken directly from an end of year return submitted by employers. For most others, their total amount of superannuation contributions has been imputed and has been distributed among earners in the SPI sample, based on information from the Annual Survey of Hours and Earnings produced by the Office for National Statistics.

Relief at basic rate is given at source for employee contributions to personal pensions. As this is the correct amount of relief for basic rate taxpayer employees, HMRC does not need to collect personal pensions data for this group of taxpayers. To compile complete estimates for personal pensions and total income for the SPI, a significant proportion of the amount of personal pension

contributions has been imputed using data from external data sources. The estimated value for this and for superannuation contributions has been combined with other pensions reliefs and included in these statistics.

## **Methods 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.

Annex A 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.
- Step 2: "Income after deductions" is calculated by PTM as total income less contributions to occupational and private pensions and charities. This approach implies 100% tax relief on such contributions, consistent with the overall exchequer effects.<sup>4</sup> PTM deducts pension contributions and contributions to charities from earnings income first, then savings then dividends 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.

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<sup>4</sup> For charitable donations, basic rate income tax is given by means of a repayment of the tax by HMRC to the charity receiving the donation. Any relief at the higher or additional rate is claimed by the individual donor.

- 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.

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 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 highest 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 2012-13; the same rate would apply to an extra pound of savings, whereas a 10% rate would apply for dividends in 2012-13.

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 (£34,370 in 2012-13) 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.
- Note that marginal rate classification does take account of the impact of allowances given as tax reductions (Step 6 of modelling process above). For

example, an SPI case with taxable earnings only just above the basic rate limit may have tax reductions sufficient to eliminate any higher rate liabilities, and would be classified as a basic rate taxpayer.

This ITLS classification 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 income.

For 2007-08 and earlier, all SPI cases with taxable earnings/savings income below the starting rate limit were classified as starting rate taxpayers. Those with taxable earnings/savings between the starting and basic rate limits were classified either at savers rate (i.e. those without earnings charged at the then basic rate of 22%) or basic rate otherwise. Individuals with taxable dividends only below the basic rate limit were classified at savers rate.

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**

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 2009-10, and was first published in February 2012.

Projections up to the current tax year, 2012-13, therefore are also given in Tables 2.1 to 2.6 in order to provide a more up-to-date assessment of the distributions of taxpayers and liabilities. While the projections methods aim to capture where possible the most important likely influences on taxpayer numbers and liabilities, projection of the base SPI survey data to later years inevitably means that these projections are subject to greater uncertainties and potential error margins than outturns for 2009-10 and earlier years (see Annex C).

The projections methods described below have been chosen to suit the ITLS statistics key purpose of providing informative breakdowns of income taxpayers and liabilities. Provision of projections of total tax is not a key purpose of the ITLS release, and use of other data sources and alternative projection methods would be required to make them suitable for that particular purpose. They should not be seen or used as alternative or competitor forecasts of income tax produced by other organisations.

**Potential taxpayer numbers** in the projections years are projected via a re-scaling of the SPI base year grossing factors for individual SPI sample cases. Because SPI is not representative of the total UK population, the ITLS re-scaling methods are simplified compared with the detailed weighting to external population and other socio-economic data controls commonly applied in major UK household surveys. Base year SPI grossing factors instead are re-scaled for projection years according to a high level partition of the SPI sample by each case's main income source:

- main source employment and self-employment income cases are first projected/re-scaled according to published Office for National Statistics (ONS) population projections by single year of age (implying initially constant employment and self-employment rates by age band). Grossing factors are then further re-scaled uniformly across all age bands so that grossed SPI main source employment and self-employment case totals change in percentage terms from 2009-10 in line with the OBR's most recently published forecast for total employment and self-employment (Labour Force Survey definitions).
- remaining SPI cases are projected/re-scaled according to the implied percentage change in the residual main source "other" category, calculated as difference between the published ONS population total by single year age and projected SPI main source employed and self-employed totals by age derived as described immediately above.
- this process is applied separately for males and females.

Projection/re-scaling of grossing factors to ONS population projections by single year age represents a modification of projections methods for this release. The projections published in previous releases of ITLS allowed only for uniform re-scaling of main source employment and self-employment cases to the OBR's employment and self-employment series at the aggregate level, and re-scaling of main source pension income cases to ONS population projections for individuals aged 65 and over.

**Nominal income amounts** recorded in the base SPI survey data for each case are projected at the UK level using OBR's most recently published forecasts for a range of macroeconomic series relevant to the specific income sources recorded in SPI. For each income source, this uprating is generally uniform across all sample cases.

However, in the case of pay/earnings, the projection factors are allowed to vary across the pay distribution according to the recent trends revealed in the ONS Annual Survey of Hours and Earnings (ASHE):

- SPI cases are assigned to one of six quantile groups, partitioned according to percentiles P10, P25, P75, P90 and P95 of the ASHE weekly pay distribution.
- Earnings growth for cases in the 'middle group' (P25-P75) is projected according to the OBR forecast for whole economy average earnings growth.
- For other groups, average earnings growth is adjusted according to the deviation (ratio) of implied average earnings growth over the past seven years

at the relevant ASHE percentile relative to mean ASHE earnings growth. For example, earnings growth for those in the bottom group (below P10) is adjusted according to average growth at ASHE P10 relative to the ASHE mean.

Again, this process is applied separately for males and females. Since these ASHE and SPI samples are different, it should be clear that resulting mean earnings growth across all SPI cases would differ from the OBR forecast; a further re-scaling is applied to all cases to ensure that mean earnings growth does align with the OBR forecast.

The table below summarises which assumptions/series are used in the ITLS projections processes for re-scaling grossing factors and nominal incomes.

**Table: Summary of economic assumptions used in ITLS projections**

<b>SPI population totals:</b>	<b>SPI total 2009-10 £ billion</b>	<b>Series used in projections</b>
Main source employed	-	Population by single year age; and total employees (LFS)
Main source self employed	-	Population by single year age; and total self-employment (LFS)
Main source other	-	Population by single year age
<b>Main income components:</b>		
Pay	601.7	Implied whole economy average earnings (Wages and salaries divided by LFS employees), with allowance for differential growth across distribution (see main text)
Profits	81.1	Total self-employed (mixed) income
Personal pension income	69.4	Weighted average Retail Prices Index and whole economy average earnings
Dividends	50.0	Household and Non-profit institutions serving households dividend receipts
State pension income	34.4	Announced rates
Occupational pension income	13.8	Whole economy average earnings
Bank & building society interest	11.2	Household bank & building society deposits multiplied by weighted average of building society deposit and 5-year rates
Property income	9.8	Retail Prices Index
Taxable employer benefits	9.0	Retail Prices Index

The economic series used in the projection processes are consistent with the most recently published OBR forecast for the UK economy. Note that because ITLS projections are provided only to the current tax year, these economic series mainly consist of economic outturns published by other organisations, usually ONS. The OBR forecasts for these series are typically relevant only for the ITLS projections for tax year 2012-13, where economic outturns for most series are not yet available.

The projections in the April 2012 release of ITLS use economic series consistent with the OBR's March 2012 *Economic and fiscal outlook*. Outturns and forecasts for key series including employment, earnings, prices and interest rates are published by the OBR (Table 4.3 'Determinants of the fiscal forecast'):

<http://budgetresponsibility.independent.gov.uk/wordpress/docs/March-2012-EFO-charts-and-tables.xls#T4.3!A1>

The OBR's release policy for supplementary forecast information is available here:

[http://budgetresponsibility.independent.gov.uk/wordpress/docs/release\\_policy.pdf](http://budgetresponsibility.independent.gov.uk/wordpress/docs/release_policy.pdf)

Population projections used in this ITLS release are published by ONS (Table A3-1 'Principal projection - UK population single year of age'):

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-229866>

**Projections of incomes for high earners** beyond 2009-10 make further allowance for possible behavioural responses to changes in the income tax system that came into effect during the projections period. Specific allowances are made for: (a) the introduction of the additional rate of tax and gradual withdrawal of personal allowances for those with incomes above £100,000 in April 2010; and (b) possible anticipatory effects in 2012-13 that may arise in advance of the reduction in the additional rate of tax to 45% in April 2013, as announced in Budget 2012.

Separate to the ITLS statistics, HMRC has published a comprehensive ex-post assessment of the 50% additional rate of income tax using a range of evidence including 2010-11 SA returns:

<http://www.hmrc.gov.uk/budget2012/excheg-income-tax-2042.pdf>

This '50p report' provides a detailed analysis of the likely responses of high income taxpayers to the additional rate including: (a) the amount of income that high income individuals may have forestalled (i.e. brought forward) to 2009-10 to avoid the additional rate; (b) underlying behavioural reductions in income from 2010-11 in response to the increased tax rate; and (c) possible forestalling of incomes (i.e. incomes deferred) in 2012-13 in advance of the announced reduction in the additional rate. See especially Chapter 5 and Annex A of the 50p report.

Notwithstanding the significant uncertainties in any such assessments, these new published estimates are too large not to factor into the ITLS projections. Forestalling of incomes in 2009-10, for example, is estimated at £16-18 billion. Simple projection of the outturn SPI 2009-10 survey data therefore would likely to lead to significant over-projection of incomes for high earners and associated liabilities in later years.

Consistent with the published report, among individuals with income after deductions above £150,000 in 2010-11, the ITLS projections for tax years 2010-11 to 2012-13 therefore allow for:

- reductions in income ('unwinding'), representing the counterpart of £16 billion total income assumed forestalled in 2009-10, split equally between pay and dividends income, and with unwinding concentrated in 2010-11 for forestalled pay, but split more equally across the three tax years to 2012-13 for dividends.
- underlying behavioural reductions in income reflecting the introduction of the 50p tax rate (over and above changes reflecting unwinding of forestalled amounts) totalling around a further £6 billion in 2010-11, continuing in the later projection years. These reductions also take account of likely responses to the withdrawal of personal allowances for high earners from 2010-11.
- reductions in incomes totalling around £6¼ billion in 2012-13, representing income deferrals to 2013-14.

The projection adjustments are applied to most SPI cases with income above £150,000, taking account of the SA return evidence on total AR taxpayer numbers in 2010-11. The degree of forestalling was allowed to increase by broad income band, consistent also with the evidence from 2010-11 SA returns.

This allowance for forestalling represents an enhancement of methods that is new to this ITLS release, based on the new evidence published by HMRC, and so not previously available for past ITLS releases. Previously published ITLS projections allowed only for underlying behavioural reductions in income reflecting changes to the top tax rate.

These methods have an important bearing on ITLS projections of taxpayer numbers with total income above £150,000, additional rate taxpayer numbers and associated tax liabilities from 2010-11. These projections attempt to take full account of the new evidence published by HMRC. However, some small variations from the published 50p report are unavoidable given that ITLS is based on a sample of tax records for 2009-10 projected forwards, whereas the published report is based on SA returns for 2010-11 itself.

HMRC's definitive assessment of additional rate taxpayer numbers in 2010-11 and the extra yield arising from the introduction of the additional rate are as set out in the published report on the 50p rate. It is not possible to infer the additional yield arising from the 50p rate using ITLS Table 2.6, as this gives no indication of reductions in income and yield arising due to behavioural responses.

**Income tax structures, rates, allowances and thresholds** have been announced up to and including the current tax year 2012-13. No projection methods or assumptions are therefore required for this aspect of the modelling process for projections years.

For all projection years, income tax liabilities are modelled as described earlier with respect to re-grossed and uprated SPI dataset, and announced tax rates, allowances and thresholds.



## **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 and illustrative earnings levels.

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 actual 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 earnings 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 family 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 after 6<sup>th</sup> 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.

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.

## Data

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.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2011-provisional-results--soc-2010-/index.html>

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 2011, published on 21 March 2012, permitting derivation of estimates of earnings across the distribution up to tax year 2010-11.

Projections of income tax burdens are also provided for tax years to 2012-13. Earnings are projected to grow uniformly across the earnings distribution according to the OBR's March 2012 forecast for whole economy earnings growth.

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

## Annex C: Quality

This Annex assesses the ITLS outturn statistics and projections against some standard dimensions of quality set out in ONS guidelines:

<http://www.ons.gov.uk/ons/guide-method/method-quality/quality/guidelines-for-measuring-statistical-quality/index.html>

### Relevance

*The degree to which the statistical product meets user needs for both coverage and content.*

ITLS Section A provides detailed outturn statistics and projections of individual income taxpayer numbers, income tax liabilities and average rates of tax broken down by taxpayer characteristics such as age and gender, income levels and groupings (e.g. the richest 10%), and by marginal rate of tax (e.g. basic rate taxpayers).

These detailed breakdowns of the UK income tax liabilities base are based on a sample survey of tax records at the individual level. Similar breakdowns are not available for income tax receipts statistics published by HMRC, which are based on more aggregate administrative accounting systems for tax receipts.

Due to differences in timing between the point at which income tax liabilities arise, and payment/collection of income tax particularly through SA, liabilities statistics also reflect more closely and immediately than tax receipts the impact of changes in the income tax policy regime and developments in the wider economy.

ITLS statistics and projections are used by individuals with an interest in the income tax base and income tax policy in government, 'think tanks', other research bodies and academia, as well as journalists and other commentators.

### Accuracy

*The closeness between an estimated result and the (unknown) true value.*

ITLS outturn statistics and projections are subject to a number of potential errors, summarised below under the following headings:

- sampling error
- coverage error
- model error
- projection error

#### ***Sampling error***

The SPI sample is compiled 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 meaning estimated totals and other sample statistics would vary from one sample to the next if repeated random samples were drawn, and in all cases would differ to some degree from the corresponding population totals purely by chance. Intuitively, the extent of such variation increases with the degree of variation across the population in the variable of interest (e.g. income tax liabilities), and falls as the size of the sample increases.

Variation in a given sample-based statistic is usually 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. Based on the standard errors, the precision of sample 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 taxpayers and total tax liabilities by region and county in 2009-10 are published in HMRC Table 3.13a:

[http://www.hmrc.gov.uk/stats/income\\_distribution/table-3-13a-mar2012.pdf](http://www.hmrc.gov.uk/stats/income_distribution/table-3-13a-mar2012.pdf)

Results for key survey levels 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 0.9% of the central estimates respectively). As shown in the table, precision declines for smaller estimated totals, e.g. for numbers of taxpayers and tax liabilities in specific countries and regions. Broadly speaking, as sample size changes by a factor  $x$ , the confidence interval will change by a factor  $(1/\sqrt{x})$ , so a fourfold increase in sample size will halve the confidence interval. Confidence intervals for year-on-year changes in these quantities meanwhile may very broadly be expected to be larger than those for the annual levels shown below by a factor of around  $\sqrt{2}$ .

**Table: Confidence intervals for estimates of taxpayer numbers and total tax liabilities  
SPI 2009-10**

	Taxpayers, thousands				Income tax liabilities, £million			
	Central estimate	95% CI Lower Limit	95% CI Upper Limit	CI width as % estimate	Central estimate	95% CI Lower Limit	95% CI Upper Limit	CI width as % estimate
United Kingdom	30,500	30,600	30,600	0.3	153,000	154,000	154,000	0.9
Country/Region								
North East	1,170	1,190	1,210	3.4	4,060	4,330	4,600	12.6
North West	3,270	3,300	3,330	1.9	12,800	13,000	13,200	3.3
Yorkshire and the Humber	2,380	2,410	2,440	2.3	9,140	9,380	9,630	5.3
East Midlands	2,170	2,200	2,220	2.4	8,570	8,770	8,960	4.5
West Midlands	2,500	2,530	2,560	2.2	9,700	9,870	10,100	3.6
East of England	2,910	2,940	2,970	2.4	15,500	15,700	16,000	4.5
London	3,800	3,840	3,870	1.7	32,700	33,200	33,700	3.0
South East	4,400	4,430	4,470	1.6	27,300	27,700	28,000	2.7
South West	2,660	2,690	2,720	2.1	10,900	11,100	11,300	3.6
Wales	1,380	1,400	1,420	3.0	4,600	4,710	4,810	4.4
Scotland	2,600	2,630	2,660	2.2	10,900	11,100	11,300	3.6
Northern Ireland	732	747	763	4.2	2,580	2,660	2,750	6.2

Source: [http://www.hmrc.gov.uk/stats/income\\_distribution/table-3-13a-mar2012.pdf](http://www.hmrc.gov.uk/stats/income_distribution/table-3-13a-mar2012.pdf)

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 true population value in the sense that if that value were in reality 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 per cent.

### **Coverage error**

The SPI survey is fully representative only of UK taxpayers, not the entire UK population (Annex B).

Annex B also notes that for SPI sub-sample of individuals drawn from PAYE only, a number of data items are not recorded in administrative tax records because these are not needed for the operation of the income tax system. These items include, for example, savings interest income which is not recorded in PAYE because tax is deducted at source via a separate scheme operated by deposit takers. These missing data items are imputed for most SPI sample cases in PAYE only as described in the annex.

The table below shows the total contribution to key SPI 2009-10 income estimates from imputed values. Users interested in ITLS estimates and projections of tax liabilities on these particular items should note the degree of imputation. A large contribution to estimates from imputed values is likely to lead to a loss of accuracy in the estimates. Overall, imputation contributes around £23 billion (occupational pension contributions are included in gross pay) to grossed total income across all taxpayers of £869 billion in 2009-10.

**Table: Extent of imputation**

SPI 2009-10 grossed totals	Number of individuals		Total amount (£million)	
	(thousands)		imputed	total
	imputed	total		
Individuals' age	202	46,100	-	-
Bank and building society interest income	20,300	25,500	4,730	11,800
Dividends	2,740	5,820	4,190	50,600
Occupational pension contributions	7,930	7,930	13,800	13,800
Personal pension contributions	4,640	5,490	2,930	7,310

### **Model errors**

Income tax liabilities in ITLS are estimated at case level on the basis of the SPI survey data using HMRC's Personal Tax Model (PTM). 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.

PTM model outputs are regularly benchmarked at case level against income liabilities recorded as due in HMRC's SA system for the SPI sub-sample in SA. For 2007-08 data, differences arise for known and specific reasons and only in a small minority of sample cases. The impact of these simplifications is judged to be small for key aggregates at UK level, and for most UK taxpayer sub-populations.

### ***Projection errors***

Simplifications and potential errors: (a) in projection processes; and also (b) the economic assumptions employed in those processes are likely to induce larger errors in ITLS projections compared with outturn statistics for 2009-10 and earlier tax years.

Projection methods are described in Annex B. The methods used to project nominal incomes recorded in the base SPI survey data are typical of those employed by analysts in other Government Departments and private organisations engaged in tax-benefit modelling using detailed survey datasets.

Users of the projections should note that the projection methods are suited to analysis of tax liabilities at UK geographic level. Projection of potential taxpayer numbers and incomes by income source is based on scalings determined at UK level and applied generally uniformly at case level. They take no account of divergences in economic trends since 2009-10 within the UK (or indeed across other dimensions such as industrial sector).

Published breakdowns of projected taxpayer numbers by country and region (Table 2.2) therefore are indicative. Newly available evidence from SA tax returns for 2010-11 suggests that projections of additional rate taxpayer numbers by country and region specifically may be subject to potentially large error margins, though this may partly reflect the large taxpayer behavioural responses expected particularly in the first year of the new tax rate. HMRC is reviewing the evidence, and will consider whether regional projections are suitable for continued publication.

In addition, the projections will not capture some potentially important shifts in the distribution of incomes occurring after 2009-10. Availability of timely data sources describing such movements is limited, and reliable projection methods are very difficult to devise. ITLS projected shares of total income and tax across taxpayer income groupings (Table 2.4) are therefore likewise indicative, but do allow for differential growth in earnings across the pay distribution consistent with past trends, and possible responses of high income taxpayers to changes in the tax policy regime (Annex B).

Summary statistics describing ex post ITLS absolute projection errors across key aggregates for projections released following spring Budgets since 2001 are shown in the table below. Analysis of projection errors should ideally be based on longer time-series, but this is constrained by past ITLS publication conventions. The forecast horizon is defined with respect to the latest SPI outturn data available, e.g. this ITLS release uses 2009-10 survey data, which gives projections 'one-year ahead' (for 2010-11) up to 'three-year ahead' (for 2012-13).

The table shows mean absolute projection errors of 2-4% for key UK aggregates for one-year ahead projections, roughly doubling for three-year ahead projections. Plus or minus one standard deviation in past errors provides one guide to the possible limits of approximate 70 per cent confidence intervals around central projections for key ITLS aggregates (though past errors may not accurately reflect the degree of ex ante uncertainty in projections made at any specific point in time). It is not possible to assess possible bias in the projections over this short period.

**Table: Summary statistics for absolute errors in ITLS projections of key aggregates<sup>1,2</sup>**

	Taxpayers	Higher rate taxpayers	Total income	Total liabilities
<b>One-year ahead projection (N = 9)</b>				
	thousands	thousands	£ billion	£ billion
Mean	640	130	20.8	4.6
Max	1,400	290	39.2	8.2
Standard deviation	540	110	12.3	2.8
Mean	2%	4%	3%	4%
Max	5%	10%	7%	8%
Standard deviation	2%	4%	2%	2%
<b>Two-year ahead projection (N = 9)</b>				
	thousands	thousands	£ billion	£ billion
Mean	860	170	31.7	7.6
Max	1,900	400	63.3	14.1
Standard deviation	540	150	18.6	4.2
Mean	3%	5%	5%	6%
Max	6%	11%	8%	10%
Standard deviation	2%	5%	3%	3%
<b>Three-year ahead projection (N = 8)</b>				
	thousands	thousands	£ billion	£ billion
Mean	1,160	230	43.0	10.3
Max	2,300	480	84.2	18.5
Standard deviation	730	140	27.1	5.9
Mean	4%	7%	6%	8%
Max	8%	13%	10%	12%
Standard deviation	2%	4%	3%	4%

<sup>1</sup> ITLS projections released after spring Budgets since 2001.

<sup>2</sup> Projection horizon is defined by latest SPI outturn data available for analysis, e.g. one-year ahead projections are projections for tax year T+1 based on SPI data for year T. Budget projections for year T+1 are generally published at the beginning of year T+3, meaning economic assumptions used in the projection process are typically outturns to around year T+2.

The ex post projection errors arise due to both inevitable errors in the economic assumptions used in the projections and also errors in the projections methods themselves, which are not easily separated.

Sensitivity of ITLS projections to changes specifically in key economic assumptions used in the projection process may, however, be illustrated via 'ready reckoners'. The table below shows estimated changes from the April 2012 ITLS central projections arising for illustrative increases in key series. Comparable reductions in the same series would have broadly similar impacts of opposite sign.

**Table: Sensitivity of central projections to changes in key economic assumptions**

	2009-10 outturn	2010-11 projection	2011-12 projection	2012-13 projection
<b>Central projection</b>				
Taxpayers	30,600	31,000	30,100	29,700
o/w non higher rate taxpayers	27,400	27,800	26,300	25,600
o/w higher/additional rate taxpayers	3,190	3,260	3,860	4,100
Total liabilities	153,700	149,300	154,500	155,400
o/w liabilities of non higher rate taxpayers	68,200	69,400	62,900	60,600
o/w liabilities of higher/additional rate taxpayers	85,500	80,000	91,600	94,700
<b>Working-age employees+1%<sup>1</sup></b>				
Taxpayers		128	138	146
o/w non higher rate taxpayers		109	114	120
o/w higher/additional rate taxpayers		18	24	27
Total liabilities		602	728	789
o/w liabilities of non higher rate taxpayers		396	375	375
o/w liabilities of higher/additional rate taxpayers		205	353	414
<b>Pay+1%<sup>2</sup></b>				
Taxpayers		49	54	54
o/w non higher rate taxpayers		-22	-20	-21
o/w higher/additional rate taxpayers		71	74	75
Total liabilities		1,640	1,730	1,770
o/w liabilities of non higher rate taxpayers		805	775	771
o/w liabilities of higher/additional rate taxpayers		829	953	1,000
<b>Profits+1%<sup>2</sup></b>				
Taxpayers		19	15	16
o/w non higher rate taxpayers		14	10	12
o/w higher/additional rate taxpayers		5	5	5
Total liabilities		256	237	232
o/w liabilities of non higher rate taxpayers		75	68	65
o/w liabilities of higher/additional rate taxpayers		180	169	166
<b>Interest rates+1ppt<sup>3</sup></b>				
Taxpayers		95	125	132
o/w non higher rate taxpayers		31	61	68
o/w higher/additional rate taxpayers		64	64	63
Total liabilities		2,190	2,310	2,240
o/w liabilities of non higher rate taxpayers		814	808	802
o/w liabilities of higher/additional rate taxpayers		1,360	1,480	1,290

<sup>1</sup> 1% point increase in numbers employed (SPI cases with pay > 0 aged 16-59) relative to central projection, holding SPI population aged 16-59 constant.

<sup>2</sup> 1% point increase in pay/profits for all SPI cases with pay/profits relative to central projection.

<sup>3</sup> 1% point increase **interest rates** on savings income relative to central projection. The resulting percentage change in savings interest income depends on the central projection for interest rates, but will generally be much larger than the +1% ready reckoners shown earlier in the table for pay/profits.

The following points may be noted:

- An illustrative 1 percentage point increase in employment increases both taxpayer numbers and liabilities by taxpayer marginal rate roughly in proportion to the respective central projected distributions by marginal rate.



- Illustrative increases in incomes raise taxpayer numbers overall, but net changes in numbers by marginal rate show varying patterns. In particular, net numbers of non-higher rate taxpayers decline with a 1 per cent increase in pay, as numbers moving into higher rate tax (from basic rate) exceeds those moving into basic rate tax. This pattern is not repeated for profits or savings, and reflects differences in projected relative densities of individuals with each income source close to the relevant thresholds.
- In all cases, changes in liabilities arise for all individuals with that income source and so are disjoint from (the small minority) numbers moving tax band.
- Changes in pay and profits are imposed in percentage terms. The percentage change in savings income resulting from a 1 percentage point increase in savings interest rates varies with the central projection for rates, but will generally be much larger than 1 per cent ready reckoners shown for pay/profits.
- All ready reckoners change taxpayer numbers/incomes only, holding income tax rates, allowances and thresholds constant. An increase in RPI inflation, by contrast, might be expected to increase most incomes sources, albeit with varying lags, but would also directly alter tax allowances and thresholds through indexation, also with a lag. These impacts are beyond the scope of ITLS projections to 2012-13 where tax parameters are known.

## **Timeliness and punctuality**

*Timeliness refers to the lapse of time between publication and the period to which the data refer. Punctuality refers to the time lag between the actual and planned dates of publication.*

Due to the time needed to receive and process tax returns and information provided by employers, SPI survey results are not available until typically 1½ years after the tax year to which the survey data relate.

The latest available SPI survey data is for tax year 2009-10, and was first published in February 2012. First publication of the 2009-10 SPI results was delayed by around three months from its originally scheduled publication in December 2011.

## **Comparability**

*The degree to which data can be compared over time and domain.*

SPI is an annual cross section sample of potential income taxpayers. Changes in estimates between years will partly reflect sampling variation (see above). Changes in SPI survey methodology may also affect comparisons of SPI results over time. A detailed review of methodological changes in 2009-10 is provided in Personal Incomes Statistics, 2009-10:

[http://www.hmrc.gov.uk/stats/personal\\_incomes/statistics-release-note.pdf](http://www.hmrc.gov.uk/stats/personal_incomes/statistics-release-note.pdf)

Estimates across domains are generally comparable over time, e.g. estimates by country or region. Classification of non higher rate taxpayers by marginal rate,

however, is subject to step changes over time reflecting changes to the structure of the UK income tax system, as described in Annex B.

## **Coherence**

*The degree to which data that are derived from different sources or methods, but which refer to the same phenomenon, are similar.*

HMRC also publishes statistics on income tax receipts. Liabilities are amounts of income tax due on incomes arising in a given tax year whereas receipts are amounts of income tax paid and collected in a given year. Statistics on income tax liabilities and receipts in any year can differ appreciably, due to lags in the payment and collection of tax particularly under SA, or when over or underpayments occur which are repaid or recovered in a later year. Data sources and methods underpinning the statistics also differ. Receipts statistics are based on aggregate administrative data sources whereas liability statistics are compiled using a sample of individuals' tax records.

## **Annex D: Glossary**

### **Allowance / Personal allowance**

The amount of income which an individual can receive before being liable for income tax. The personal allowance is an example of a tax-free allowance.

### **Average rate of tax**

(Tables 2.5 and 2.6) The ratio of income tax liability to total income, where total income is measured before deductions, reliefs and allowances.

### **Basic rate limit**

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

### **CESA (Computerised Environment for Self Assessment)**

This is the computer system used to administer SA from which SA data for the SPI has been extracted since 1996-97.

### **Deductions and reliefs**

Amounts deducted from total income, along with personal allowances to arrive at the amount of taxable income subject to an income tax charge. This includes amounts for contributions to occupational and personal pensions, and a variety of other Deductions and Reliefs including charitable giving and loss relief etc.

### **Dividend income**

(Table 2.6) Income derived from shares.

### **“Earnings” / “Earned income”**

(Table 2.6) Comprises all incomes taxed like earnings: income from employment, self-employment and pensions (state, occupational and personal), rental income, income paid from trusts, and some social security benefits.

### **Government Office Region (GOR)**

(Table 2.2) Primary classification for regional statistics in England comprising nine GORs since 1988 which, together with countries Wales, Scotland and Northern Ireland form 12 UK geographical units for ITLS statistics. For the SPI, the areas are attached by matching the individual's residential postcode to the Office for National Statistics Postcode Directory.

### **Marginal rate of tax**

(Tables 2.1, 2.2, 2.5 and 2.6) ITLS classification of taxpayers according to the highest rate of tax an individual has paid, which depends on the level of total taxable income and the composition of that taxable income. Higher and additional rate taxpayers are those with taxable income (after allowances) exceeding the relevant limits in a given year (£34,370 and £150,000 in 2012-13). Basic rate taxpayers with taxable income below the basic rate limit (£34,370 in 2012-13) are sub-divided into starting, savers and ordinary basic rate taxpayers according to the composition of their income, recognising that different tax rates apply to different forms of income within the basic rate tax band. Note that the classification also takes account of the effect of tax allowances given as tax reductions. For example, an SPI case with taxable earnings only just above the

basic rate limit may have tax reductions sufficient to eliminate any higher rate liabilities, and would be classified as a basic rate taxpayer. Annex B provides more details.

### **National Insurance and PAYE System (NPS)**

NPS is the computer system HMRC uses to administer PAYE and is the source of PAYE data for SPI for tax year 2008-09 onwards.

### **Pay As You Earn (PAYE)**

PAYE is the system used by HMRC to collect and account for income tax on earnings from employment and pensions. Income Tax and National Insurance Contributions are deducted by the employer and paid over to HMRC on behalf of the individual for each pay period.

### **Savings Income**

(Table 2.6) A particular class of income that includes interest on bank and building society accounts.

### **Self Assessment (SA)**

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

### **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 was abolished for non-savings income and applies now only to savings income.

### **Survey of Personal Incomes (SPI)**

An annual sample 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.

### **Tax burden**

Income tax liabilities expressed as a percent of gross income.

### **Tax credits / Tax reducers**

There are other allowances and reliefs that can reduce tax bills, for example Married Couples Allowance. Unlike personal allowances, these are not amounts of income that can be received tax-free, rather they are amounts that may be deducted from any tax bill due.

### **Tax liabilities**

(All tables) The amount of income tax due after applying prevailing tax rates to individuals' taxable income (after allowances). The income tax liability for each sample case in SPI is estimated by reference to the amounts of income by type, allowances, deductions and reliefs due, and the tax regime parameters that apply for the year. The calculated liabilities for a tax year will differ from the amount of tax receipts collected in a financial year due to collection lags (particularly for SA receipts), measurement differences (e.g. dividends tax liabilities are measured gross of dividends tax credits whereas tax receipts are net of dividends tax credits), and differences in data sources and methods.

**Tax receipts**

The amount of income tax collected by HMRC. The SPI measures the amount of income tax liability for a tax year, but not the amount of receipts in the financial year.

**Taxable income**

Income assessable to income tax after deductions and allowances. Levels of taxable income will correspond to announced tax bands, e.g. individuals with taxable income above £34,370 in 2012-13 will be higher/additional rate taxpayers, except where tax credits eliminate higher rate liabilities.

**Taxpayer**

An individual calculated to have a positive income tax liability for the tax year, based on the income, allowances, reliefs and deductions for the year.

**Total income**

(Tables 2.5 and 2.5) The sum of an individual's earned, savings and dividends income taken into account in calculating income tax liabilities (see entries for each). Total income is measured before personal allowances, relief for individuals' contributions to occupational and personal pensions, and any other deductions have been taken into account. It includes, via gross pay, individuals' (but not employers) contributions to occupational pensions under net pay arrangements, and may be seen as 'gross income' in this sense. Levels of total income will not generally correspond to announced tax bands, e.g. individuals with total income above £34,370 in 2012-13 may not be higher/additional rate taxpayers, due to allowances and deductions.