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Pay-As-You-Earn and Corporate Tax Receipts from the Banking Sector

An Official Statistics release

Published on 22 October 2019

About these statistics

This is an Official Statistics publication produced by HM Revenue & Customs (HMRC). It provides statistics on Pay-As-You-Earn Income Tax and National Insurance contributions (PAYE), Corporation Tax (CT), Bank Levy, Bank Surcharge and Bank Payroll Tax receipts from the banking sector.

Key messages

- Chart 1 shows that total PAYE, CT, Bank Levy and Bank Surcharge receipts from the banking sector were £30.9 billion in 2018-19, a decrease of £0.7 billion (2.1%) compared with the previous year.

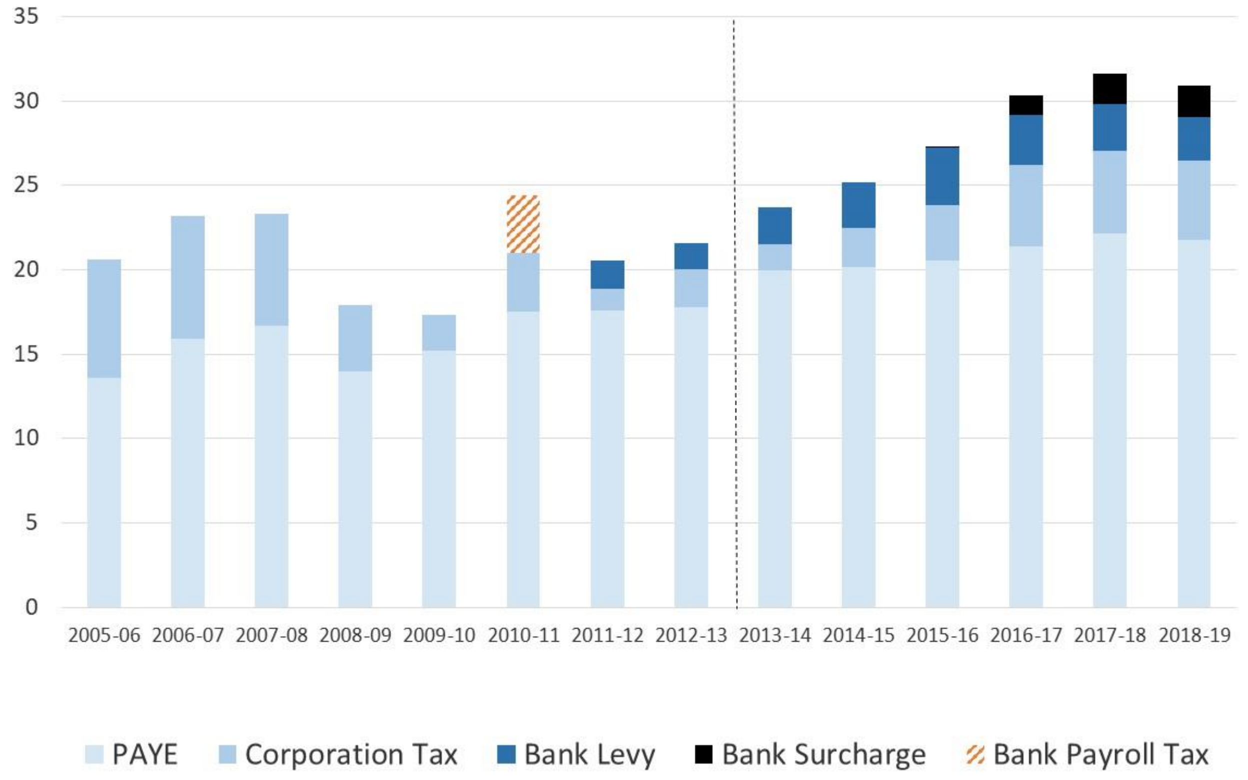
- PAYE receipts from the banking sector were £21.8 billion in 2018-19, a decrease of £0.4 billion (1.6%) compared with the previous year. This is mainly due to a fall in bonus related receipts from the financial sector. The PAYE receipts data has been revised from 2013-14 onwards since the last publication due to new banks being included and improved data matching. This means the more recent PAYE data may not be directly comparable with earlier years.

- CT receipts from the banking sector were £4.7 billion in 2018-19, a decrease of £0.2 billion (5.0%) compared with the previous year. This reduction is spread across the sector as opposed to being concentrated in one or two areas. The changes in the CT main rate are likely to account for part of this reduction. The CT rate was cut to 19% from 1 April 2017 and receipts received in early 2017-18 would still partly reflect the higher rate of 20%.

- Bank Levy receipts were £2.6 billion in 2018-19, a 7.2% decrease compared to 2017-18, when they were £2.8 billion. This is mainly due to a reduction in Bank Levy rates which took effect from 1 January 2018 (part of a series of rate reductions from 2016 to 2021).

- Bank Surcharge receipts were £1.9 billion in 2018-19, a 7.1% increase compared to 2017-18, when they were £1.8 billion. 2017-18 was the first full year of Bank Surcharge receipts.

Chart 1: PAYE, Bank Payroll Tax, Corporation Tax, Bank Levy and Bank Surcharge Receipts from the Banking Sector (£ billions)



Note:
PAYE data has been revised from 2013-14 onwards with new banks included and improved data matching. For this reason, the PAYE data may not be directly comparable with earlier years.

Pay-As-You-Earn and Corporate Tax Receipts from the Banking Sector

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September 2019

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Section 1: Introduction

What does this publication tell me?

This publication provides outturn statistics for Pay-As-You-Earn Income Tax and National Insurance contributions (PAYE) and Corporation Tax (CT) receipts from the banking sector in the UK, alongside receipts from the Bank Payroll Tax, Bank Levy and Bank Surcharge. Not all tax receipts from the banking sector are included in these statistics, in particular irrecoverable VAT and Insurance Premium Tax (IPT). The reasons for this are discussed in Section 3, which also includes estimates of receipts from these taxes from the banking sector.

Who might be interested in these statistics?

This publication is likely to be of interest to policy makers in government, academics, research organisations, the media and the UK banking and financial sectors. It will be of particular interest to those who want to know the PAYE and corporate tax contribution of the banking sector, including its employees.

What does the receipts table show?

This presents annual figures for 2005-06 to 2018-19 on PAYE and CT receipts from the banking sector, alongside receipts of Bank Payroll Tax for 2010-11, the Bank Levy from 2011-12 and the Bank Surcharge from 2015-16. The period covered by these statistics (2005-06 to 2018-19) was chosen to give a reasonable coverage both before and after the financial crisis. Due to the changing and complex structure of the banking sector it is impractical to extend the statistics to periods earlier than 2005-06.

Taxpayer confidentiality

HMRC has a legal duty to maintain the confidentiality of taxpayer information and disclosing information to persons outside of HMRC is only allowed in a limited number of circumstances.

These are set out in Section 18 of the Commissioners of Revenue and Customs Act 2005:

http://www.legislation.gov.uk/ukpga/2005/11/section/18

The statistics in this release are presented at an aggregate level so that no individual bank's tax payments can be identified or inferred.

User engagement

HMRC is committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so that we can improve our Official Statistics and identify gaps in the statistics that we produce.

If you have any comments or questions about these statistics then please contact the responsible statisticians directly (contact details provided below and on the cover page).

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Section 2: Receipts table and commentary

Table 1 presents Pay-As-You-Earn, Bank Payroll Tax, Corporation Tax, Bank Levy and Bank Surcharge receipts from the banking sector.

Table 1: PAYE, Bank Payroll Tax, Corporation Tax, Bank Levy and Bank Surcharge Receipts from the Banking Sector (£ billions)

Year	PAYE	Bank Payroll Tax	Corporation Tax	Bank Levy	Bank Surcharge	**Total**
2005-06	13.6	-	7.0	-	-	**20.6**
2006-07	15.9	-	7.3	-	-	**23.2**
2007-08	16.7	-	6.6	-	-	**23.3**
2008-09	14.0	-	3.9	-	-	**17.9**
2009-10	15.2	-	2.1	-	-	**17.3**
2010-11	17.5	3.4	3.5	-	-	**24.4**
2011-12	17.6	0.0 [2]	1.3	1.6	-	**20.5**
2012-13	17.8	-	2.2	1.6	-	**21.6**
2013-14	19.9 [3]	-	1.6	2.2	-	**23.7**
2014-15	20.2	-	2.3	2.7	-	**25.2**
2015-16	20.6	-	3.3	3.4	0.0 [1]	**27.3**
2016-17	21.4	-	4.8	3.0	1.1	**30.3**
2017-18	22.1	-	4.9	2.8	1.8	**31.6**
2018-19	21.8	-	4.7	2.6	1.9	**30.9**

[1] Bank Surcharge receipts were low in 2015-16 as most banks were not due to start paying it until 2016-17

[2] There was a small repayment of Bank Payroll Tax in 2011-12

[3] PAYE data has been revised from 2013-14 onwards with new banks included and improved data matching. This data may not be directly comparable with earlier years. PAYE figures in the previous publication were as follows: £17.6bn in 2013-14; £17.9bn in 2014-15; £17.8bn in 2015-16; £18.4bn in 2016-17; £19.1bn in 2017-18.

Notes

1. Corporation Tax, Bank Levy and Bank Surcharge liabilities fall to companies to pay from their own resources. Sums paid through PAYE include a) Income Tax and National Insurance that employers deduct from employees' earnings and pensions and pay to HMRC on employees' behalf, and b) the separate National Insurance contributions for which employers themselves are directly liable.

2. Annual PAYE receipts relate to cash receipts between 1 May and the following 30 April. Annual Corporation Tax receipts relate to cash receipts, gross of company tax credits, between 1 April and the following 31 March.

3. The gross receipts figure is shown in the table for the (temporary) Bank Payroll Tax. HMRC has estimated that the net yield, taking account of behavioural effects which may have affected other tax receipts, was £2.3 billion. Cash receipts from the Bank Payroll Tax relate to the period 9 December 2009 to 5 April 2010. See page 13 for more details.

4. Annual Bank Levy receipts relate to cash receipts, net of repayments, between 1 April and the following 31 March. The Bank Levy was introduced from 1 January 2011, with payments becoming due for the first time in 2011-12.

5. Annual Bank Surcharge receipts relate to cash receipts, net of repayments, between 1 April and the following 31 March. The Bank Surcharge was introduced from 1 January 2016, with payments becoming due for the first time in 2015-16.

6. Receipts of Insurance Premium Tax and of irrecoverable VAT paid by the banking sector are not included in this table. Details of these taxes and estimates of receipts from the banking sector can be found in Section 3 (page 15).

7. There have been some significant changes to tax rates over the period covered by these statistics. The main rates for the taxes in Table 1 from 2005-06 to 2018-19 are shown in Appendix B.

8. Figures may not appear to sum to the totals due to rounding to the nearest £0.1 billion.

As shown in Chart 1 and Table 1, banking sector Corporation Tax receipts have varied proportionately more than PAYE receipts over the period. Between 2010-11 and 2016-17 banking sector PAYE receipts have been broadly stable or rising slightly. PAYE receipts from 2013-14 have been revised since the previous publication, which means this data may not be directly comparable with earlier years. PAYE figures in the previous publication were as follows: £17.6 billion in 2013-14; £17.9 billion in 2014-15; £17.8 billion in 2015-16; £18.4 billion in 2016-17; £19.1 billion in 2017-18.

PAYE receipts are driven by levels of pay and employment, whereas Corporation Tax receipts relate to companies' profits. Company profits are generally more sensitive to the economic cycle than pay and employment levels, so Corporation Tax receipts tend to fluctuate more than PAYE receipts.

PAYE

Banking sector PAYE receipts decreased by £0.4 billion to £21.8 billion in 2018-19 compared with 2017-18. This is mainly due to a fall in bonus related receipts from the financial sector. The changes to Income Tax and National Insurance contribution rates occurring during the period covered by this bulletin are set out in Tables 3 and 4 in Appendix B.

Corporation Tax

Corporation Tax receipts from the banking sector were £4.7 billion in 2018-19, a decrease of £0.2 billion compared with 2017-18. Receipts are presented gross of company tax credits.

Receipts have been much lower in recent years than in the period 2005-06 to 2007-08 prior to the financial crisis. The financial crisis resulted in lower profits in the banking sector, reducing Corporation Tax liabilities. A further contributing factor has been reductions in CT rates. The CT main rate was 30% until 2008-09, and has been cut over a number of years to 19% in 2017-18. As the impact on receipts can be slightly delayed, this accounts for part of the fall between 2017-18 and 2018-19. Full details on the CT rate in the years covered by this publication are provided in Appendix B Table 2.

Bank Levy

Bank Levy was introduced in January 2011 and the first payments were received in August 2011. Receipts of the Bank Levy increased from 2012-13 to 2015-16. These increases were mainly due to increases in the Bank Levy rate. Bank Levy receipts decreased from £3.4 billion in 2015-16 to £2.6 billion in 2018-19 in particular due to a series of Bank Levy rate reductions from 1 January 2016. Full details on the Bank Levy rates in the years covered by this publication are provided in Appendix B Table 5.

Bank Surcharge

Bank Surcharge was introduced in January 2016, with payments becoming due for the first time in 2015-16. The overall payments received between 1 January and 31 March 2016 were less than £0.1 billion. This is because companies who are liable to pay the Bank Surcharge are ‘large’ companies that pay their corporation tax in quarterly-instalments. Most banking businesses have calendar year accounting periods, and were not due to pay the first instalment for their 2016 liabilities until July 2016. Bank Surcharge receipts in 2018-19 were £1.9 billion.

Bank Payroll Tax

The Bank Payroll Tax was a temporary tax on awards of discretionary bonuses to banking employees, which applied from 9 December 2009 until 5 April 2010. The gross receipts figure is shown in Table 1 and Chart 1. This figure is shown gross, without taking account of behavioural effects which may have reduced receipts of other taxes. HMRC has estimated that the net yield, taking account of behavioural effects which may have affected other tax receipts, was £2.3 billion.

HMRC produces statistics showing tax receipts from the economy as a whole, as well as publications on receipts from specific taxes and duties. These are available on the HMRC website at the following link:

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

Please see the background information in Section 3 for links to publications relevant to particular taxes.

Section 3: Definitions and background information

This section explains how the banking sector has been defined for these statistics, the main taxes affecting the sector and their treatment in this publication.

What is the banking sector?

Banks carry out many different activities such as accepting deposits, paying interest, making loans, acting as intermediaries in financial transactions and providing other financial services. However, translating these characteristics into a list of organisations for the purpose of producing statistics is not straightforward.

The Prudential Regulation Authority (PRA) publishes a list of regulated firms which businesses and the public would tend to think of as banks[1]. However, the PRA note that this list should only be used as a guide, and they cannot guarantee its accuracy or completeness.

For this statistical publication for receipts between 2015-16 and 2018-19, we have used a definition of the banking sector as those businesses that are potentially eligible to pay the Bank Surcharge. This is a change from the definition used for earlier years which defined the banking sector as those companies within the scope of HMRC's Code of Practice on Taxation for Banks, whose main business is banking-type activity as set out in the Code. Details on this definition can be found in earlier versions of this publication, or from the following link.

https://www.gov.uk/government/collections/the-code-of-practice-on-taxation-for-banks

Since the Bank Surcharge was introduced as a tax specific to banking businesses, adopting a definition of the banking sector that is consistent with the population potentially eligible to pay the Bank Surcharge is deemed appropriate. The groups within the Bank Surcharge definition include all the deposit takers on the PRA list of regulated firms as published by the Bank of England, as well as the retail banks and investment banks covered in the HMRC's Code of Practice on Taxation for Banks. This change in definition has not had a major effect on the estimates for tax receipts, as the large majority of receipts come from banks that are covered by both the existing and the new definition.

The exercise to compile the statistics has involved working with experts across HMRC, including in the Large Business and Local Compliance Large and Complex group. They deal with the tax affairs of banks and other financial institutions and advised on which organisations fall within the definition of banking sector. For practical reasons the banks included in the analysis are the same for years 2005-06 to 2010-11. From 2011-12 onwards, the population has been updated annually to include new banks which fall within the population definition and to exclude any companies that no longer operate in banking activities at the time. Earlier years' figures have not been revised for any subsequent changes in the population.

Level of analysis

The statistics in this publication are compiled at the company level (for singleton companies) and the group level where there are subsidiaries and a parent company. This is to ensure consistency of coverage between PAYE and Corporation Tax.

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[1] http://www.bankofengland.co.uk/pra/pages/authorisations/banksbuildingsocietieslist.aspx

A group can be viewed as a collection of parent and subsidiary companies that function as a single economic unit through a common source of control. The larger banks are generally groups whereas the smaller banks and building societies tend to be singleton companies.

Only company groups whose main business can be described as banking activity are included in the statistics. For banking companies that are part of predominantly non-banking groups, only the specific companies that carry out banking activity within those groups are included in the statistics.

PAYE schemes within a group do not necessarily identify separate areas of business within that group. This means that, when the business of a group includes banking activity alongside other activities, the tax relating to the banking activity cannot necessarily be isolated.

Similarly, within Corporation Tax, a banking group could consist of some companies that are involved in banking activity and others that are not. The structure of the data means that it is not feasible to separate out a banking group's tax receipts between banking and non-banking activity.

PAYE and Corporation Tax arising from non-banking activities carried out within banking groups are therefore included in the statistics, as the current structure of the data does not allow these to be separately identified. An example of this is insurance activities carried out by banking groups.

HMRC also publishes figures on Corporation Tax receipts paid by broadly-defined business sectors, including the financial sector as a whole (excluding life assurance). These can be obtained from the HMRC National Statistics website. In contrast to the figures presented in this bulletin, the sector breakdowns in those statistics are based on HMRC's summary trade classification. Companies are allocated to trade classification categories by HMRC staff, based on the trade descriptions and other company information that companies provide. This method is not suitable for the precise identification of the banking sector provided by the method used for the statistics in this bulletin.

What is Pay-As-You-Earn?

Pay-As-You-Earn (PAYE) is the method used by HMRC to collect Income Tax and National Insurance contributions (NICs) on wages and occupational pensions. Tax and NICs paid on the proceeds from sales of shares received by some employees under 'unapproved share schemes' are also collected through PAYE. Employers deduct tax and NICs from wages, occupational pensions and share disposals before paying the net amount to employees. They then add their own employer National Insurance contribution and remit the whole amount to HMRC the following month.

When an employer registers with HMRC to operate PAYE they will be assigned a PAYE scheme reference number. The PAYE scheme is the smallest unit for which PAYE receipts can be determined. Employers may operate multiple PAYE schemes and most large banks do so.

Income Tax

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

PAYE accounts for by far the largest share of total Income Tax receipts. However, substantial further amounts are collected in other ways, notably through the Self-Assessment (SA) system which has regard to income from all sources, not just earnings and pensions. None of these further amounts are reflected in these statistics.

Income Tax receipts are published monthly in HMRC Tax Receipts National Statistics at the following link:

https://www.gov.uk/government/collections/hm-revenue-customs-receipts

More detailed annual receipts information is published in the Income Tax Receipts National Statistics publication at the following link:

https://www.gov.uk/government/collections/income-tax-receipts-statistics

National Insurance contributions

NICs are paid on earnings to build up entitlement to certain state benefits, including the state pension. Class 1 contributions are paid by both employees and employers. The employee and employer contributions are often referred to as the 'primary' and 'secondary' contributions respectively.

Class 1 contributions collected through the PAYE system account for by far the largest share of total NIC receipts. However further amounts are collected in other ways, notably Class 4 contributions paid on profits from self-employment which are collected through the SA system alongside SA Income Tax. None of these further amounts are reflected in these statistics.

Total NICs receipts (but not Class 1 specifically) are published monthly in HMRC Tax Receipts National Statistics:
https://www.gov.uk/government/collections/hm-revenue-customs-receipts

What is Corporation Tax?

Corporation Tax is a direct tax charged on profits made by companies, public corporations and unincorporated associations such as industrial and provident societies, clubs and trade associations. The tax is charged on the profits made in each accounting period, which is normally the period over which a company draws up its accounts. The rates of taxation are set for the financial year April to March. Where an accounting period straddles 31 March the profits are apportioned between the two financial years on a time basis.

Taxable profits for Corporation Tax include:

- Profits from taxable income such as trading profits or investment profits; and
- Chargeable gains on the sale or other disposal of assets

Allowable deductions against taxable profits include:

- Losses;
- Management expenses;
- Capital allowances; and
- Group relief.

Where a company has made a loss it may be possible, subject to certain conditions, to claim relief from Corporation Tax. Losses may, very broadly speaking, be relieved within a company in three main ways - set off against i) profits of the same accounting period, ii) profits of future accounting periods, or iii) profits of the previous accounting period.

Tax is charged on profits after allowable deductions. In some cases the tax liability may be reduced using further reliefs, such as;

- Double taxation relief for foreign tax; and
- Income tax deducted at source from interest received.

Companies based in the UK have to pay Corporation Tax on all their taxable profits, wherever in the world those profits come from. For companies meeting specific criteria it is possible to elect for profits of overseas (non-UK) branches to be exempt from UK Corporation Tax and pay tax of the local territory only. Companies not based in the UK, but with branches operating in the UK, have to pay Corporation Tax on taxable profits arising from their UK activities.

Taxable profits for Corporation Tax purposes often differ from the pre-tax profits in the company accounts. This is partly because the Corporation Tax regime has a system of capital allowances, which apply instead of depreciation charges for items such as plant and machinery. There are also other allowances, deductions and reliefs which can be applied when calculating the company's taxable profits. Particularly significant is group relief, which allows a company belonging to a corporate group to surrender their losses to offset the profits of the same accounting period of another group member.

Corporation Tax rates over the period covered by this publication are set out in Table 2 of Appendix B.

For further statistics on Corporation Tax and associated background information see the Corporation Tax statistical bulletin available at the following link:

https://www.gov.uk/government/collections/analyses-of-corporation-tax-receipts-and-liabilities

What is Bank Payroll Tax?

The Bank Payroll Tax was announced at the 2009 Pre Budget Report on 9 December 2009. It applied to retail and investment banks (including building societies) and to banking groups.

The Bank Payroll Tax was a temporary tax set at 50% on awards of discretionary bonuses over £25,000 to, or in respect of, banking employees, in the period from its announcement on 9 December 2009 until 5 April 2010. It was paid by banks, building societies and UK resident investment or financial trading companies, in banking or building society groups.

Bank Payroll Tax liabilities arose on bonuses awarded in the 2009-10 financial year. The Bank Payroll Tax did not pass into law until 8 April 2010, in financial year 2010-11. Only after this point could HMRC collect Bank Payroll Tax and a payment due date of 31 August 2010 was set.

In line with guidance from the Office for National Statistics (ONS), the yield from the Bank Payroll Tax is allocated only after it has passed into legislation. Therefore, the revenue from the Bank Payroll Tax is scored in financial year 2010-11.

Cash receipts from the Bank Payroll Tax are published as National Statistics in 'HMRC Tax and NIC Receipts' on the HMRC website, at the following link:

https://www.gov.uk/government/collections/hm-revenue-customs-receipts

As shown in the main table at this link, the majority of the £3.4 billion of Bank Payroll Tax receipts were paid in August 2010.

The £3.4 billion is a gross receipts figure. To the extent that the Bank Payroll Tax discouraged the paying of bank bonuses (or reduced their size) there would have been an effect on other tax receipts, in particular lower Income Tax and NIC receipts from smaller bonuses. In other words, the behavioural effects from introducing the Bank Payroll Tax were expected to reduce Income Tax and NIC receipts relative to not introducing the tax.

The counterfactual (no Bank Payroll Tax) baseline against which to make such an assessment is not directly observable. However, HMRC estimated that the net yield from the Bank Payroll Tax was £2.3 billion. The net yield takes account of direct behavioural effects of a measure on the tax base itself (in this case the tax base for the Bank Payroll Tax) or closely associated receipts (in this case receipts from Income Tax and national insurance contributions).

The PAYE and Corporation Tax receipts shown in Table 1 will reflect any impacts of the Bank Payroll Tax on these taxes. However, these effects cannot be separately identified.

What is the Bank Levy?

The Bank Levy is a tax based on chargeable equity and liabilities arising from banks' balance sheets, with effect from 1 January 2011.

The Bank Levy applies to:

- UK banks, banking groups and building societies;
- Foreign banking groups operating in the UK through permanent establishments or subsidiaries; and
- UK banks and banking sub-groups in non-banking groups.

The Bank Levy is based on the total chargeable equity and liabilities arising from the relevant balance sheets, at the end of the 'chargeable period'. There is no charge on the first £20 billion of chargeable equity and liabilities, which in practice means that only the banks with a large operating presence in the UK will pay any Bank Levy.

All companies subject to the Bank Levy are deemed to be 'large companies' for payment purposes and therefore all liabilities are paid by quarterly instalments under the same provisions as Corporation Tax.

The rates at which the Bank Levy is charged are shown in Table 5 of Appendix B.

Following National Accounts protocol, the initial yield from the Bank Levy is allocated only after it has passed into legislation. The Bank Levy passed into law on 19 July 2011 and therefore the first receipts were reported in the 2011-12 financial year. The cash receipts for 2011-12 do not represent a complete year of Bank Levy liabilities, as payment does not become due immediately that liabilities arise.

What is the Bank Surcharge?

The Bank Corporation Tax Surcharge, commonly known as the Bank Surcharge, was introduced in The Finance Act (No 2) 2015 to levy a surcharge on the profits of banking companies from 1 January 2016.

The Bank Surcharge applies to all banking companies and building societies within the charge to UK Corporation Tax.

The surcharge profits are calculated on the same basis as for Corporation Tax but before the offset of losses that arise before the commencement date or from non-banking companies, before the surrender of group relief from non-banking companies. R&D expenditure credits are excluded from the surcharge. The surcharge also applies to any chargeable profits of a Controlled Foreign Company (CFC) which are apportioned to a banking company.

There is an annual allowance of £25 million available to banking groups, or, where a group has only one banking company or the banking company is not in a group, to that banking company alone.

The Bank Surcharge is paid alongside a company's liability to Corporation Tax.

The rates at which the Bank Surcharge is charged are shown in Table 6 of Appendix B.

Other Taxes

There are a number of other taxes that impact on the banking sector, including VAT and Insurance Premium Tax. These are discussed in more detail below.

<u>Value Added Tax (VAT)</u>

VAT is charged on most supplies of goods and services that VAT registered businesses provide in the UK. When such businesses buy goods or services (inputs) for use in their business activities they can generally reclaim the VAT they have been charged.

Some goods and services are exempt from VAT. This means VAT is not charged on such exempt supplies to customers and the supplier cannot recover the VAT incurred on inputs purchased to produce the exempt supplies. Most services supplied by banks are exempt and as a result banks cannot recover all the VAT incurred on their inputs. This irrecoverable VAT represents a significant addition to the banks' tax cost base.

HMRC does not have an administrative source of data on the irrecoverable VAT burden facing banks (or any other organisations whose supplies are exempt from VAT) because this information is not required for calculating VAT liabilities and therefore not collected through the VAT returns. It therefore has to be estimated using survey and other external data.

HMRC tentatively estimates that around £4.5 billion of VAT was irrecoverable by businesses in the banking sector in 2017-18. This was based on a survey of businesses whose main activity is assessed by HMRC as Standard Industrial Classification of Economic Activities[2] 2007 (SIC 2007) code 64 (*Financial service activities, except insurance and pension funding*). This is the most recent year for which an estimate is available.

The net VAT payments by banks to HMRC (VAT charged on their taxable outputs less VAT claimed for VAT costs on inputs for use in producing the taxable outputs) are small relative to the size of the sector because of the VAT exemption.

The net VAT payments declared on VAT Returns broken down by sector are published by HMRC annually at the following link:

https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutybulletins.aspx

Insurance Premium Tax

Insurance Premium Tax is a tax on general insurance premiums.

Most long-term insurance is exempted from the tax, as is reinsurance, insurance for commercial ships and aircraft and insurance for commercial goods in international transit. Premiums for risks located outside the UK are also exempted, but they may be liable to similar taxes imposed by other countries.

Total cash receipts from Insurance Premium Tax are published as National Statistics in the ‘Insurance Premium Tax (IPT) Bulletin’ on the HMRC UK Trade Info website, at the following link:

https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutybulletins.aspx

Sectoral information on Insurance Premium Tax is not collected by HMRC. This is because HMRC does not need this information in order to administer the tax, and as such does not require insurers to provide this information on the return that they make.

An estimate has been made of the amount of Insurance Premium Tax which is paid by the banking sector using information provided by HMRC banking sector teams. The population used to derive this estimate is not directly comparable with that used in the IPT Bulletin.

Companies without a UK establishment can be liable to IPT where the risks being insured are located in the UK, so the IPT population will include non-UK resident companies outside the scope of this publication.

HMRC estimates that net cash IPT receipts of the banking sector in 2017-18 were approximately £0.5 billion.

[2] More detailed information on SIC 2007 can be found here http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html

Other taxes

There are a number of other taxes that may impact on the banking sector which are not included in this publication. These include environmental taxes such as the Climate Change Levy and Landfill Tax, excise duties on products such as fuel and alcohol, stamp duties and business rates (the latter is not administered by HMRC). A sectoral breakdown of these tax receipts is not available.

Presentation of the statistics

PAYE is presented on a National Accounts basis. The National Accounts aims to recognise tax as the liability accrues, irrespective of when the tax is received by the Exchequer. The Bank Payroll Tax, Corporation Tax, Bank Levy and Bank Surcharge are presented on a cash receipts basis.

Corporation Tax, Bank Levy and Bank Surcharge receipts in this publication cover the months April to the following March.

For PAYE, receipts in a given month mainly relate to liabilities accrued in the previous month. To a close approximation receipts in the months May to April equate to liabilities accrued in the immediately preceding tax year and therefore to the National Accounts (i.e. liabilities) measure of PAYE receipts.

PAYE Income Tax and NICs receipts relating to bonus payments are mainly received by HMRC in the months January to April (reflecting bonuses paid to employees in the months December to March). Bonus payments in the banking sector are relatively large, and substantially boost PAYE receipts in the months affected. The treatment of PAYE receipts in these statistics means that all of the bonus related amounts for a given year appear within the same year's receipts total.

Rounding

Figures in this publication have been independently rounded to the nearest £0.1 billion. This means that the individual tax components as shown in the table may not appear to sum to the total as shown.

Appendix A: Data sources

Pay-As-You-Earn

The data for PAYE receipts is sourced from the BROCS system (Business Review of the Collection Service)[3] for all years up to and including 2012-13. From 2013-14 PAYE receipts is sourced from a different PAYE accounting system (the Enterprise Tax Management Platform, or ETMP), linked to the Real Time Information (RTI) programme.

PAYE figures as provided in the banking sector receipts statistics are recorded on a financial year **accruals** basis approximated by receipts in the months from May to April and consistent with the National Accounts. Other PAYE receipts figures published by HMRC (for example in the HMRC receipts table and also National Statistics table 2.8) are on a financial year **cash** basis (reflecting receipts over the period April to March). When making comparisons between the figures in this document and PAYE receipts information published elsewhere it is important to note this difference in coverage.

The statistics are subject to the definition of the banking sector used, as explained in the main body of this document.

Corporation tax

The data for Corporation Tax receipts comes from cash amounts (known as 'postings') recorded on HMRC's COTAX administrative system.

COTAX is the Company Tax computer system introduced in November 1999 to handle the CTSA (Corporation Tax Self-Assessment) legislation enacted on 1 July 1999, and the previous CT Pay and File legislation.

The dataset used for analysis contains all of the postings information. Therefore, as complete data is used, sampling error is not an issue.

Bank Levy

The Bank Levy is returned to HMRC as part of the supplementary pages to the CT600 company tax return. Liabilities and receipts are recorded on HMRC's COTAX administrative system alongside those for Corporation Tax. All companies subject to the Bank Levy are deemed to be 'large companies' for payment purposes and therefore all liabilities are paid as quarterly instalments under the same provisions as Corporation Tax.

Bank Surcharge

The Bank Surcharge liabilities and receipts are recorded on HMRC's COTAX administrative system alongside those for Corporation Tax. All companies subject to the Bank Surcharge are deemed to be 'large companies' for payment purposes and therefore all liabilities are paid as quarterly instalments under the same provisions as Corporation Tax.

Bank Payroll Tax

The data for Bank Payroll Tax receipts comes from HMRC's SAFE accounting system.

3 The main purpose of BROCS is to: maintain accounting records; issue reminders for late payment and collate information about debts for PAYE, Class 1 and 1A NICs, surcharges and related interest; and enable the total amounts remitted to HMRC under each PAYE scheme over the course of the year to be reconciled with the total which the employer indicates on their (P35) end of year return that they believe they have remitted.

Appendix B: Tax rates

The key rates of taxation affecting the taxes in Table 1 are shown in Tables 2 to 6 below.

Corporation Tax rates are set for the financial year commencing on 1 April. Income tax and National Insurance rates are set for the tax year commencing on 6 April. Bank Levy rates are normally set for a calendar year.

Table 2: Corporation Tax rates

	Main Rate	Small Profits Rate	Starting Rate[1]
2005-06	30%	19%	0%
2006-07	30%	19%	-
2007-08	30%	20%	-
2008-09	28%	21%	-
2009-10	28%	21%	-
2010-11	28%	21%	-
2011-12	26%	20%	-
2012-13	24%	20%	-
2013-14	23%	20%	-
2014-15	21%	20%	-
2015-16	20%	-	-
2016-17	20%	-	-
2017-18	19%	-	-
2018-19	19%	-	-

[1] The Corporation Tax starting rate applied to companies with an annual profit of less than £10,000 and was withdrawn from 2006-07

Table 3: Income Tax rates

	Starting Rate	Basic Rate	Higher Rate	Additional Rate[2]
2005-06	10%	22%	40%	-
2006-07	10%	22%	40%	-
2007-08	10%	22%	40%	-
2008-09	-	20%	40%	-
2009-10	-	20%	40%	-
2010-11	-	20%	40%	50%
2011-12	-	20%	40%	50%
2012-13	-	20%	40%	50%
2013-14	-	20%	40%	45%
2014-15	-	20%	40%	45%
2015-16	-	20%	40%	45%
2016-17	-	20%	40%	45%
2017-18	-	20%	40%	45%
2018-19	-	20%	40%	45%

[2] The Additional Rate of Income Tax applies to individuals with taxable income in excess of £150,000

Table 4: Class 1 National Insurance Contribution (NIC) rates and thresholds

	Employee's primary Class 1 NIC					Employer's secondary Class 1 NIC	
	Lower earnings limit (£/week)	Primary threshold (£/week)	Upper earnings limit (£/week)	Rate between primary threshold & upper earnings limit	Rate above upper earnings limit	Secondary threshold (£/week)	Rate above secondary threshold
2005-06	82	94	630	11%	1%	94	12.8%
2006-07	84	97	645	11%	1%	97	12.8%
2007-08	87	100	670	11%	1%	100	12.8%
2008-09	90	105	770	11%	1%	105	12.8%
2009-10	95	110	844	11%	1%	110	12.8%
2010-11	97	110	844	11%	1%	110	12.8%
2011-12	102	139	817	12%	2%	136	13.8%
2012-13	107	146	817	12%	2%	144	13.8%
2013-14	109	149	797	12%	2%	148	13.8%
2014-15	111	153	805	12%	2%	153	13.8%
2015-16	112	155	815	12%	2%	156	13.8%
2016-17	112	155	827	12%	2%	156	13.8%
2017-18	113	157	866	12%	2%	157	13.8%
2018-19	116	162	892	12%	2%	162	13.8%

Table 5: Bank Levy rates

Rate Period	**Rate for long term chargeable equity & liabilities**	**Rate for short term chargeable equity & liabilities**
01/01/11 – 28/02/11	0.025%	0.050%
01/03/11 – 30/04/11	0.050%	0.100%
01/05/11 – 31/12/11	0.0375%	0.075%
01/01/12 – 31/12/12	0.044%	0.088%
01/01/13 – 31/12/13	0.065%	0.130%
01/01/14 – 31/03/15	0.078%	0.156%
01/04/15 – 31/12/15	0.105%	0.210%
01/01/16 – 31/12/16	0.090%	0.180%
01/01/17 – 31/12/17	0.085%	0.170%
01/01/18 – 31/12/18	0.080%	0.160%
01/01/19 – 31/12/19	0.075%	0.150%

Table 6: Bank Surcharge rates

Rate Period	Rate for chargeable profits below £25 million	Rate for chargeable profits above £25 million
01/01/16 – 31/03/17	0%	8%
01/01/17 – 31/03/18	0%	8%
01/01/18 – 31/03/19	0%	8%

Bank Payroll Tax

The Bank Payroll Tax was a temporary tax set at 50% on awards of discretionary bonuses of over £25,000 to, or in respect of, banking employees in the period from its announcement on 9 December 2009 until 5 April 2010.

For more information on the thresholds applying to Income Tax please see:
https://www.gov.uk/income-tax-rates

For more information on the rates and thresholds for Employer's and Employee's National Insurance Contributions, please see:
https://www.gov.uk/government/publications/rates-and-allowances-national-insurance-contributions/rates-and-allowances-national-insurance-contributions

For a complete table of Corporation Tax rates and thresholds from 1971 onwards please see table A6 of the Corporation Tax Statistics publication:
https://www.gov.uk/government/statistics/rates-of-corporation-tax

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