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Income Tax Liabilities Statistics

2012-13 to 2014-15

Tables 2.1-2.7

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Background notes

Income Tax Liabilities Statistics (ITLS) is a National Statistics publication by HM Revenue and Customs (HMRC). For more information about National Statistics, please see the UK Statistics Authority website: http://www.statisticsauthority.gov.uk/

The United Kingdom Statistics Authority (UKSA) has confirmed that the ITLS statistics and projections are designated as National Statistics, following HMRC implementing the enhancements listed in Assessment Report 157 *Statistics on Income Tax* and Assessment Report 241 *Income Tax Projections*, available at: http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/index.html

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, including information on changes to imputation methods introduced for the 2012-13 SPI survey (page 60). Information about the quality of the statistics is 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 and users should note that the reliability of these projections by country and region is under review, with the possibility that they be partially withdrawn from future releases (Annex C).

New in this release and next release

ITLS was last published in April 2014. This release provides finalised figures for 2012-13 from the SPI, and revised projections for tax years 2013-14 and 2014-15, based on the 2012-13 SPI data. The data is projected using economic assumptions consistent with the Office for Budget Responsibility's (OBR) December 2014 *Economic and fiscal outlook*: http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2014/

ITLS is usually published twice yearly, in January/February 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 May 2015, containing updated projections to 2014-15 and new projections for 2015-16 following the OBR's Budget 2015 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.

The 2008-09 SPI is still unavailable but HMRC remains committed to producing the 2008-09 SPI and National Statistics Tables 3.1 to 3.15a for 2008-09 and will announce their publication dates as soon as they have been confirmed.

Relevance of ITLS

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 top 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/statistics/income-tax-receipts.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 liabilities statistics are compiled using a sample of individuals' tax records.

The detailed breakdowns of income tax liabilities provided in ITLS, e.g. by taxpayer income or marginal rate, 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.

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, 2014-15, 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. Any projections beyond 2014-15 would also be subject to the increasing likelihood of projection errors.

The projections methods, described in Annex B, have been chosen to suit ITLS' 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 alternatives to other forecasts of income tax

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/

Use of ITLS

The ITLS statistics are used by a variety of organisations mainly concerned with Government decision making about tax policy, both in a policy making and policy monitoring context.[1]

The projections form the basis for HMRC's detailed assessments of the Exchequer costs and impacts on individuals of potential changes to the income tax system. This informs the Government's tax policy decisions, and they are used by other Government departments for similar purposes.

They are also used by Parliament, Government departments such as HM Treasury, some private organisations including policy 'think tanks', as well as the media and other commentators to monitor income tax trends and distributions. They inform, for example, users' assessments of the impacts of past tax policy changes or the sustainability of the UK public finances. For some users, such as the Office for Budget Responsibility, the statistics are used explicitly in an economic and tax forecasting context, informing assessments of recent trends or used as specific inputs to the forecasting process.

The statistics are also used by HMRC and other organisations including the Office for Tax Simplification in assessments of the operation of the UK income tax system and its impact on individuals.

While HMRC has regular contact with some key users of the ITLS statistics within Government, we would like to improve our knowledge of the use made of the ITLS statistics and projections, particularly by private sector organisations and individuals. We encourage users to provide feedback on their use of the statistics including any decisions they may inform, together with their requirements and any improvements they would like to see by using the contact points set out below.

Comments and questions

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: https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics#contact-us

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://webarchive.nationalarchives.gov.uk/*/http://www.hmrc.gov.uk/statistics/income/user-survey-results.pdf

[1] UKSA Monitoring Brief 6/2010 *The Use Made of Official Statistics* provides a generic framework for classes of use of Official Statistics:
http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-reviews/monitoring-brief-6-2010---the-use-made-of-official-statistics.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 2012-13 are:

- 30.6 million individual income taxpayers in 2012-13, a fall of 0.2 million compared with the previous year.

- 26.6 million non-higher rate taxpayers (86.9% of all taxpayers), 3.72 million higher rate taxpayers (12.2%), and 273,000 additional rate taxpayers (0.9%).

- average rates of tax were 11.3% for basic rate taxpayers, 22.8% for higher rate taxpayers, and 39.8% for additional rate taxpayers.

- the upper 50% of taxpayers by total income accounted for a 75.7% share of total income and 89.4% of tax liabilities.

- the top 1% of taxpayers by total income accounted for a 11.2% share of total income and 25.1% of tax liabilities.

- 56.4% of tax liabilities were due on taxable incomes falling within the basic rate tax band, 28.3% in the higher rate band, and 15.2% in the additional rate band.

Projections for tax years 2013-14 to 2014-15 show:

- 29.8 million taxpayers in 2014-15, 0.8 million lower than in 2012-13.

- 4.5 million higher rate taxpayers in 2014-15, 0.8 million higher than in 2012-13, and 313,000 additional rate taxpayers in 2014-15.

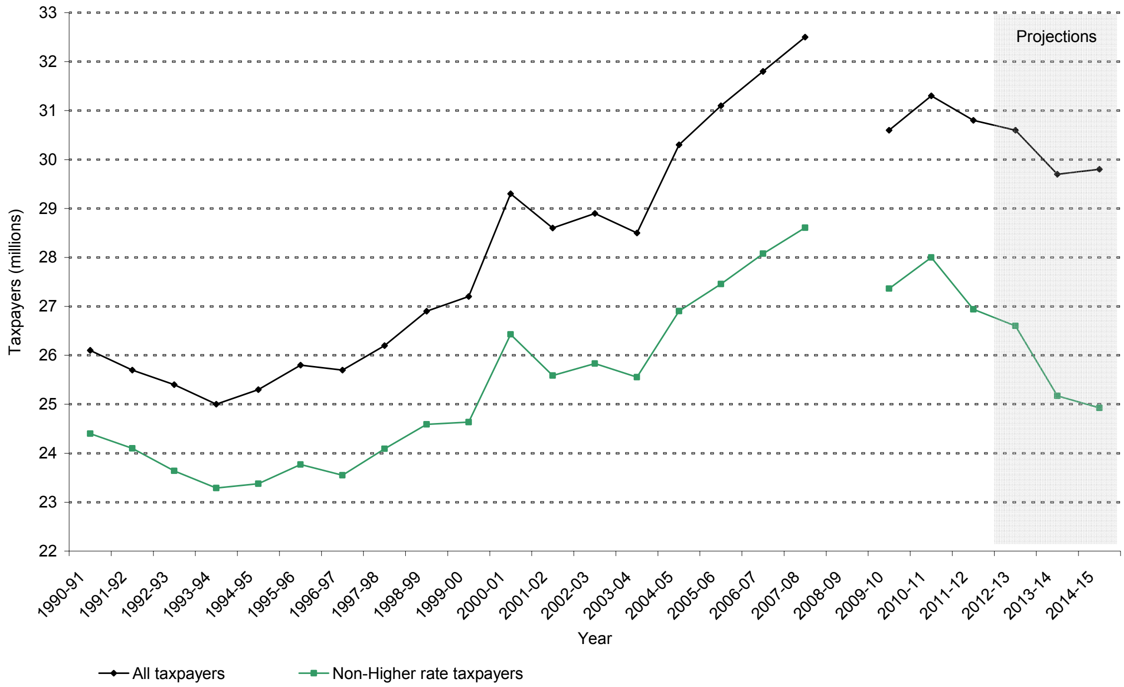
- average rates of tax fall in 2014-15 to 10.3% for basic rate taxpayers, 22.0% for higher rate taxpayers, and 37.8% for additional rate taxpayers.

Users should note that recent outturns and projections for the highest income taxpayers are strongly affected by expected 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 2012-13, and the projections to 2014-15, followed by the detailed tables.

Table 2.1 – Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2014-15: *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 2012-13, of which 17.3 million (56.6%) were male, and 6.14 million (20.1%) above the State Pension Age. Comparable figures for the UK population aged 16 and over in 2012 are 48.7% male, and 23.5% above State Pension Age.[2]

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 2012-13, an estimated 26.6 million individuals, representing the large majority of all income taxpayers (87.0%) were non-higher rate taxpayers[3], with no liabilities due at the higher rates of tax. A further 3.72 million individuals (12.2%) were higher rate taxpayers and 273,000 (0.9%) were liable to the additional rate of tax introduced in April 2010. Basic, higher, and additional rates of tax on earnings and savings were 20%, 40%, and 50% respectively in 2012-13; lower rates applied to dividend income.

[2] Office for National Statistics Mid Year Population Estimates for 2012, http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-319259
State Pension Age for the purposes of this publication in 2012-13 is 65 years for men and 61.5 years for women.
[3] Non-higher rate taxpayers comprise starting, savers and basic rate taxpayers who pay no tax at the higher or additional rate.

Among non-higher rate taxpayers, there were 270,000 starting rate taxpayers (0.9% of all taxpayers), classified as those with taxable savings only below the £2,560 starting rate limit on which a 10% tax rate applied. A further 630,000 (2.1%) 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 25.7 million (84.0%) non-higher rate taxpayers had taxable earnings and are classified as basic rate taxpayers.

Taxpayer numbers fell by 0.2 million to 30.6 million in 2012-13; more than explained by the £630 cash increase in the personal allowance for adults aged under 65. This is consistent with the fall of 0.5 million taxpayers between 2010-11 and 2011-12 following a £1,000 cash increase in the personal allowance for adults aged under 65. This followed a rise in taxpayer numbers in 2010-11 as a result of personal allowances being held constant in cash terms in 2010-11.

Projections to 2014-15 show taxpayer numbers declining further by 0.8 million to 29.8 million in 2014-15. With limited growth in incomes in the period since 2011, these projected reductions in taxpayer numbers reflect significant increases in the personal allowance for under 65s, with a rise in 2012-13 £210 above indexation, a rise in 2013-14 £1,115 above indexation, and a rise £260 above indexation in 2014-15. In cash terms, the personal allowance for under 65s rose from £7,475 in 2010-11 to £10,000 in 2014-15. Age-related allowances, by contrast, rose with RPI indexation in 2012-13 before being frozen in 2013-14 and 2014-15, meaning the number of taxpayers aged 65 and over is projected to rise by 0.4 million by 2014-15, following on from the 0.3 million increase seen between 2011-12 and 2012-13.

Population, income and employment growth would be expected to drive growth in taxpayer numbers even after the effect of indexation of the personal allowance. Above indexation growth in the personal allowance has prevented this growth which would have otherwise occurred and furthermore reduced the overall number of taxpayers in total.

Within the total, numbers liable at the higher and additional rates of tax are projected to rise by 0.8 million, from 3.72 million (12.2% of taxpayers) in 2012-13 to 4.48 million (15.1%) in 2014-15. 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. Increases in higher rate taxpayers therefore tend to reflect developments in the higher rate threshold for income tax. This was frozen at the 2011-12 level of £42,475 in 2012-13 before falling to £41,450 in 2013-14 before rising by a capped rate of 1% to £41,865 in 2014-15.

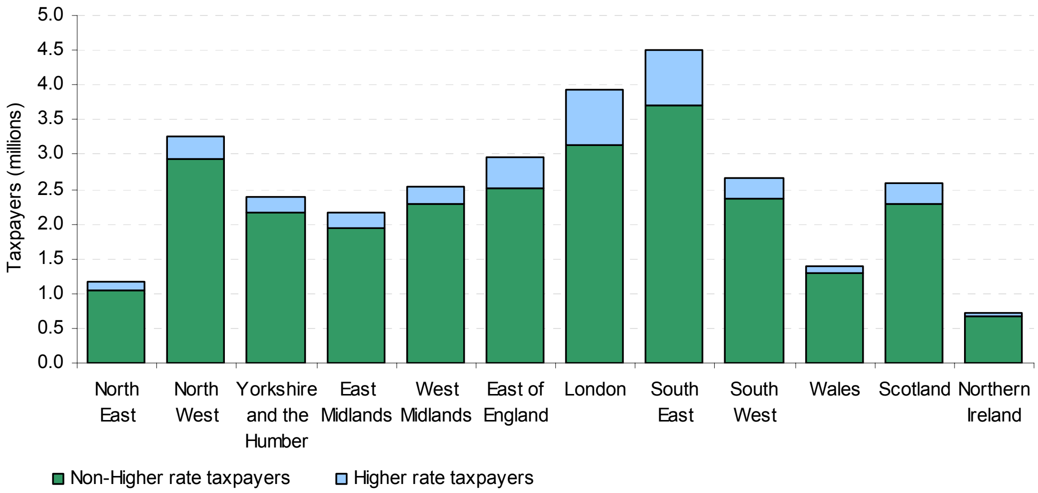
Within the 0.8 million rise in the numbers liable at higher rates of tax, the number of additional rate taxpayers is projected to rise from 273,000 in 2012-13 to 313,000 by 2014-15. Projections of additional rate taxpayers in 2013-14 are subject to considerable uncertainties, not least concerning likely responses of high income individuals to the reduction in the additional rate of income tax from 50% to 45% in 2013-14, but with projected underlying growth in numbers in part explained by the £150,000 additional rate threshold being fixed in cash terms.

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 2012-13.

Table 2.2 – Number of individual income taxpayers by country and region, 1999-00 to 2014-15: *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, 2012-13



In 2012-13, the largest number of taxpayers are estimated to reside in the South East (14.6% of the total), followed by London (12.8%) and the North West (10.6%) Government Office Regions. The countries and regions with the lowest number of taxpayers are Northern Ireland (2.4%), followed by the North East (3.8%) and Wales (4.5%). These rankings closely mirror in country and regional shares in the UK population aged 16 and over.

Within the taxpayer totals for 2012-13, there are three regions where the proportion of higher and additional rate taxpayers exceeds the UK average (11.6%): London (18.1%), the South East (16.1%), and East of England (13.9%). By contrast, under-representation of higher and additional rate taxpayers is most marked in Wales (7.6%), Northern Ireland (7.7%) and the North East (8.7%).

Taxpayer numbers fell across nearly all countries and regions in 2012-13 compared with 2011-12, with the exception of the South East which showed a small increase of 15,000 taxpayers. The three regions with the largest falls in taxpayer numbers were Scotland (2.0%), Northern Ireland (1.9%) and Wales (1.9%), compared with 1.7% for the UK as a whole.

ITLS projections show taxpayer numbers declining by between around 2% and 4% across the countries and regions between 2012-13 and 2014-15, in line with the UK projection of a 3.2% decline. These regional projections of taxpayer numbers are indicative, and show close correspondence with the expected UK trend. The projection methods take account only of relevant economic and other trends only at UK level; irrespective of the place of residence of each individual in the SPI data (see Annex B).

Projections of additional rate taxpayer numbers by regions and country for 2013-14, and 2014-15 are highly indicative, and are published for continuity with past publications while HMRC assesses their reliability (see 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 2012-13 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 2014-15: *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.*

Figure 3: Shares of total income by taxpayer total income decile, 2012-13

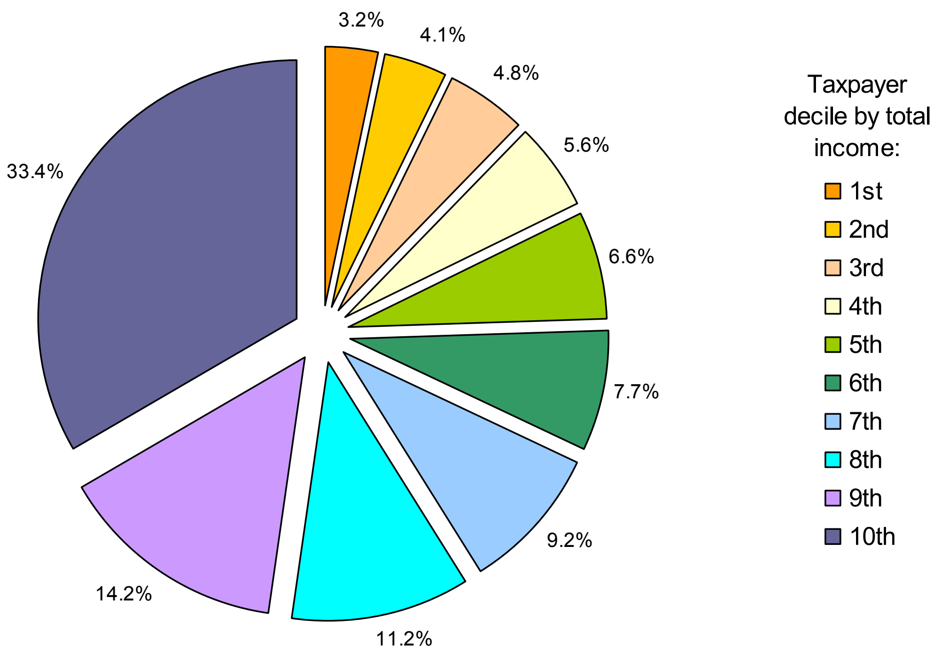
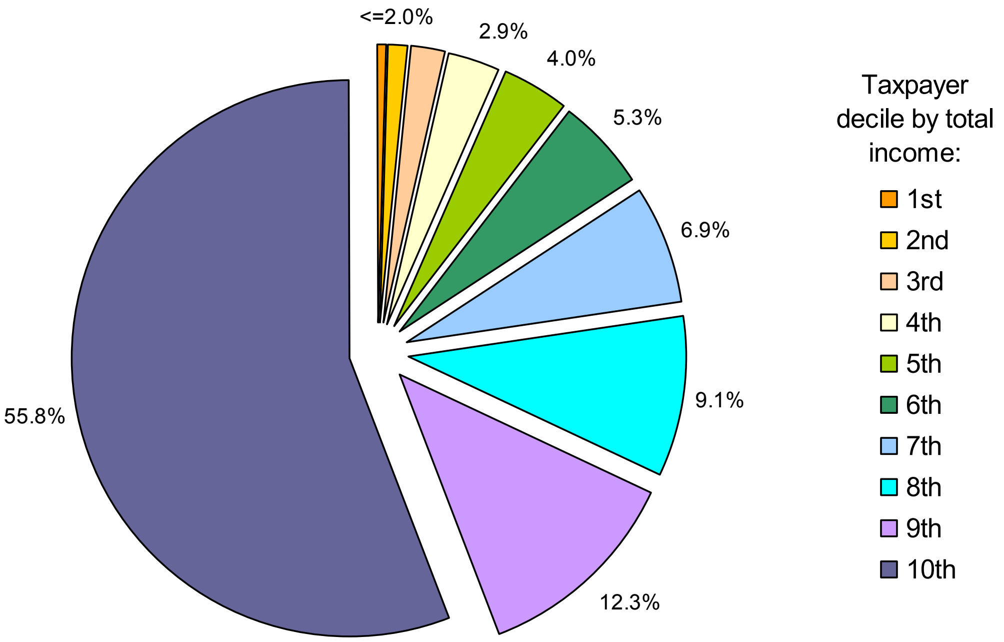


Figure 4: Shares of tax liabilities by taxpayer total income decile, 2012-13



Taxpayers in the upper half of the before tax total income distribution (the upper 50%) accounted for a 75.7% share of total income before tax in 2012-13, compared with a 24.3% share for those in the bottom half of the income distribution. Shares in total tax liabilities of high income groups exceed their income shares, reflecting the progressive structure of the income tax system. The upper 50% of taxpayers accounted for 89.4% of tax liabilities in 2012-13, compared with 10.6% for the bottom half.

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 top 5% rose by 3.1 percentage points between 1999-00 and 2009-10, driven by the top 1% whose share rose by 2.9%. This shows that the top 2-5% income share remained fairly stable and declined for taxpayer groups below the 95th percentile.

The total income share of the top 1% of taxpayers, however, fell sharply in 2010-11 to 11.5%, down 2.4 percentage points on 2009-10, remaining at this rate in 2011-12 and falling to 11.2% in 2012-13. Their share of tax fell by 1.5 percentage points to 25.0% in 2010-11 before rising by 0.4% in 2011-12, but then falling back by 0.3% to 25.1% in 2012-13. Income shares in these years are affected by changes to the additional rate of income tax. While these assessments are subject to significant uncertainties this probably represents a temporary reduction in incomes below ‘normal’ levels in 2011-12 and 2012-13, the counterpart of the bringing forward or ‘forestalling’ of income in 2009-10 by individuals affected by the introduction of the additional rate of tax in April 2010. Income forestalling was estimated by HMRC at around £16-18 billion or 2% of total taxpayer income among broadly the top 1% in 2009-10. Details of these effects were set out in a HMRC report.[4]

The impact of these possible behavioural responses means that the top 1% share of income is:

- artificially high in 2009-10,
- artificially low in 2010-11 and 2011-12

(relating to the introduction of the 50p rate in April 2010).

- artificially low in 2012-13
- artificially high in 2013-14

(reflecting the fall in the additional rate to 45p in April 2013).

Annex B (page 55) describes in more detail HMRC's estimates of possible behavioural responses to the additional rate of income tax.

Projections of shares of income and tax for percentile groups in 2014-15 should be considered indicative, as the projection of incomes for all taxpayers generally takes account only of expected growth in incomes in aggregate. The projections do, however, allow for differential earnings growth across the pay distribution consistent with past trends and also continued forestalling effects associated with changes in the additional rate of tax.

The top 1% share of income is projected to rise to 12.9% in 2013-14 reflecting likely deferral of incomes to 2013-14 ahead of the reduction in the additional rate to 45%. In 2014-15 – the first year relatively unaffected by forestalling/unwinding – the top 1% share of income is projected to be slightly lower, at around 12.5%.

The top 1% share of tax is projected to rise from 25.4% in 2011-12 to 28.2% in 2013-14 before falling back to 27.3% in 2014-15. These trends will also be distorted by changes in the additional rate of tax as discussed above.

Shares of tax for the top 10% of taxpayers are also projected to rise between 2011-12 and 2014-15. The higher rate threshold for income 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.

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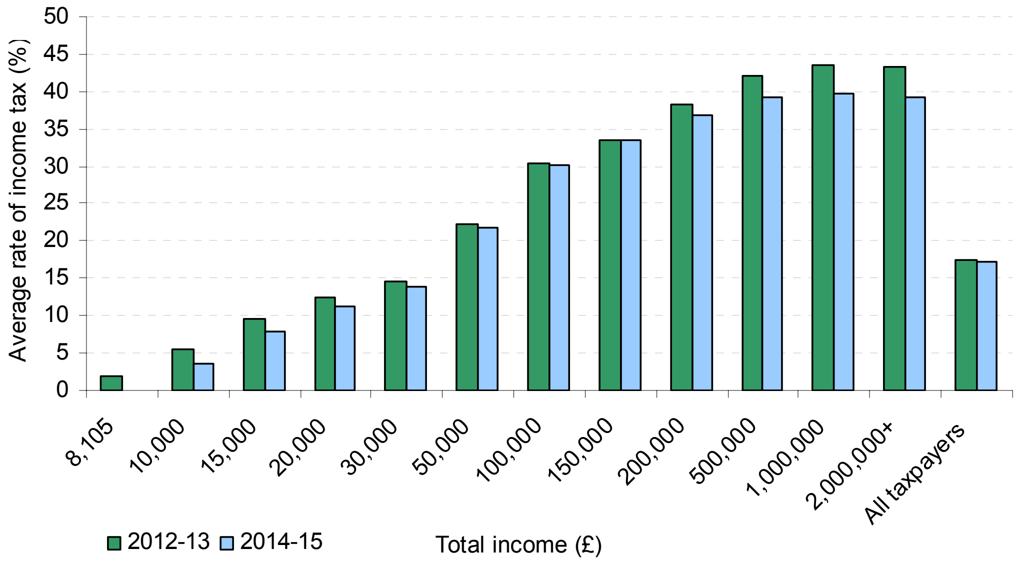
[4] *The Exchequer effect of the 50 per cent additional rate of tax*: http://webarchive.nationalarchives.gov.uk/20140206144454/http:/www.hmrc.gov.uk/budget2012/excheq-income-tax-2042.htm

Table 2.5 – Income tax liabilities, by income range, 2012-13 to 2014-15: *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, 2012-13 and 2014-15



In 2012-13, an estimated 1.9 million taxpayers (6.4% of the total) had total income assessable for tax between the personal allowance for under 65s of £8,105 but below £10,000, while 12.4 million (40.5%) had total income between £10,000 and £20,000, and 13.3 million (43.5%) had total income between £20,000 and £50,000. Combined these groups accounted for 90.4% of all taxpayers in 2012-13.

Numbers of taxpayers with total incomes above £50,000 in 2012-13 were much smaller by comparison at 2.9 million (9.6%). Table 2.5 also shows that there are small numbers of taxpayers with very high incomes, including an estimated 11,000 with incomes above £1,000,000, among which 3,000 have income above £2,000,000. The distribution of taxpayers by total income therefore exhibits significant right skew.

Average rates of tax rise with total income, for example from 9.5% of total income in 2012-13 for those with incomes between £15,000 and £20,000 and 12.4% for incomes between £20,000 and £30,000 (median taxpayer income was £21,000 in 2012-13). They then rise to 22.3% for those with incomes between £50,000 and £100,000 (within the higher rate tax band), and to 33.5% for those with incomes between £150,000 and £200,000 (within the additional rate band). The average rate of tax for those with incomes above £200,000 rises to a peak of 43.6% for individuals earning £1,000,000 - £2,000,000 before falling slightly to 43.2% for those in the £2,000,000 and over income band.

The distribution of total tax liabilities by taxpayers' marginal rate therefore shows marked differences with the distribution of taxpayer numbers. In 2012-13, non-higher rate taxpayers (comprising starting, savers and the basic rate) taxpayers represented the large majority of taxpayers by number (87.0%) but accounted for less than half of total liabilities (39.7%). Higher rate taxpayers by contrast (12.2% by number) accounted for 36.2% of total tax liabilities and additional rate taxpayers (0.9% by number) accounted for 24.2% of total tax liabilities[5].

Projections for 2013-14 and 2014-15 show increasing taxpayer numbers for nearly all income bands over £15,000 compared with 2012-13, reflecting expected growth in the population, employment and incomes. However, this is more than offset by the removal of taxpayers with total income below £10,000, falling from 1.9 million in 2012-13 to zero by 2014-15. This reflects significant above indexation increases in the personal allowance, which rose from £8,105 in 2012-13, to £10,000 in 2014-15, contributing to a projected 0.8 million reduction overall in taxpayer numbers by 2014-15.

The average rate of tax across all taxpayers is projected to fall slightly from its outturn of 17.4% in 2012-13 to 17.3% in 2014-15. Average rates of tax, however, are projected to fall markedly for those in income groups below £30,000; these reductions are between 1.3 and 2 percentage points. These projected falls again reflect increases in personal allowances for under 65s. All else equal, these cash increases in the personal 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.

For taxpayers in the higher rate bands, there are two main changes between 2012-13 and 2014-15. Firstly, the basic rate limit fell by £2,505 which when accompanied by the £1,895 increase in the personal allowance meant that the higher rate threshold fell by £610 in cash terms. At the same time, the additional rate of tax fell from 50% to 45% in April 2013.

So for taxpayers in the £50,000 - £100,000 income band the average rate of income tax fell by around 0.5% since the cash gains from the rise in the personal allowance (typically £758 for higher-rate taxpayers at a marginal rate of 40%) over that period outweighed the cash losses from the reduction in the basic rate limit (typically £501 for higher-rate taxpayers). Taxpayers with incomes sufficiently above £100,000 do not receive a personal allowance, and so increased tax due to the reduction in the basic rate limit drives increased tax rates for some high earners in groups above £100,000. For the highest earners, the reduction in the additional rate of income tax from 50% to 45% in April 2013 has led to income groups above £200,000 experiencing falls in their average tax rates with increasing falls in average tax rates with rising incomes. The share of total liabilities accounted for by higher and additional rate taxpayers combined is projected to rise from 60.3% in 2012-13 to 66.5% in 2014-15[6].

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[5] 2012-13: Non-higher rate taxpayer liabilities = £62.4bn, higher-rate liabilities =£56.8bn, additional rate taxpayer liabilities = £38.0bn. Total taxpayer liabilities = £157.2bn

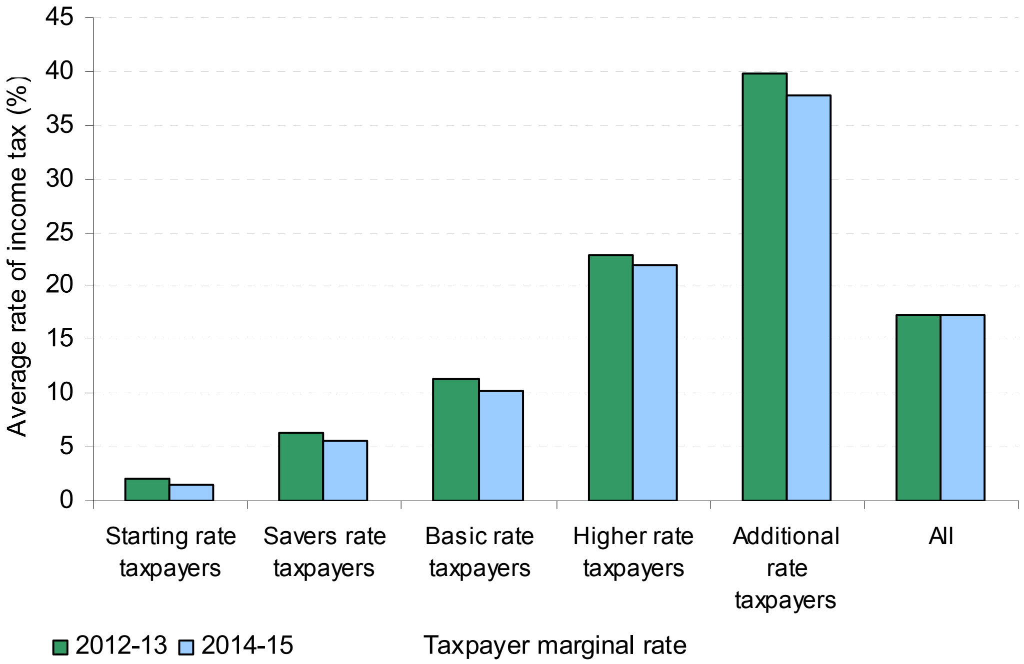
[6] 2014-15: higher and additional rate taxpayer liabilities = £111.0bn. Total taxpayer liabilities = £167bn

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. 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). The lowest income limit shown for each tax year corresponds to the personal allowance for individuals aged under 65.

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 with income towards 50% from 2012-13 and 45% in 2013-14 and 2014-15..

Table 2.6 – Income tax liabilities, by income source and tax band, 2012-13 to 2014-15: *shows total tax liabilities due broken down by income source (earnings, savings and dividends) and by income tax band. It also shows average tax rates by taxpayer marginal rate.*

Figure 5: Average rate of income tax by income range, 2012-13 and 2014-15



In 2012-13, the large majority of total income tax liabilities of £157.2 billion were due on earned income (92.4% of the total[7]). Earnings in this context include earnings from employment, but also profits from self-employment, pensions, taxable state benefits and income from property. Remaining shares in total liabilities were 5.8%[8] for dividends income and 1.9%[9] for savings income. These results largely reflect the composition of taxpayer incomes by source.[10]

In 2012-13, £88.6 billion of tax liabilities (56.3% of the total) were due on taxable incomes falling within the basic rate tax band (applying to the first £34,370 of taxable income in 2012-13), compared with £44.5 billion (28.3%) in the higher rate band (taxable income above £34,370 and up to £150,000) and £24.0 billion (15.2%) in the additional rate tax band. Just £99 million of tax liabilities (0.1%) were due on taxable incomes in the starting rate band, which applied to the first £2,710 of taxable savings only in 2012-13 (the starting rate for earnings was abolished in 2008-09).

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[7] 2012-13: tax on earnings income at the basic rate = £84.9bn, at the higher rate = £39.3bn, at the additional rate = £20.9bn; totalling £145.1bn.
[8] 2012-13: tax on dividend income at the ordinary rate = £2.5bn, at the higher rate = £4.2bn, at the additional rate = £2.3bn; totalling £9.0bn.
[9] 2012-13: tax on savings income at the starting rate = £99m, at the basic rate = £1.1bn,at the higher rate = £1.0bn, at the additional rate = £0.7bn; totalling £2.9bn.
[10] HMRC also publishes detailed statistics on taxpayer incomes based on the SPI data: http://www.hmrc.gov.uk/statistics/personal-incomes.htm

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 11.3% for basic rate taxpayers, 22.8% for higher rate taxpayers, and 39.8% for additional rate taxpayers in 2012-13, compared with headline marginal tax rates of 20%, 40%, and 50% on earnings. Average rates of tax in 2012-13 were 2.1% for starting rate taxpayers (individuals with savings income below the starting rate limit and no taxable earnings) and 6.4% for savers rate taxpayers (with taxable savings above the starting rate limit 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.

Tax liabilities on earnings rose by £0.6 billion (0.4%) in 2012-13 compared with 2011-12, also increasing by £0.3 billion for savings income (11.8%) and £0.6 billion (7.7%) for dividends.

Projections for 2013-14 and 2014-15 show that tax liabilities on savings income are projected to rise in 2013-14 (+0.5%) before a large fall in 2014-15 (-9.6%), while tax on earnings and dividends also rise further, the latter by a cumulative 34.2% by 2013-14 and then 47.5% by 2014-15 from its 2012-13 outturn. The share of dividends liabilities in total liabilities is projected to increase to 8.0% by 2014-15.

Liabilities due at the additional rate of tax are projected to recover as the incomes of the highest earners return to normal levels after 2010-11, with the additional rate share in total liabilities rising from 15.2% in 2012-13 to 18.1% in 2014-15.

HMRC's assessment of the Exchequer effect from the introduction of the additional rate was set out in the report published at Budget 2012[11]. It is not possible to infer the revenue effects from changes in the additional rate using ITLS Table 2.6 as this gives no indication of behavioural responses, which have been shown to be significant.

The share of higher rate liabilities in total tax is also projected to increase from 28.3% in 2012-13 to 31.0% in 2014-15. Correspondingly, the basic rate liabilities share falls from 56.3% in 2012-13 to 50.8% in 2014-15, reflecting a significant compression of the width of the basic rate band over the same period.

For basic rate taxpayers, the average rate of income tax is projected to fall from 11.3% in 2012-13, 10.5% in 2013-14, and then 10.3% in 2014-15, following increases in personal allowances for under 65s in these years. The average rate for higher rate taxpayers is also expected to decline, from 22.8% in 2012-13 to 22.0% by 2014-15. The average rate for additional rate taxpayers is also projected to fall from 39.8% in 2012-13 to 37.8% in 2014-15, reflecting the reduction in the top rate of tax. The average rate of tax across all taxpayers, however, is projected to remain broadly stable at 17.3% in 2014-15, marginally down on the 17.4% level in 2012-13, reflecting a rising income share for higher income taxpayers. So while the average rate for each band of taxpayers is projected to fall, the distribution of taxpayers across those bands shifts upward.

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[11] *The Exchequer effect of the 50 per cent additional rate of tax*: http://webarchive.nationalarchives.gov.uk/20140206144454/http:/www.hmrc.gov.uk/budget2012/excheq-income-tax-2042.htm

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 shown 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 include the starting rate tax liabilities of basic and higher rate taxpayers.

2.1 Number of individual income taxpayers by marginal rate, gender and age, 1990-91 to 2014-15

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	31,300	276	623	27,100	3,020	236	17,400	13,800	26,400	4,910	6,010
2011-12	30,800	318	621	26,000	3,570	262	17,300	13,400	25,700	5,090	5,980
2012-13	30,600	270	630	25,700	3,720	273	17,300	13,300	25,200	5,380	6,140
2013-14 (8)	*29,700*	*251*	*619*	*24,300*	*4,300*	*291*	*17,000*	*12,700*	*24,100*	*5,670*	*6,250*
2014-15 (8)	*29,800*	*220*	*607*	*24,100*	*4,480*	*313*	*17,100*	*12,600*	*24,000*	*5,760*	*6,200*

Source: Survey of Personal Incomes. Table updated February 2015

Key

. not applicable / zero

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, 61 years and 6 months in 2012-13, 62 years in 2013-14 and 62.5 years in 2014-15.

(8) Projected estimates based upon the 2012-13 Survey of Personal Incomes using economic assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2014-15

Government Office Region (GOR) Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
England											
1999-00	22,900	1,910	800	18,000	2,230	.	13,100	9,860	19,900	3,040	3,570
2000-01	24,700	2,350	853	18,900	2,560	.	14,200	10,500	21,400	3,310	3,900
2001-02	24,200	2,530	733	18,300	2,660	.	13,900	10,300	20,700	3,450	4,030
2002-03	24,300	2,570	615	18,400	2,680	.	14,000	10,300	20,800	3,510	4,090
2003-04	23,800	2,660	618	17,900	2,610	.	13,500	10,300	20,500	3,300	3,920
2004-05	25,400	2,960	716	18,800	2,920	.	14,300	11,100	21,800	3,550	4,260
2005-06	26,000	2,890	737	19,200	3,130	.	14,700	11,300	22,500	3,460	4,230
2006-07	26,600	2,850	795	19,700	3,280	.	15,000	11,600	22,900	3,770	4,650
2007-08	27,100	2,850	904	20,000	3,360	.	15,200	11,900	23,100	3,970	4,910
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	25,500	142	525	22,100	2,790	.	14,300	11,200	21,700	3,770	4,740
2010-11	26,100	235	540	22,400	2,620	214	14,600	11,500	22,000	4,050	4,950
2011-12	25,700	265	538	21,500	3,090	237	14,500	11,200	21,500	4,210	4,950
2012-13	25,500	233	552	21,300	3,220	246	14,500	11,100	21,100	4,450	5,080
2013-14 (8)	*24,900*	*210*	*544*	*20,100*	*3,720*	*262*	*14,300*	*10,600*	*20,200*	*4,690*	*5,170*
2014-15 (8)	*24,900*	*183*	*533*	*20,000*	*3,880*	*282*	*14,400*	*10,500*	*20,100*	*4,760*	*5,130*
North East											
1999-00	1,090	106	33	890	56	.	629	457	935	150	177
2000-01	1,160	116	41	939	67	.	664	499	1,010	157	185
2001-02	1,180	147	36	927	66	.	682	494	1,010	169	198
2002-03	1,190	145	30	946	71	.	683	509	1,020	171	198
2003-04	1,170	139	28	933	75	.	686	489	1,020	159	186
2004-05	1,260	155	31	988	86	.	701	559	1,100	165	194
2005-06	1,250	149	30	978	89	.	708	538	1,090	151	181
2006-07	1,330	155	31	1,040	97	.	748	578	1,150	177	219
2007-08	1,320	151	36	1,030	101	.	732	587	1,130	186	233
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	1,190	4	17	1,090	80	.	682	505	1,020	164	202
2010-11	1,190	11	19	1,080	78	3	645	543	1,000	184	229
2011-12	1,170	11	16	1,050	93	3	673	501	985	188	221
2012-13	1,160	9	17	1,030	100	3	664	495	955	204	232
2013-14 (8)	*1,130*	*8*	*18*	*980*	*119*	*3*	*655*	*473*	*911*	*217*	*238*
2014-15 (8)	*1,130*	*7*	*18*	*975*	*124*	*4*	*656*	*472*	*908*	*220*	*236*
North West											
1999-00	3,080	335	111	2,420	216	.	1,740	1,340	2,700	380	458
2000-01	3,220	327	106	2,550	232	.	1,840	1,380	2,800	417	497
2001-02	3,190	368	93	2,480	250	.	1,830	1,360	2,750	431	507
2002-03	3,210	371	78	2,510	253	.	1,820	1,390	2,740	468	549
2003-04	3,160	393	84	2,430	253	.	1,770	1,390	2,720	438	519
2004-05	3,310	412	89	2,530	282	.	1,830	1,480	2,860	456	553
2005-06	3,360	405	88	2,570	298	.	1,880	1,480	2,920	438	539
2006-07	3,450	405	96	2,640	315	.	1,920	1,530	2,970	484	601
2007-08	3,490	398	111	2,660	317	.	1,920	1,570	2,980	507	633
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	3,300	16	64	2,960	258	.	1,810	1,490	2,820	476	603
2010-11	3,340	30	63	2,990	248	12	1,840	1,500	2,840	504	622
2011-12	3,260	33	66	2,850	301	13	1,820	1,440	2,720	538	635
2012-13	3,260	28	65	2,840	315	14	1,840	1,420	2,680	579	661
2013-14 (8)	*3,150*	*25*	*61*	*2,670*	*377*	*15*	*1,800*	*1,350*	*2,540*	*608*	*667*
2014-15 (8)	*3,150*	*22*	*61*	*2,660*	*394*	*16*	*1,810*	*1,340*	*2,530*	*618*	*663*

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2014-15

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)
Yorkshire and the Humber											
1999-00	2,210	165	80	1,820	140	.	1,260	952	1,950	259	307
2000-01	2,390	254	90	1,890	157	.	1,380	1,010	2,090	296	351
2001-02	2,340	269	70	1,830	176	.	1,360	983	2,040	307	364
2002-03	2,360	285	59	1,840	179	.	1,380	986	2,050	314	370
2003-04	2,340	280	58	1,830	174	.	1,350	996	2,050	299	354
2004-05	2,430	306	65	1,860	200	.	1,380	1,050	2,100	325	389
2005-06	2,500	297	69	1,920	216	.	1,430	1,070	2,190	308	377
2006-07	2,590	306	75	1,980	231	.	1,470	1,120	2,250	341	418
2007-08	2,580	296	79	1,980	228	.	1,470	1,120	2,220	364	446
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,410	13	45	2,170	181	.	1,350	1,050	2,060	350	436
2010-11	2,470	20	45	2,220	180	8	1,400	1,070	2,100	373	460
2011-12	2,390	25	44	2,110	207	9	1,360	1,030	2,010	380	454
2012-13	2,380	24	43	2,090	217	10	1,360	1,020	1,970	410	470
2013-14 (8)	*2,310*	*22*	*44*	*1,980*	*254*	*11*	*1,340*	*971*	*1,880*	*433*	*478*
2014-15 (8)	*2,300*	*18*	*43*	*1,960*	*267*	*12*	*1,340*	*962*	*1,870*	*439*	*473*
East Midlands											
1999-00	1,940	150	66	1,570	149	.	1,130	812	1,710	234	276
2000-01	2,080	217	71	1,620	169	.	1,200	876	1,810	268	318
2001-02	2,070	242	61	1,590	174	.	1,210	855	1,770	293	336
2002-03	2,090	223	51	1,640	182	.	1,230	867	1,810	285	332
2003-04	2,090	240	53	1,620	179	.	1,190	901	1,820	274	328
2004-05	2,190	263	62	1,660	204	.	1,260	932	1,890	297	357
2005-06	2,240	265	63	1,690	218	.	1,300	941	1,940	295	362
2006-07	2,300	260	68	1,750	224	.	1,320	986	1,980	318	395
2007-08	2,340	253	78	1,780	231	.	1,350	992	2,000	340	421
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,200	12	42	1,960	183	.	1,250	945	1,880	317	404
2010-11	2,220	19	42	1,970	177	8	1,260	962	1,880	335	414
2011-12	2,170	22	45	1,880	208	10	1,240	924	1,800	366	429
2012-13	2,170	18	42	1,880	220	10	1,250	915	1,770	392	444
2013-14 (8)	*2,110*	*19*	*43*	*1,780*	*258*	*11*	*1,240*	*873*	*1,690*	*418*	*460*
2014-15 (8)	*2,110*	*18*	*43*	*1,770*	*270*	*12*	*1,250*	*865*	*1,690*	*423*	*456*
West Midlands											
1999-00	2,380	200	75	1,930	174	.	1,370	1,010	2,080	301	354
2000-01	2,530	263	75	1,990	198	.	1,490	1,040	2,210	321	386
2001-02	2,500	275	66	1,960	205	.	1,460	1,050	2,180	329	391
2002-03	2,500	277	63	1,960	203	.	1,450	1,050	2,150	348	408
2003-04	2,490	305	58	1,930	204	.	1,430	1,070	2,170	327	392
2004-05	2,640	323	68	2,020	226	.	1,510	1,130	2,290	351	421
2005-06	2,640	312	71	2,020	236	.	1,510	1,140	2,310	338	415
2006-07	2,710	308	75	2,080	254	.	1,570	1,150	2,340	378	463
2007-08	2,750	299	87	2,110	256	.	1,570	1,180	2,360	390	474
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,530	14	46	2,270	197	.	1,440	1,090	2,150	377	478
2010-11	2,610	27	50	2,330	192	10	1,490	1,110	2,190	418	505
2011-12	2,560	27	48	2,240	235	11	1,460	1,100	2,140	418	493
2012-13	2,530	24	49	2,210	243	11	1,470	1,070	2,100	435	499
2013-14 (8)	*2,460*	*21*	*49*	*2,090*	*287*	*12*	*1,440*	*1,010*	*1,990*	*462*	*510*
2014-15 (8)	*2,460*	*18*	*48*	*2,080*	*301*	*14*	*1,450*	*1,000*	*1,990*	*472*	*508*

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2014-15

continued

Government Office Region (GOR)

Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
East of England											
1999-00	2,530	173	100	1,970	292	.	1,510	1,020	2,190	339	393
2000-01	2,750	242	93	2,080	338	.	1,630	1,120	2,380	375	437
2001-02	2,720	257	80	2,030	354	.	1,610	1,120	2,310	409	468
2002-03	2,780	269	70	2,080	360	.	1,640	1,140	2,370	408	482
2003-04	2,740	295	71	2,020	351	.	1,570	1,170	2,350	386	459
2004-05	2,840	312	84	2,070	382	.	1,630	1,210	2,420	428	513
2005-06	2,980	316	93	2,160	408	.	1,720	1,260	2,550	429	524
2006-07	3,010	309	96	2,180	423	.	1,730	1,280	2,550	462	566
2007-08	3,070	314	109	2,220	435	.	1,770	1,310	2,590	486	608
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,940	17	66	2,490	361	.	1,670	1,260	2,470	464	583
2010-11	2,980	28	66	2,520	338	27	1,700	1,280	2,480	500	614
2011-12	2,970	32	62	2,450	394	31	1,710	1,260	2,450	521	608
2012-13	2,950	30	69	2,410	409	31	1,690	1,260	2,410	546	621
2013-14 (8)	*2,880*	*29*	*68*	*2,280*	*471*	*33*	*1,670*	*1,200*	*2,300*	*574*	*632*
2014-15 (8)	*2,880*	*25*	*67*	*2,260*	*494*	*36*	*1,690*	*1,190*	*2,300*	*583*	*625*
London											
1999-00	3,290	273	91	2,460	470	.	1,780	1,510	2,910	384	452
2000-01	3,610	304	111	2,630	566	.	1,980	1,630	3,190	426	501
2001-02	3,390	303	89	2,420	574	.	1,860	1,530	2,980	410	486
2002-03	3,420	311	71	2,470	572	.	1,880	1,540	3,010	409	481
2003-04	3,330	316	75	2,400	542	.	1,830	1,500	2,960	376	454
2004-05	3,740	396	88	2,620	631	.	2,030	1,710	3,340	401	493
2005-06	3,790	368	85	2,670	673	.	2,090	1,710	3,410	385	483
2006-07	3,890	363	94	2,720	711	.	2,150	1,740	3,470	417	523
2007-08	4,030	391	109	2,790	743	.	2,230	1,800	3,590	436	549
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	3,840	14	74	3,090	654	.	2,080	1,760	3,430	406	509
2010-11	3,930	27	79	3,160	583	81	2,150	1,780	3,500	427	520
2011-12	3,950	36	79	3,060	685	88	2,170	1,790	3,500	446	526
2012-13	3,930	26	82	3,020	710	91	2,160	1,780	3,460	470	538
2013-14 (8)	*3,820*	*22*	*79*	*2,820*	*801*	*96*	*2,100*	*1,710*	*3,320*	*491*	*544*
2014-15 (8)	*3,820*	*17*	*78*	*2,800*	*829*	*102*	*2,110*	*1,710*	*3,330*	*497*	*537*
South East											
1999-00	3,990	287	134	3,030	543	.	2,280	1,720	3,420	572	657
2000-01	4,340	355	151	3,220	618	.	2,530	1,810	3,700	635	742
2001-02	4,240	382	140	3,090	634	.	2,430	1,810	3,580	664	775
2002-03	4,140	389	113	3,010	633	.	2,390	1,760	3,480	666	769
2003-04	3,990	403	113	2,870	609	.	2,270	1,720	3,360	632	741
2004-05	4,330	464	133	3,070	669	.	2,430	1,910	3,650	684	815
2005-06	4,500	458	143	3,170	722	.	2,540	1,950	3,820	680	825
2006-07	4,580	440	154	3,240	745	.	2,570	2,010	3,850	727	894
2007-08	4,660	434	177	3,290	758	.	2,590	2,070	3,900	763	938
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	4,430	29	105	3,660	641	.	2,480	1,950	3,700	731	915
2010-11	4,570	43	108	3,760	598	53	2,540	2,030	3,770	792	963
2011-12	4,490	45	111	3,580	696	59	2,540	1,950	3,670	820	958
2012-13	4,500	42	115	3,560	724	62	2,550	1,950	3,640	857	975
2013-14 (8)	*4,410*	*37*	*114*	*3,370*	*822*	*66*	*2,520*	*1,880*	*3,510*	*896*	*988*
2014-15 (8)	*4,420*	*34*	*109*	*3,350*	*851*	*71*	*2,540*	*1,880*	*3,510*	*908*	*981*

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2014-15

continued

Government Office Region (GOR) Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
South West											
1999-00	2,410	223	111	1,880	192	.	1,370	1,030	1,990	417	491
2000-01	2,590	270	115	1,990	216	.	1,500	1,100	2,180	415	484
2001-02	2,550	288	98	1,940	221	.	1,450	1,090	2,110	442	506
2002-03	2,570	295	79	1,980	223	.	1,500	1,080	2,140	438	505
2003-04	2,500	291	77	1,910	222	.	1,440	1,060	2,090	410	488
2004-05	2,620	326	96	1,950	245	.	1,480	1,140	2,180	441	520
2005-06	2,710	326	95	2,020	271	.	1,540	1,170	2,280	438	529
2006-07	2,760	308	105	2,060	285	.	1,560	1,200	2,290	467	572
2007-08	2,860	316	118	2,130	294	.	1,600	1,260	2,360	498	611
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,690	23	67	2,360	235	.	1,520	1,170	2,200	484	608
2010-11	2,760	30	69	2,420	230	12	1,550	1,220	2,250	516	627
2011-12	2,700	34	66	2,320	271	13	1,510	1,190	2,180	528	625
2012-13	2,670	31	69	2,270	282	13	1,510	1,160	2,110	561	641
2013-14 (8)	*2,600*	*27*	*68*	*2,160*	*334*	*15*	*1,500*	*1,110*	*2,010*	*591*	*651*
2014-15 (8)	*2,610*	*24*	*65*	*2,160*	*349*	*16*	*1,510*	*1,100*	*2,010*	*602*	*648*
Wales											
1999-00	1,200	104	58	971	69	.	711	492	1,030	170	205
2000-01	1,330	143	51	1,060	75	.	765	566	1,110	217	255
2001-02	1,330	145	40	1,060	79	.	768	557	1,130	198	232
2002-03	1,360	162	36	1,070	83	.	780	575	1,140	218	262
2003-04	1,340	169	37	1,050	85	.	762	578	1,140	200	239
2004-05	1,410	186	37	1,090	98	.	802	606	1,180	223	268
2005-06	1,450	178	37	1,130	107	.	825	627	1,230	222	269
2006-07	1,480	178	40	1,150	112	.	837	643	1,240	240	295
2007-08	1,510	176	51	1,170	115	.	852	655	1,250	257	316
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	1,400	7	23	1,280	90	.	776	620	1,170	230	286
2010-11	1,440	13	23	1,320	87	3	789	655	1,200	249	305
2011-12	1,410	18	24	1,260	105	3	787	626	1,150	264	307
2012-13	1,390	10	23	1,250	106	3	776	616	1,100	288	326
2013-14 (8)	*1,350*	*12*	*21*	*1,190*	*128*	*4*	*765*	*589*	*1,050*	*304*	*333*
2014-15 (8)	*1,360*	*9*	*21*	*1,190*	*135*	*4*	*771*	*584*	*1,040*	*310*	*333*
Scotland											
1999-00	2,270	190	71	1,850	167	.	1,290	984	1,990	288	344
2000-01	2,490	246	84	1,970	193	.	1,420	1,070	2,160	326	389
2001-02	2,450	266	67	1,910	213	.	1,350	1,110	2,120	330	393
2002-03	2,490	274	59	1,940	216	.	1,360	1,130	2,150	340	411
2003-04	2,470	281	59	1,930	207	.	1,350	1,130	2,150	326	394
2004-05	2,570	308	61	1,970	237	.	1,400	1,180	2,230	344	425
2005-06	2,650	294	63	2,030	261	.	1,440	1,200	2,310	341	423
2006-07	2,700	289	66	2,070	276	.	1,470	1,230	2,330	372	465
2007-08	2,780	283	73	2,140	288	.	1,500	1,280	2,380	398	499
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	2,630	9	39	2,350	235	.	1,430	1,200	2,260	370	466
2010-11	2,720	19	41	2,420	232	11	1,460	1,260	2,300	425	532
2011-12	2,640	23	41	2,290	281	13	1,450	1,190	2,220	426	508
2012-13	2,590	17	38	2,230	296	14	1,420	1,170	2,150	442	508
2013-14 (8)	*2,520*	*19*	*37*	*2,110*	*343*	*15*	*1,400*	*1,120*	*2,060*	*465*	*515*
2014-15 (8)	*2,530*	*18*	*37*	*2,100*	*358*	*16*	*1,410*	*1,110*	*2,060*	*471*	*509*

2.2 Number of individual income taxpayers by marginal rate, gender and age, by country and region (9), 1999-2000 to 2014-15

continued

Government Office Region (GOR) Numbers: thousands

Year	All taxpayers	Starting (2) rate	"Savers" (3) rate	Basic (4) rate	Higher (5) rate	Additional (6) rate	Males	Females	Under 65's	65's and over	State Pension Age (7)
Northern Ireland											
1999-00	638	58	18	526	36	.	347	291	579	59	73
2000-01	666	64	17	545	40	.	375	291	595	71	83
2001-02	552	66	11	434	41	.	318	235	486	66	79
2002-03	629	72	13	500	44	.	347	282	546	83	99
2003-04	701	79	12	562	48	.	385	316	624	77	98
2004-05	746	88	10	597	52	.	411	335	661	85	107
2005-06	773	87	16	612	59	.	436	338	688	86	105
2006-07	785	85	15	623	63	.	439	346	703	82	101
2007-08	801	82	22	632	65	.	450	351	706	95	118
2008-09 (a)	*	*	*	*	*	*	*	*	*	*	*
2009-10	747	3	8	689	48	.	402	346	656	91	112
2010-11	762	5	10	698	46	2	418	344	664	98	117
2011-12	746	6	9	673	55	2	414	333	646	100	117
2012-13	732	4	9	661	56	2	404	328	630	102	117
2013-14 (8)	*701*	*4*	*8*	*620*	*66*	*3*	*391*	*310*	*595*	*106*	*117*
2014-15 (8)	*702*	*3*	*9*	*617*	*70*	*3*	*394*	*308*	*592*	*110*	*118*

Source: Survey of Personal Incomes

Table updated February 2015

Key

. not applicable / zero

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, 61 years and 6 months in 2012-13, 62 years in 2013-14 and 62.5 years in 2014-15.

(8) Projected estimates based upon the 2012-13 Survey of Personal Incomes using economic assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

(9) Some UK taxpayers reside abroad, or region is not known (318,000 in 2012-13). The 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 2014-15

Taxpayers only

Percentage

Percentile Groups (ranged on total income before tax)	Bottom 1%	Bottom 5%	Bottom 10%	Bottom 25%	Bottom 50%	Top 50%	Top 25%	Top 10%	Top 5%	Top 1%	Total (All Taxpayers) £bn
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	0.2	1.3	2.9	8.9	23.5	76.5	54.2	33.7	24.0	11.5	857
2011-12	0.3	1.4	3.1	9.2	23.8	76.2	54.1	33.8	24.2	11.5	886
2012-13	0.3	1.5	3.2	9.6	24.3	75.7	53.5	33.4	23.8	11.2	904
2013-14 (1)	*0.3*	*1.6*	*3.4*	*9.8*	*24.3*	*75.7*	*54.0*	*34.5*	*25.2*	*12.9*	*941*
2014-15 (1)	*0.3*	*1.6*	*3.5*	*9.9*	*24.5*	*75.5*	*53.8*	*34.2*	*24.9*	*12.5*	*966*
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	0.3	1.6	3.4	10.3	26.1	73.9	50.5	29.4	19.9	8.6	706
2011-12	0.3	1.7	3.6	10.7	26.6	73.4	50.1	29.2	19.8	8.6	731
2012-13	0.3	1.8	3.8	11.1	27.2	72.8	49.4	28.7	19.4	8.3	747
2013-14 (1)	*0.4*	*1.9*	*4.0*	*11.4*	*27.4*	*72.6*	*49.6*	*29.5*	*20.5*	*9.7*	*777*
2014-15 (1)	*0.4*	*2.0*	*4.1*	*11.5*	*27.6*	*72.4*	*49.4*	*29.2*	*20.2*	*9.4*	*799*

2.4 continued

Shares of total income (before and after tax) and income tax for percentile groups, 1999-00 to 2014-15

Taxpayers only — Percentage

Percentile Groups (ranged on total income before tax)	Bottom 1%	Bottom 5%	Bottom 10%	Bottom 25%	Bottom 50%	Top 50%	Top 25%	Top 10%	Top 5%	Top 1%	Total (All Taxpayers) £bn
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
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	-	0.1	0.5	2.7	11.3	88.7	71.3	53.5	43.3	25.0	152
2011-12	-	0.1	0.5	2.5	10.7	89.3	72.7	55.4	44.7	25.4	156
2012-13	-	0.1	0.5	2.5	10.6	89.4	73.0	55.8	44.8	25.1	157
2013-14 (1)	-	*0.1*	*0.4*	*2.3*	*9.8*	*90.2*	*74.9*	*58.6*	*47.6*	*28.2*	*164*
2014-15 (1)	-	*0.1*	*0.4*	*2.3*	*9.8*	*90.2*	*75.0*	*58.4*	*47.2*	*27.3*	*167*

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	6,730	7,830	9,350	12,700	19,500	30,900	46,300	62,600	140,000	27,400
2011-12	7,740	8,840	10,200	13,500	20,300	32,100	48,300	66,200	147,000	28,800
2012-13	8,370	9,570	10,900	14,200	21,000	32,900	49,200	67,900	150,000	29,600
2013-14 (1)	*9,750*	*10,800*	*11,900*	*15,200*	*22,100*	*34,200*	*51,100*	*70,700*	*159,000*	*31,600*
2014-15 (1)	*10,300*	*11,300*	*12,300*	*15,700*	*22,700*	*35,100*	*52,600*	*72,900*	*166,000*	*32,400*

Source: Survey of Personal Incomes — Table updated February 2015

Key

* not available

- negligible

Footnotes for table 2.4

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

(1) Projected estimates based upon the 2012-13 Survey of Personal Incomes using economic assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

2.5 Income tax liabilities, by Income Range, 2012-13 to 2014-15

2012-13

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 [a]	106	7	61	4	1,790	327	.	.	.	.	1,960	17,600	337	1.9	172
10,000	139	18	150	50	6,400	4,630	.	.	.	.	6,690	83,700	4,700	5.6	703
15,000	9	6	106	97	5,590	9,350	.	.	.	.	5,700	99,200	9,450	9.5	1,660
20,000	7	10	135	231	7,070	21,700	.	.	.	.	7,210	177,000	21,900	12.4	3,040
30,000	9	25	176	531	4,830	25,300	1,070	8,130	.	.	6,080	231,000	34,000	14.7	5,590
50,000	..	..	3	8	20	112	2,220	33,100	.	.	2,250	149,000	33,200	22.3	14,800
100,000	..	..	..	..	1	3	394	14,300	.	.	394	47,200	14,300	30.3	36,200
150,000	.	.	..	..	-	1	27	1,220	107	6,490	135	23,000	7,710	33.5	57,000
200,000	.	.	..	..	..	..	3	87	131	14,700	134	38,500	14,800	38.3	110,000
500,000	.	.	.	.	..	..	..	..	24	6,890	24	16,300	6,900	42.2	287,000
1,000,000	.	.	..	..	.	.	..	..	8	4,540	8	10,400	4,540	43.6	597,000
2,000,000+	.	.	.	.	.	.	..	..	3	5,380	3	12,400	5,380	43.2	1,810,000
All Ranges	270	66	630	922	25,700	61,400	3,720	56,800	273	38,000	30,600	904,000	157,000	17.4	5,140

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.

2.5 continued Income tax liabilities, by Income Range, 2012-13 to 2014-15

2013-14 (6)

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	%	£
9,440 [(a)]	46	1	29	1	451	36	.	.	.	.	526	5,000	38	0.8	72
10,000	185	21	161	40	6,330	3,400	.	.	.	.	6,680	83,700	3,460	4.1	517
15,000	8	5	123	101	5,630	8,300	.	.	.	.	5,760	100,000	8,410	8.4	1,460
20,000	6	8	156	248	7,200	20,500	.	.	.	.	7,370	180,000	20,800	11.5	2,820
30,000	5	12	148	400	4,650	22,900	1,490	10,600	.	.	6,290	239,000	33,900	14.2	5,390
50,000	..	..	2	4	14	68	2,370	34,800	.	.	2,380	157,000	34,900	22.2	14,600
100,000	.	.	..	..	..	..	419	15,100	.	.	419	49,900	15,100	30.3	36,100
150,000	.	.	..	..	..	..	29	1,320	96	5,870	125	21,600	7,190	33.4	57,700
200,000	.	.	..	..	.	.	1	25	152	16,600	153	45,000	16,600	37.0	109,000
500,000	.	.	..	..	..	..	..	..	28	7,580	28	19,200	7,580	39.4	274,000
1,000,000	.	.	.	.	.	.	.	.	10	5,500	10	13,800	5,500	39.8	530,000
2,000,000+	.	.	.	.	.	.	..	..	5	10,400	5	25,900	10,400	40.1	1,900,000
All Ranges	251	47	619	794	24,300	55,200	4,300	61,900	291	45,900	29,700	941,000	164,000	17.4	5,510

In 2013-14 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £32,010, 40 per cent over the basic rate limit of £32,010 and 45 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 £32,010, 32.5 per cent above £32,010 and 37.5 per cent above £150,000. Savings income is charged at 10 per cent up to the starting rate limit on the first £2,790 at 20 per cent up to £32,010, 40 per cent above £32,010 and 45 per cent above £150,000.

2.5 Income tax liabilities, by Income Range, 2012-13 to 2014-15

continued

2014-15 (6)

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	%	£
10,000 [(a)]	201	19	181	35	6,230	2,920	.	.	.	.	6,610	82,900	2,970	3.6	450
15,000	8	5	115	88	5,650	7,870	.	.	.	.	5,770	100,000	7,970	7.9	1,380
20,000	7	8	161	246	7,350	20,300	.	.	.	.	7,520	184,000	20,500	11.2	2,730
30,000	4	10	147	389	4,900	23,800	1,470	10,400	.	.	6,520	249,000	34,600	13.9	5,300
50,000	..	..	2	4	16	81	2,540	36,600	.	.	2,560	168,000	36,700	21.8	14,300
100,000	.	.	..	..	..	..	448	16,100	.	.	448	53,400	16,100	30.2	35,900
150,000	.	.	..	..	..	..	29	1,350	108	6,610	137	23,800	7,960	33.4	57,900
200,000	..	..	..	..	.	.	1	18	161	17,400	162	47,100	17,400	36.9	108,000
500,000	.	.	.	.	..	..	..	..	29	7,880	29	20,100	7,890	39.3	271,000
1,000,000	.	.	.	.	.	.	.	.	10	5,590	10	14,100	5,590	39.6	536,000
2,000,000+	..	..	.	.	.	.	.	.	5	8,930	5	22,800	8,930	39.2	1,860,000
All Ranges	220	41	607	763	24,100	54,900	4,480	64,400	313	46,400	29,800	966,000	167,000	17.3	5,600

In 2014-15 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first £31,865, 40 per cent over the basic rate limit of £31,865 and 45 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 £31,865, 32.5 per cent above £31,865 and 37.5 per cent above £150,000. Savings income is charged at 10 per cent up to the starting rate limit on the first £2,880 at 20 per cent up to £31,865, 40 per cent above £31,865 and 45 per cent above £150,000.

Source: Survey of Personal Incomes

Table updated February 2015

Key

. not applicable / zero

.. 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) 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 2012-13 Survey of Personal Incomes using economic assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

(a) Can include some taxpayers who are not entitled to a Personal Allowance whose total income can be less than the Personal Allowance of £8,105 for 2012-13 (see Annex B for details).

2.6 Income tax liabilities, by income source and tax band, 2012-13 to 2014-15

2012-13

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	.	.	59,900	23,300	1,780	84,900
Higher rate	.	.	.	28,000	11,200	39,300
Additional rate	.	.	.	.	20,900	20,900
Tax on Savings:						
Starting rate	22	31	39	6	-	99
Basic rate	.	124	712	232	19	1,090
Higher rate	.	.	.	825	210	1,030
Additional rate	.	.	.	.	700	700
Tax on Dividends:						
Ordinary rate	44	766	752	951	21	2,530
Higher rate	.	.	.	3,460	744	4,210
Additional rate	.	.	.	.	2,320	2,320
Allowances given as tax reductions	-	38	296	335	1,090	1,760
Tax liability after allowances given as income tax reduction	66	922	61,400	56,800	38,000	157,000
Average Rate of Tax %	2.1	6.4	11.3	22.8	39.8	17.4
Average amount of tax £	245	1,460	2,390	15,300	139,000	5,140

2013-14 *(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	*.*	*.*	*54,000*	*24,600*	*1,760*	*80,400*
Higher rate	*.*	*.*	*.*	*30,900*	*12,200*	*43,100*
Additional rate	*.*	*.*	*.*	*.*	*25,400*	*25,400*
Tax on Savings:						
Starting rate	*20*	*30*	*39*	*7*	*-*	*97*
Basic rate	*.*	*116*	*665*	*242*	*18*	*1,040*
Higher rate	*.*	*.*	*.*	*899*	*215*	*1,110*
Additional rate	*.*	*.*	*.*	*.*	*683*	*683*
Tax on Dividends:						
Ordinary rate	*27*	*647*	*511*	*1,300*	*23*	*2,500*
Higher rate	*.*	*.*	*.*	*3,920*	*890*	*4,810*
Additional rate	*.*	*.*	*.*	*.*	*4,840*	*4,840*
Allowances given as tax reductions	*-*	*39*	*256*	*354*	*1,200*	*1,850*
Tax liability after allowances given as income tax reduction	*47*	*794*	*55,200*	*61,900*	*45,900*	*164,000*
Average Rate of Tax %	*1.6*	*5.8*	*10.5*	*22.2*	*38.1*	*17.4*
Average amount of tax £	*188*	*1,280*	*2,270*	*14,400*	*158,000*	*5,510*

2.6 Income tax liabilities, by income source and tax band, 2012-13 to 2014-15

continued

2014-15 *(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	.	.	53,800	25,300	1,880	80,900
Higher rate	.	.	.	32,000	12,900	44,900
Additional rate	.	.	.	.	24,800	24,800
Tax on Savings:						
Starting rate	18	26	37	7	-	89
Basic rate	.	98	605	211	18	932
Higher rate	.	.	.	811	201	1,010
Additional rate	.	.	.	.	622	622
Tax on Dividends:						
Ordinary rate	23	639	491	1,500	31	2,680
Higher rate	.	.	.	4,670	1,170	5,840
Additional rate	.	.	.	.	4,850	4,850
Allowances given as tax reductions	-	35	227	358	1,280	1,900
Tax liability after allowances given as income tax reduction	41	763	54,900	64,400	46,400	167,000
Average Rate of Tax %	1.4	5.6	10.3	22.0	37.8	17.3
Average amount of tax £	188	1,260	2,280	14,400	148,000	5,600

Source: Survey of Personal Incomes. Table updated February 2015

Key

- negligible

. not applicable / zero

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 2010-11onwards 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.

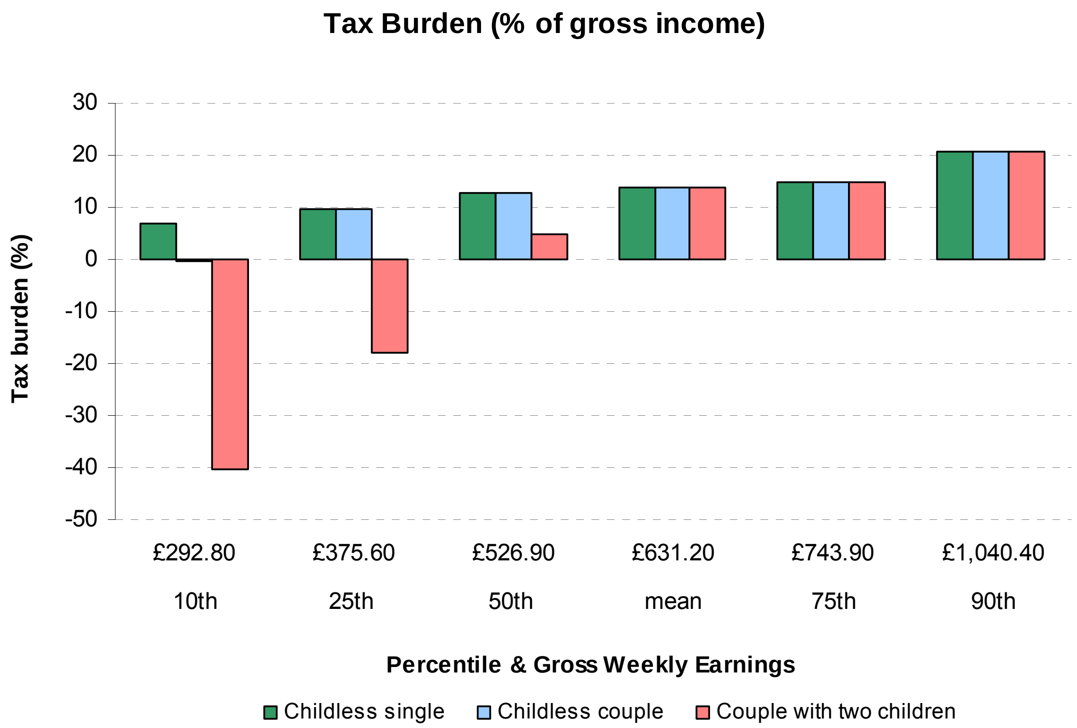
(6) In this context tax reductions refer to allowances given at a fixed rate, for example the Married Couples Allowance.

(7) Projected estimates based upon the 2012-13 Survey of Personal Incomes using economic assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

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 2014-15: *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, 2014-15



In 2013-14, the latest tax year for which earnings outturns are available, childless single persons with gross earnings at the 10th percentile of the earnings distribution had an estimated income tax burden of 7.4% of gross earnings. This increases to 13.0% at the median (50th percentile) and 20.9% at the 90th percentile. For single-earner childless couples, the tax burden is the same except for those at the 10th percentile who would still be entitled in 2013-14 to Working Tax Credit (WTC), which reduces their net income tax burden to -0.5%. This figure becomes negative for the first time due to the large above indexation increase in the personal allowance in 2013-14. 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 incomes up to and including mean earnings. At the 10th percentile the amount of CTC and WTC received in 2013-14 significantly exceeds income tax liabilities due, giving a net tax burden of -40.6% 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. At mean earnings, the CTC family element only is received, reducing the income tax burden for the two child family from 14.1% to 13.9%.

Income tax burdens for childless single persons generally declined in 2013-14 compared with the previous year, by 0.9 percentage points at median earnings, and by more for lower earners. This was due to the £1,335 cash increase in the personal allowance to £9,440 in 2013-14. The tax burden lincreased slightly to 20.9% for the illustrative high earner at the 90th earnings percentile, reflecting increased higher rate tax paid due to rising earnings against the unchanging higher rate threshold.

Changes in tax burdens in 2013-14 for single-earner childless couples were the same as those for single persons, except at the 10th earnings percentile, where reductions in WTC relative to earnings give a lower overall reduction in the net tax burden for childless couples. For couples with two children up to the 90th earnings percentile, net tax burdens fell compared with 2012-13, despite decreases in the CTC child element.

Projections for 2014-15 show income tax burdens declining further for most families without children, reflecting large cash increases in the personal allowance to £10,000, notwithstanding some recovery in projected earnings growth. The tax burden for single earner families without children is expected to fall by 0.3 percentage points at median earnings. For illustrative higher rate taxpayer at the 90th earnings percentile, the tax burden is expected to fall slightly as earnings increase higher than net taxation due to the personal allowance increase above indexation to £10,000 and a 1% increase in the Higher Rate Threshold.

For lower earning families with children, net tax burdens are projected to increase slightly for those below median earnings in 2014-15, as the reduction in the income tax burden is doesn't quite offset the freeze in most tax credit rates relative to earnings. Above that level tax effects dominate so those above the mean earnings group in the 75th percentile group and those in the 90th percentile see their net tax burden fall.

Interpreting Table 2.7. Table 2.7 is different to the other tables in this release. The tax burdens are shown for hypothetical or illustrative families with given circumstances and earnings, and since 1999-00 take account of financial support received through the tax credit system. Tax credit entitlements exceed income tax liabilities in some cases leading to negative estimated tax burdens. 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 Statistic's Annual Survey of Hours and Earnings, with latest available outturn data for April 2014. Outturns for tax burdens therefore are published to 20132-14, with projections for 2014-15.

2.7 Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2014-15

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 continued

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2014-15

	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 continued

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2014-15

	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
2009-10						
Gross earnings (£ weekly)	273.2	351.1	493.8	592.8	699.1	977.6
Tax burden (per cent of gross earnings)						
Childless single	10.9	12.9	15.0	15.8	16.4	20.2
Childless couple	0.4	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

2.7 continued

Income tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2014-15

	Position in earnings (1) distribution					
	10th percentile	25th Percentile	50th Percentile	mean	75th percentile	90th Percentile
2010-11						
Gross earnings (£ weekly)	276.0	354.3	498.6	600.6	706.9	991.4
Tax burden (per cent of gross earnings)						
Childless single	11.0	13.0	15.0	15.9	16.5	20.5
Childless couple	0.4	13.0	15.0	15.9	16.5	20.5
Couple with two children	-35.5	-14.6	6.7	14.1	15.0	19.6
2011-12						
Gross earnings (£ weekly)	279.2	357.0	502.2	605.4	711.6	1,000.2
Tax burden (per cent of gross earnings)						
Childless single	9.7	11.9	14.3	15.3	16.0	20.8
Childless couple	0.5	11.9	14.3	15.3	16.0	20.8
Couple with two children	-38.5	-16.8	5.7	13.5	14.5	20.8
2012-13						
Gross earnings (£ weekly)	284.8	364.1	511.8	614.0	722.0	1,011.0
Tax burden (per cent of gross earnings)						
Childless single	9.1	11.4	13.9	14.9	15.7	20.8
Childless couple	0.8	11.4	13.9	14.9	15.7	20.8
Couple with two children	-39.3	-17.4	5.2	14.5	15.7	20.8
2013-14						
Gross earnings (£ weekly)	287.7	369.0	517.7	620.2	730.9	1,022.2
Tax burden (per cent of gross earnings)						
Childless single	7.4	10.2	13.0	14.1	15.0	20.9
Childless couple	-0.5	10.2	13.0	14.1	15.0	20.9
Couple with two children	-40.6	-18.2	4.5	13.9	15.0	20.9
2014-15 (3)						
Gross earnings (£ weekly)	*292.8*	*375.6*	*526.9*	*631.2*	*743.9*	*1,040.4*
Tax burden (per cent of gross earnings)						
Childless single	*6.9*	*9.8*	*12.7*	*13.9*	*14.8*	*20.8*
Childless couple	*-0.5*	*9.8*	*12.7*	*13.9*	*14.8*	*20.8*
Couple with two children	*-40.3*	*-18.0*	*4.7*	*13.9*	*14.8*	*20.8*

Source: Annual Survey of Hours and Earnings — Table updated February 2015

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 2014, and earnings growth assumptions consistent with the OBR's December 2014 economic and fiscal outlook.

Annex A: Context and background information

Income tax

An overview of income tax is available on the gov.uk website:
https://www.gov.uk/income-tax

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 £157.8 billion to total current receipts of £622.3 billion in 2013-14[12].

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 that are living together where at least one spouse or partner was born before 6th 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): https://www.gov.uk/income-tax

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 2014-15, the basic PA is £10,000 for individuals born after 5 April 1948. Individuals born between 6 April 1938 and 5 April 1948 (previously 65-74 year olds), and born before 6 April 1938 (previously those 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 £27,000. 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.

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[12] Office for Budget Responsibility's Economic and Fiscal Outlook, December 2014, table 4.5: http://budgetresponsibility.org.uk/pubs/December_2014_EFO-web513.pdf

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 (e.g. 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.

Table 1: Income tax rates 2014-15 by type of income and tax band

Source	Starting rate for savings[1]	Basic rate	Higher rate	Additional rate
Taxable income after allowances	£0 - £2,880	£0 - £31,865	£31,866 - £150,000	More than £150,000
Earnings[2]	-	20%	40%	45%
Savings	10%	20%	40%	45%
Dividends[3]	-	10%	32.5%	37.5%

[1] The starting rate for savings is a special rate of tax for savings income only. It is only available to the extent that the individual's taxable income from earnings does not exceed the starting rate limit.
[2] Includes all taxable income not defined as savings or dividend income.
[3] Dividends are paid with a non-reclaimable 10 per cent tax credit that satisfies the 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 (i.e. before) the dividends tax credit discussed above.

A series of example tax calculations using 2014-15 rates and allowances are provided in table 2 below:

Table 2: Examples of tax liability calculations for 2014-15[1]

Liabilities rounded to nearest whole £

Example 1: **Individual born after 6 April 1948 with earnings only**
Tax allowance 10,000

	income:		income after allowance at:			income tax liabilities at:			
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	**Total liabilities**
Earnings	**50,000**	40,000	-	31,865	8,135	-	@20% = 6373	@40% = 3254	**9,627**
Savings	**0**	0	0	0	0	0	0	0	**0**
Dividends	**0**	0	-	0	0	-	0	0	**0**
Total	**50,000**	40,000	0	31,865	8,135	0	6,373	3,254	**9,627**

Example 2: **Individual born after 6 April 1948 with earnings, savings and dividends**
Tax allowance 10,000

	income:		income after allowance at:			income tax liabilities at:			
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	**Total liabilities**
Earnings	**40,000**	30,000	-	30,000	0	-	@20% = 6000	0	**6,000**
Savings	**2,000**	2,000	0	1,865	135	0	@20% = 373	@40% = 54	**427**
Dividends	**5,000**	5,000	-	0	5,000	-	0	@32.5% = 1625	**1,625**
Total	**47,000**	37,000	0	31,865	5,135	0	6,373	1,679	**8,052**

Example 3: **Individual born after 6 April 1948 with starting rate savings tax**
Tax allowance 10,000

	income:		income after allowance at:			income tax liabilities at:			
	before allowance	after allowance	starting rate	basic rate	higher rate	starting rate	basic rate	higher rate	**Total liabilities**
Earnings	**9,500**	0	-	0	0	-	0	0	**0**
Savings	**5,000**	4,500	2,880	1,620	0	@10% = 288	@20% = 324	0	**612**
Dividends	**0**	0	-	0	0	-	0	0	**0**
Total	**14,500**	4,500	2,880	1,620	0	288	324	0	**612**

Example 4: **Individual born between 6 April 1948 and 5 April 1938 with pension and savings income**
Tax allowance 10,500

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

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

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):
https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return

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 ('indexation'). This will change to use Consumer Price Index (CPI) from 2015-16. 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: https://www.gov.uk/government/collections/tax-structure-and-parameters-statistics

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% 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.

Note that the High Income Child Benefit charge applicable from 7 January 2013 is not included in the ITLS projections for 2012-13 or 2013-14

2013-14

- In 2013-14, the personal allowance for those born after 6 April 1948 (previously those aged under 65) was increased by £1,335 in cash terms (£1,115 above indexation). The basic rate limit was reduced by £2,360 to £32,010.

- The age-related personal allowances were frozen at 2012-13 levels so that the aged personal allowance for those born between 6 April 1948 and 5 April 1938 (previously those aged 65-74) remained at £10,500 while the aged personal allowance for those born before 6 April 1938 (previously those aged 75 and over) remained at £10,660.

- The additional rate of income tax for earnings and savings was reduced from 50% to 45% while the additional rate for dividend income was reduced from 42.5% to 37.5%.

2014-15

- In 2014-15, the personal allowance for those born after 6 April 1948 (previously those aged under 65) was increased by £560 in cash terms (£260 above indexation). The basic rate limit was reduced by £145 to £31,865 since the higher-rate threshold is subject to a 1% growth cap in 2014-15.

- The age-related personal allowances were frozen at 2013-14 levels so that the aged personal allowance for those born between 6 April 1948 and 5 April 1938 (previously those aged 65-74) remained at £10,500 while the aged personal allowance for those born before 6 April 1938 (previously those aged 75 and over) remained at £10,660.

A number of the reductions in the basic rate limit had the effect of restricting the gains made by higher-rate taxpayers from personal allowance increases.

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 subject to UK tax 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 together with some basic information on individual characteristics, for example age and gender. As described below, the survey data is used to estimate income tax liabilities arising on incomes in a given tax year for each individual in the SPI sample, these amounts summarised in Tables 2.1 to 2.6 of this release.

The SPI sample totalled 705,000 individual records in 2012-13, 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 or additional 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 7.5 for individuals with high incomes and rare allowances to about 1 in 250 for people with low combined pay and pensions. In all, about 403,000 individuals were selected from NPS for inclusion in the 2012-13 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 225 for employees and occupational pensioners with smaller income or tax for 2012-13. In all, about 292,000 individuals were selected from SA for inclusion in the 2012-13 SPI.

- For claims cases, a random sample of about 1 in 14 was selected for inclusion in the SPI. This led to around 10,500 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 705,000 valid cases on the 2012-13 final SPI file.

Coverage of SPI and imputation of missing data items

Not all of the individuals in the SPI sample are taxpayers. About 25 per cent of sample cases (36 per cent grossed) have no income tax liability because allowances, deductions and reliefs exceed their total income assessable for tax. 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.

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 2012-13.

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. The imputation of superannuation contributions has been improved using P14 employer returns data to identify probable superannuation contributions (as P14s contain information on income subject to tax and income subject to NICs, and superannuation contributions are only subject to NICs).

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.[13] 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 (replaced by those born before 6 April 1948 from 2013-14) and, from 2010-11, the excess of income after deductions over £100,000 for all SPI cases.

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

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

- Step 6: The resulting total for income tax liabilities is adjusted to take account of other allowances given as income tax reductions (sometimes called "tax credits"). PTM takes the following such allowances into account: Married

[13] 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.

Couples Allowance, Maintenance Payments Relief, Community Investment Tax relief, Venture Capital Trust Relief, Enterprise Investment Scheme Relief and Seed 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.

The tax calculation process has been revised to better reflect the treatment of a small number of cases subject to the pension charge or who, under the residence and /or domicile rules, do not qualify for or choose to give up their personal allowance.

A Pension Tax Charge occurs when a taxpayer makes contributions to their pension above the annual (or lifetime) threshold for tax relief. The charge is the equivalent of taxing these contributions at the taxpayers marginal tax rate. While this charge uses the income tax rates, and it is part of a taxpayer's tax liability, it is strictly the recovery of an excess of tax relief given. The methodology used in the personal tax model keeps this charge separate from a taxpayer's income tax liability, which maintains the link between their taxable income and the income tax paid.

An individual with income below the personal allowance can still be a taxpayer in some circumstances. This can arise where individuals who have income liable to UK tax do not qualify for a personal allowance under the residence and /or domicile rules. Some people who do qualify for the personal allowance choose to give up their personal allowance as part of the qualifying conditions for having their income taxed under the "remittance basis". These taxpayers may only have a small amount of income liable to UK tax (i.e. below where the personal allowance is set), but this income is still liable to tax and is charged at the starting, basic and/or rates.

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 within 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 additional rate threshold (£150,000) are classified as additional rate taxpayers.

- Cases with total taxable income above the basic rate limit but below the additional rate threshold 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.

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 2012-13, and was first published in January 2015.

Projections up to the current tax year, 2014-15, therefore are also given in tables 2.1 to 2.6 in order to provide a more up-to-date assessment of the distributions for 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 2012-13 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, 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 2012-13 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 uniformly according to the implied percentage change in the residual main source "other" category, calculated as difference between the published ONS population total and projected SPI main source employed and self-employed totals derived as described immediately above.

- this process is applied separately for males and females.

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.

- For each quantile group, earnings growth is adjusted according to the percentage point difference between historic earnings growth for the corresponding percentile point in the ASHE data and the growth in the mean. 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.

- For projecting 2013-14, the percentage point differences referred to above are based on the April 2013 and April 2014 ASHE data already available.

- For projecting 2014-15, the percentage point differences are based on a three year average of ASHE based estimates for 2011-12, 2012-13 and 2013-14.

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.

Table 3 below summarises which assumptions/series are used in the ITLS projections processes for re-scaling of grossing factors and nominal incomes.

Table 3: Summary of economic assumptions used in ITLS projections

SPI population totals:	**SPI taxpayer total 2012-13 £ billion**	**Series used in projections**
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
Main income components:		
Pay	627	Implied whole economy average earnings (Wages and salaries divided by LFS employees), with allowance for differential growth across distribution (see main text)
Profits	78.4	Total self-employed (mixed) income
Personal pension income	80.0	Weighted average Retail Prices Index and whole economy average earnings
Dividends	45.3	Household and Non-profit institutions serving households dividend receipts
State pension income	42.9	Announced rates
Bank & building society interest	7.9	Household bank & building society deposits multiplied by weighted average of building society deposit and 5-year rates
Property income	13.1	Retail Prices Index
Taxable employer benefits	8.7	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 2014-15, where economic outturns for most series are not yet available.

The projections in the February 2015 release of ITLS use economic series consistent with the OBR's December 2014 *Economic and fiscal outlook.* Outturns and OBR forecasts for key series including employment, earnings, prices and interest rates are published by the OBR (Table 4.1 'Determinants of the fiscal forecast'):
http://budgetresponsibility.org.uk/pubs/December_2014_Charts_and_tables-web516.xls

The OBR's release policy for supplementary forecast information is available here:
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/rel/npp/national-population-projections/2012-based-projections/rft-table-a3-1-principal-projection---uk-population-single-year-of-age.xls

Projections of incomes for high earners for 2013-14 also allow for possible behavioural responses following the introduction of the additional rate of tax in April 2010 and the reduction in the rate from 50% to 45% in April 2013. Specifically, these responses are: (a) continued temporary reductions in incomes below 'normal' levels for those affected during 2012-13, the counterpart of significant forestalling of incomes in 2009-10 ahead of the introduction of the additional rate; and (b) possible anticipatory effects in 2012-13 and their subsequent counterpart in 2013-14 that may arise in advance of the reduction in the additional rate of tax to 45%. 2014-15 is likely to be the first year to be relatively unaffected by timing effects due to the changes in the additional rate of income tax in the recent series. The projections to this year are, however, still influenced by the uncertainties regarding the extent of unwinding of forestalling in the base year.

Separate to the ITLS statistics, in March 2012 HMRC 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://webarchive.nationalarchives.gov.uk/20140206144454/http:/www.hmrc.gov.uk/budget2012/excheq-income-tax-2042.htm

Forestalling of incomes in 2009-10 was estimated at £16-18 billion in total, together with significant temporary reductions in incomes for those affected in later years (but especially in 2010-11). While these assessments are subject to significant uncertainties, unadjusted projections of the outturn SPI 2012-13 survey data therefore would be likely to lead to significant under-prediction of incomes for high earners and associated liabilities in later years.

Consistent with the published report the ITLS projections for 2013-14 therefore allow for:

- a gradual recovery in incomes back towards 'normal' levels from their 2010-11 outturn, which is assumed to be especially depressed by incomes brought forward to 2009-10. Forestalling in 2009-10 was assumed to be split equally between pay and dividends, with unwinding concentrated in 2010-11 for forestalled pay, but split more equally across the three tax years to 2012-13 for dividends; and

- temporarily elevated incomes totalling £5¼ billion in 2013-14 representing the counterpart of the 2012-13 deferrals following the reduction in the additional rate.

Ignoring temporary forestalling effects, underlying behavioural responses to the introduction of the additional rate in April 2010 are assumed to be captured in the 2011-12 and the new 2012-13 SPI survey data; and underlying responses to the reduction in the additional rate to 45% will occur only from 2013-14 when the rate is reduced.

The projection adjustments are applied to most SPI cases with income above £150,000. The degree of forestalling/unwinding is assumed to increase by broad income band, consistent also with the evidence from 2010-11 SA returns.

The adjustments in the projections for 2012-13 have been realised in the 2012-13 SPI survey data, as for example, shares of income and tax accounted for by the top 1% of taxpayer by income (Table 2.4) have fallen slightly in 2012-13 as projected.

The adjustments continue to have a significant impact on the ITLS projections of the incomes and tax liabilities of taxpayers with total income above £150,000 from 2013-14 as the incomes rises strongly as the deferral is unwound to benefit from the reduction in the additional rate to 45%.

HMRC's assessment of the yield arising from the introduction of the additional rate in 2010-11 is 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 2014-15. 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 personal tax credits (Working Tax Credit and Child Tax Credit) the depicted families would be entitled to. These 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:
https://www.gov.uk/government/collections/personal-tax-credits-statistics

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 6th April 1935, and reforms to the tax credits system in April 2003. Since 2003-04, income tax burdens are presented for single adult families without children, couple families without children, and couples with two children.

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 work full-time (>30 hours per week) and so are entitled to Working Tax Credit (WTC), including the couple 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; 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 income 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/2014-provisional-results/index.html

The specific ASHE-based earnings percentiles used in Table 2.7 relate to gross weekly pay for full-time employee jobs (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 2014, published on 19 December 2014, permitting derivation of estimates of earnings across the distribution up to tax year 2013-14.

Projections of income tax burdens are also provided for 2014-15. Earnings are projected to grow uniformly across the earnings distribution according to the OBR's December 2014 forecast for whole economy earnings growth.

Annex C: Quality indicators

A quality report covering the ITLS statistics and projections is available from the National and Official Statistics section of the HMRC website:
https://www.gov.uk/government/statistics/quality-report-income-tax-liabilities-statistics

This report, last updated in January 2013, assesses the statistics against standard dimensions of quality such as relevance, accuracy and reliability, timeliness and punctuality, accessibility and clarity, and coherence and comparability.

This Annex provides an annual update on quality, and provides more detailed summary quality indicators, in particular summarising the accuracy and reliability of ITLS statistics and projections. It also contains further information on the relevance and appropriate use of the statistics.

Accuracy and Reliability

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 2011-12, together with a range of other variables, are published in HMRC Table 3.13a:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284786/tables3-12_3-15a.pdf (an update for the 2012-13 SPI will be published on 27th February 2015).

Key results are repeated in table 4 below. For the United Kingdom, the width of the 95% confidence intervals for numbers of taxpayers and total income tax liabilities are 100 thousand and £1 billion (0.3% and 0.6%) of the central estimates 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/√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 √2.

Table 4: Confidence intervals for estimates of taxpayer numbers and total tax liabilities

SPI 2011-12	Taxpayers, thousands				Income tax liabilities, £millions			
	95% CI Lower Limit	Central estimate	95% CI Upper Limit	CI width as % estimate	95% CI Lower Limit	Central estimate	95% CI Upper Limit	CI width as % estimate
United Kingdom	30,700	30,800	30,800	0.3	155,000	156,000	156,000	0.6
North East	1,150	1,170	1,190	3.4	4,000	4,110	4,210	5.1
North West	3,230	3,260	3,290	1.8	12,500	12,700	12,900	3.1
Yorkshire and the Humber	2,370	2,390	2,420	2.1	8,820	8,970	9,110	3.2
East Midlands	2,140	2,170	2,190	2.3	8,390	8,540	8,700	3.6
West Midlands	2,530	2,560	2,590	2.3	9,780	9,940	10,100	3.2
East of England	2,940	2,970	3,000	2.0	15,800	16,100	16,300	3.1
London	3,920	3,950	3,980	1.5	34,500	35,000	35,400	2.6
South East	4,450	4,490	4,520	1.6	28,200	28,500	28,800	2.1
South West	2,680	2,700	2,730	1.9	10,800	11,000	11,100	2.7
Wales	1,390	1,410	1,430	2.8	4,590	4,680	4,770	3.8
Scotland	2,620	2,640	2,670	1.9	11,100	11,300	11,400	2.7
Northern Ireland	731	746	761	4.0	2,550	2,630	2,700	5.7

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, 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, as opposed to the entire UK population, and so ITLS tables are published for UK taxpayers only.

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.

Table 5 below shows the total contribution to key SPI income aggregates from imputed values in 2012-13. Users interested in ITLS estimates and projections of tax liabilities on these particular items should note the degree of imputation. A large contribution to the estimates from imputed values is likely to lead to a loss of accuracy. Overall, imputation contributes around £29 billion (occupational pension contributions are included in gross pay) to grossed total income across all taxpayers of £904 billion in 2012-13.

Table 5: Extent of imputation
SPI 2012-13 grossed totals

	Number of individuals (thousands)		Total amount (£million)	
	imputed	total	imputed	total
Individuals' age	60	47,100	-	-
Occupational Pension	52	11,300	166	88,300
Pay	501	29,800	8,810	638,000
Bank and building society interest income	25,600	30,800	2,540	9,280
Dividends	2,210	5,550	1,460	46,200
Occupational pension contributions	7,800	7,800	14,000	14,000
Personal pension contributions	2,400	3,290	2,310	7,130

The table above also includes imputations for PAYE data. At the time the PAYE sample was drawn, earnings information for a small proportion of employments was not available from the analytical extract of PAYE data so earnings were estimated using data for the taxpayer from other years. These adjustments were made to sample cases representing 500 thousand taxpayers, 1.7% of taxpayers with employment income, and amounted to £8.8bn, 1.4% of total employment income.

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. 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 2012-13 and earlier tax years.

Projection methods are described in Annex B. Users of the projections should note that the projection methods are suited to analysis of tax liabilities at UK level. Projection of potential taxpayer numbers and incomes by income source is based on UK economic assumptions, which are applied generally uniformly to all individuals in the SPI sample. They take no account of local divergences in economic trends since 2012-13 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, and there is some evidence that they may be subject to potentially large error margins. HMRC is reviewing the evidence, and will consider whether regional projections are suitable for continued publication.

In addition, the projections will not capture potentially important shifts in the distribution of incomes occurring after 2012-13. ITLS projected shares of total income and tax across taxpayer income groupings are therefore likewise indicative (Table 2.4), 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.

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. The forecast horizon is defined with respect to the latest SPI outturn data available, e.g. this ITLS release uses 2012-13 SPI survey data, which gives a 'one-year ahead' projection for 2013-14.

Table 6: Summary statistics for absolute errors in ITLS projections of key aggregates[1,2]

	Taxpayers thousands	Higher rate taxpayers thousands	Total income £ billion	Total liabilities £ billion
One-year ahead projections (N = 12)				
Mean	540	120	16	4
Max	1,400	290	40	9
Standard deviation	500	110	13	3
Mean	2%	4%	2%	3%
Max	5%	10%	7%	8%
Standard deviation	2%	4%	2%	2%
Two-year ahead projections (N = 11)				
Mean	820	160	27	7
Max	1,900	400	63	14
Standard deviation	490	140	20	4
Mean	3%	5%	4%	5%
Max	6%	11%	8%	10%
Standard deviation	2%	4%	3%	3%
Three-year ahead projections (N = 9)				
Mean	1,110	220	40	10
Max	2,300	480	84	19
Standard deviation	700	140	26	6
Mean	4%	7%	5%	8%
Max	8%	13%	11%	13%
Standard deviation	2%	4%	3%	4%
Memo: Evolution of projections for 2012-13				
Three-year ahead projection (April 2012)	29,700	4,110	888	155
Two-year ahead projection (April 2013)	30,000	4,100	903	160
One-year ahead projection (April 2014)	30,600	4,130	907	158
SPI 2012-13 outturn	30,600	3,990	904	157

1 ITLS projections released after spring Budgets since 2001.

2 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, and so economic asssumptions used in the projection processs are typically outturns to around year T+2.

The table indicates mean absolute projection errors of 2-4% for key UK aggregates in respect of the 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. However, past errors may not accurately reflect the degree of ex ante uncertainty in projections made at any specific point in time. The table also shows the evolution of projections made for 2012-13, the latest SPI outturn.

Ex ante uncertainty in the projections may be illustrated via ‘ready reckoners’. The table below shows estimated changes from the April 2014 ITLS central projections arising for illustrative increases in key economic assumptions used in the projection process. Comparable reductions in the same series would have broadly similar impacts of opposite sign.

Table 7: Sensitivity of central projections to changes in key economic assumptions

	2012-13 outturn	*2013-14 projection*	*2014-15 projection*
Central projection			
Taxpayers	30,600	*29,700*	*29,800*
o/w non higher rate taxpayers	26,600	*25,100*	*25,000*
o/w higher/additional rate taxpyers	3,990	*4,590*	*4,800*
Total liabilties	157,000	*164,000*	*167,000*
o/w liabilities of non higher rate taxpayers	62,300	*56,100*	*55,700*
o/w liabilities of higher/additional rate taxpayers	94,800	*108,000*	*111,000*
Working-age employees+1%[1]			
Taxpayers		*129*	*131*
o/w non higher rate taxpayers		*102*	*103*
o/w higher/additional rate taxpyers		*27*	*28*
Total liabilties		*775*	*778*
o/w liabilities of non higher rate taxpayers		*305*	*304*
o/w liabilities of higher/additional rate taxpayers		*471*	*474*
Pay+1%[2]			
Taxpayers		*74*	*78*
o/w non higher rate taxpayers		*-4*	*-10*
o/w higher/additional rate taxpyers		*78*	*88*
Total liabilties		*1,910*	*1,960*
o/w liabilities of non higher rate taxpayers		*760*	*775*
o/w liabilities of higher/additional rate taxpayers		*1,150*	*1,190*
Profits+1%[2]			
Taxpayers		*18*	*17*
o/w non higher rate taxpayers		*11*	*11*
o/w higher/additional rate taxpyers		*6*	*6*
Total liabilties		*256*	*263*
o/w liabilities of non higher rate taxpayers		*71*	*71*
o/w liabilities of higher/additional rate taxpayers		*185*	*191*
Interest rates+1ppt[3]			
Taxpayers		*164*	*170*
o/w non higher rate taxpayers		*95*	*99*
o/w higher/additional rate taxpyers		*69*	*70*
Total liabilties		*2,410*	*2,470*
o/w liabilities of non higher rate taxpayers		*766*	*782*
o/w liabilities of higher/additional rate taxpayers		*1,640*	*1,690*

[1] 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.

[2] 1% point increase in pay/profits for all SPI cases with pay/profits relative to central projection.

*[3] 1% point increase **interest rates** on savings income relative to central projection. The resulting percentarge 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 table shows that:

- An illustrative 1 percentage point increase in working-age employment increases projected taxpayer numbers by 0.4% and tax liabilities by 0.5% in 2014-15, with increases in taxpayer numbers and liabilities at non higher and higher/additional rates reflecting the centrally projected distributions.

- An illustrative 1 percentage point increases in earnings has a larger 1.2% impact on liabilities in 2014-15, as marginal rates of tax exceed average rates (the latter relevant to the employment change). Taxpayer numbers rise by 0.3% overall, but with numbers of non-higher rate taxpayers declining a little as numbers moving into higher rate tax (from basic rate) exceed those moving into basic rate tax.

- An illustrative 1 percentage point increase in average profits raises liabilities by 0.2% in 2014-15, reflecting the much lower level of profits in total taxpayer income relative to earnings. Taxpayer numbers rise by 0.1%.

- An illustrative 1 percentage point increase in interest rates increases liabilities by 1.5% in 2014-15. Note that the percentage change in savings income resulting from a 1 percentage point increase in savings interest *rates* varies with the central projection for interest rates, but will generally be much larger than 1 percentage point ready reckoners shown for pay and profits. Taxpayer numbers rise by 0.6%.

Annex D: Glossary of Terms

Annex D aims to explain acronyms, abbreviations and terms associated with personal incomes and income tax liabilities.

Allowances

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

Average rate of Tax

The ratio of income tax liability to total income, where 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 Self Assessment from which SA data for the SPI has been extracted since 1996-97. See Self Assessment (SA).

COP (Computerisation of PAYE)

The computer system which used to administer PAYE until being replaced by NPS and from which PAYE data for the SPI was extracted for tax years 1997-98 to 2007-08 inclusive.

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

Income derived from shares.

Geographical Areas

Some tables present information for sub-UK areas described as Government Office Region, County, District and Parliamentary Constituency. Administrative and Political geographical areas are not held on taxpayers' records. For the SPI, the areas are attached by matching the individual's postcode to the Office for National Statistics Postcode Directory.

Industry

Industry categories are based on UK Standard Industrial Classification of Economic Activities 2007 (SIC2007). Income from self employment (sole trade and partner) is assigned an industry using the nature of business text descriptions supplied on Self Assessment Returns.

National Insurance and PAYE System (NPS)

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

National Insurance Recording System 2 (NIRS2)

This computer system is used to monitor payment of National Insurance (NI) contributions and to calculate and prove entitlement to contributory benefits. These include Job Seekers Allowance (JSA) and the National Insurance Pension. It provides contribution information to a number of government departments.

P14s

Form P14 is an End of Year summary for an employment that is submitted by the employer to HMRC, showing pay, tax and NI contributions for the year. The employer provides similar information to the employee on an end of year certificate, form P60.

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.

Personal Allowance

This is the amount of income you can receive for the tax year without having to pay tax on it.

Savings Income

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 applied only to non-dividend savings income.

Superannuation contributions

These are the regular amounts paid by an employee into an employer occupational pension fund which are deducted from the employee's salary. Superannuation contributions to an authorised fund or scheme are not liable to income tax and the employer would deduct the amount of superannuation contributions from the gross pay before assessing the income tax liability through PAYE.

Survey of Personal Incomes (SPI)

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

Tax liabilities

The amount of income tax due on taxable income after applying tax rates to the tax base. The income tax liability for each sample case in SPI is calculated by reference to the amounts of income by type, deductions and reliefs and the tax regime parameters that apply for the year. The calculated liability for a tax year will differ from the amount of tax receipts collected in a financial year.

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 allowances.

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

The sum of an individual's components of income taken into account in calculating income tax. This includes earnings from employment, profits from self-employment, pension income, some social security benefits, savings income, income from shares (dividends), rental income, and income paid from trusts. It excludes:

- gains from the disposal of assets that are classified as capital gains
- interest, dividends or bonuses from tax exempt investments (for example, ISAs and National Savings & Investments Savings Certificates)
- interest and terminal bonuses from Save As You Earn Schemes
- Premium Bond, National Lottery and gambling prize winnings

It is before relief for contributions to occupational and personal pensions, other deductions and reliefs or personal allowances.

In the tax system, income is streamed into three main categories: Dividends; Savings Income (not dividends); Non-savings income as different rules apply.