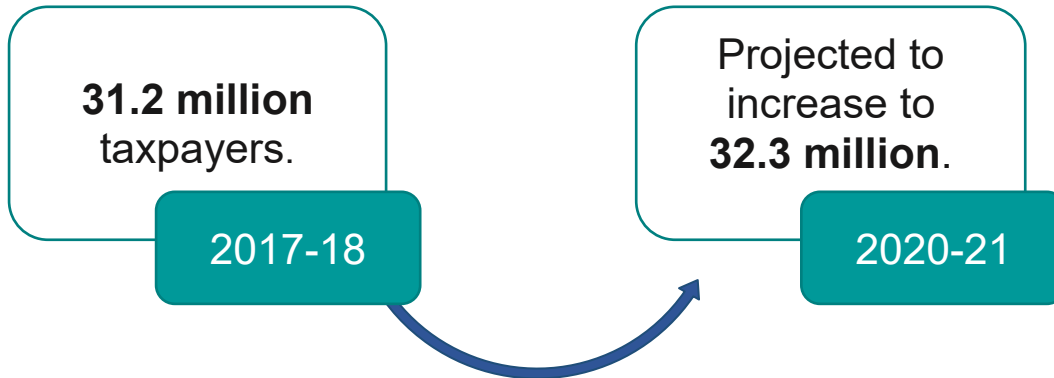


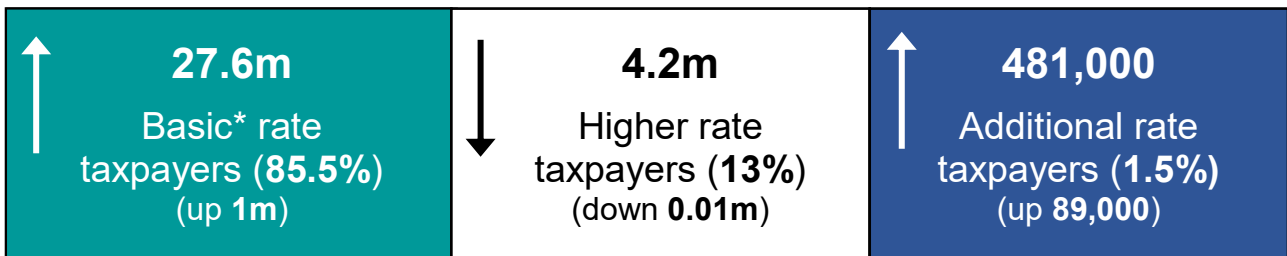


Key Statistics



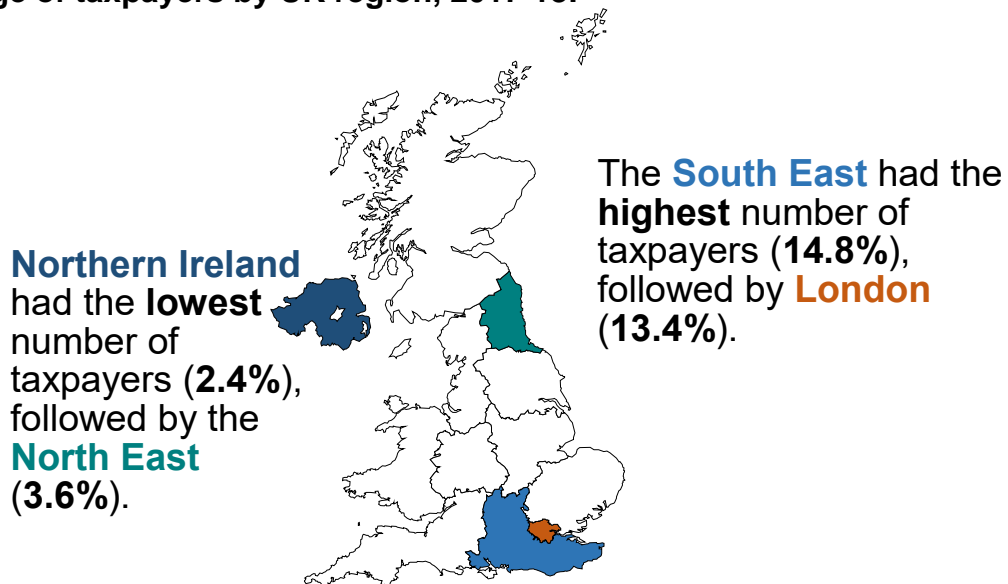
Estimates for 2018-19 to 2020-21 are projections based on the 2017-18 Survey of Personal Incomes and Office for Budget Responsibility's March 2020 Economic and Fiscal Outlook.

Projected 2020-21 taxpayer types compared to 2017-18:



*includes savers rate taxpayers and both Scottish starter and intermediate rate taxpayers from 2018-19

Percentage of taxpayers by UK region, 2017-18:

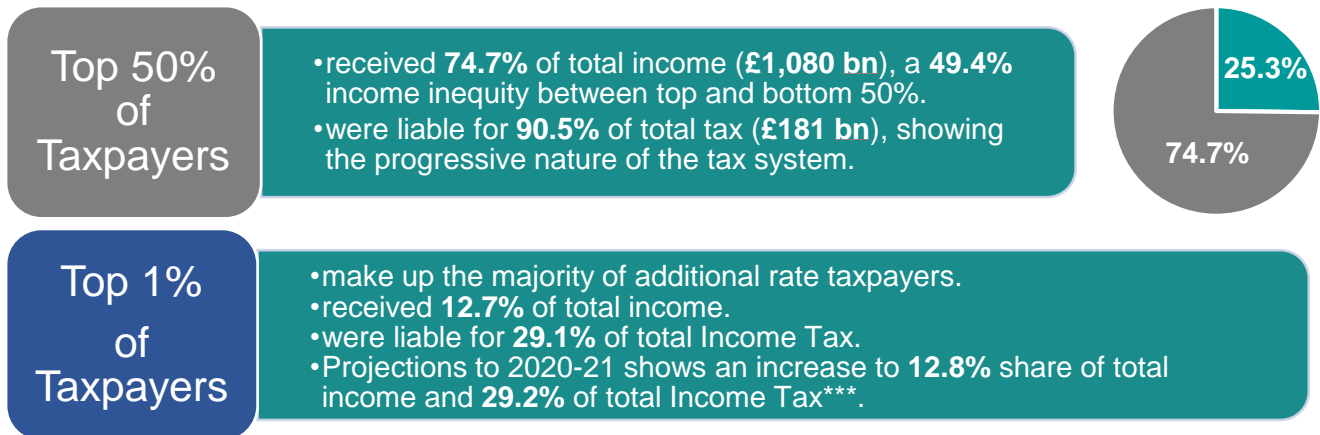


Projected 2020-21 average tax rates compared to 2017-18:

9.6% Basic* rate taxpayers (up 0.1 percentage points)	21.6% Higher rate taxpayers (down 0.1 percentage points)	37.7% Additional rate taxpayers (down 0.5 percentage points)
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In 2017-18 total income by Top and Bottom 50%**:

**Taxpayer distributions based on total income before tax.



***Projections for the top 1% are indicative.

About This Publication

This publication is the annual update of the Income Tax Liabilities Statistics (ITLS). Section A (Tables 2.1-2.6) provides detailed statistics on outturn and projections of individual Income Tax payer 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 1%), 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, Section B (Table 2.7) sets out trends in Income Tax burdens over time for a selection of illustrative family types and earnings levels.

The SPI is based on information held by HMRC on individuals who could be liable to UK Income Tax. It is carried out annually by HMRC and covers income assessable to tax for each tax year.

Additional supplementary information published for the ITLS annual release:

- Accompanying statistical tables,
- Supporting documentation including context and background information, data sources and the methodology, quality indicators and a glossary of terms.

<https://www.gov.uk/government/collections/income-tax-statistics-and-distributions>

Related Publications

Users of the ITLS may also be interested in HMRC's other publications including the [Survey of Personal Incomes \(SPI\) statistics](#) and [Statistics on Income Tax receipts](#).



Website: <https://www.gov.uk/government/collections/income-tax-statistics-and-distributions>
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Publication date: 26th June 2020 Next publication date: May/June 2021
Frequency: Annual Coverage: UK Theme: Economy

New in this release

ITLS was last published in June 2019. This publication (June 2020) includes the finalised figures for the 2017-18 Survey of Personal Incomes (SPI).

This release provides revised projections for tax years 2018-19 to 2019-20 as well as the first estimates for the 2020-21 tax year, all based on the new 2017-18 SPI data. The data is projected using economic assumptions consistent with the Office for Budget Responsibility's (OBR) March 2020 Economic and Fiscal Outlook:

<https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/>

The Income Tax liabilities Statistics for 2020-21 do not account for the impact of COVID-19 on the economy, and in particular on earnings. As per normal for these statistics, they are based on economic assumptions consistent with the OBR's most recent Economic and Fiscal Outlook (in this case from March 2020).

This OBR forecast does not reflect the estimated impacts of COVID-19 on the UK economy, individuals' incomes, Income Tax, nor does it take into account government support schemes subsequently announced. At the time of writing a new full set of economic assumptions are not available to enable the remodelling of 2020-21. Details of this forecast and its early limitations as of its publication on the 11th March are set out in 'Box 2.3' (page 34) of the OBR's March 2020 Economic and Fiscal Outlook.

This (June 2020) release reflects all Income Tax policy changes up to and including the 2020-21 tax year. This includes changes made by both the UK and Scottish Governments following the devolution of Income Tax rates and bands (except the Personal Allowance, which remains reserved) that apply to Scottish taxpayers' non-savings, non-dividend (NSND) income.

This is the first edition using a new format splitting the supporting document from the main bulletin, with a set of combined tables published separately.

SECTION A: Income Tax Liabilities Statistics

Section A provides detailed insights into some of the key statistics presented in Tables 2.1-2.6.

Table 2.1 – Number of individual Income Tax payers by marginal rate, gender and age, 1990-91 to 2020-21

Table 2.1 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. The table provides separate breakdowns of the Income Tax paying population by marginal tax rate, gender and age group.

Interpreting Table 2.1

Starting, savers and basic rate taxpayers are below the higher rate, and might all be considered “basic” rate taxpayers in the sense that no tax is due at higher rates. Classification of taxpayers by marginal rate¹ is described in Annex B of the supporting documentation and is subject to discontinuities over time reflecting the changing structure of UK Income Tax. From 2018-19, Scottish taxpayers in the starter rate and intermediate rate are considered “basic” rate taxpayers, higher and additional rates for Scotland increased by one percentage point to 41% and 46% respectively but are grouped with non-Scottish taxpayers in the same marginal rate bands (further details in Annex B of the supporting documentation).

Please see Table 2.1a for historic years before 1990-91.

Taxpayers

The latest SPI data shows an estimated 31.2 million taxpayers in 2017-18, broadly unchanged compared to 2016-17, as a result of above indexation growth in the Personal Allowance (PA) offsetting growth in population, income and employment. The number of total taxpayers is projected to rise to 32.3 million in 2020-21 partly due to population, income and employment growth combined with the PA not increasing in 2020-21.

In 2017-18, 13.2 million (42.3%) of Income Tax payers were female, 18 million (57.7%) were male; and 6.6 million (21.1%) were above the State Pension Age (SPA)².

¹ An individual's marginal tax rate is the proportion of an extra pound of income that would be paid in Income Tax, which depends on their total taxable income and its composition.

² State Pension Age for the purposes of this publication in 2017-18 is 65 years for men and 64.5 years for women.

Figure 1: Number of individual Income Tax payers, 1990-91 to 2020-21



(a) 2008-09 Survey of Personal Incomes is currently unavailable

Comparable ONS figures³ for 2018 estimate 51.1% of the UK population aged 16 and over were female, 48.9% were male; and 22.6% were over the SPA, suggesting men are overrepresented in the taxpayer population whilst women and those over the SPA are underrepresented.

Projections to 2020-21 show 13.6 million (42.1%) of Income Tax payers are female, 18.7 million (57.9%) are male; and 6.3 million (19.3%) are above the SPA.

³ Office for National Statistics Mid-Year Population Estimates for 2018, <http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesandnorthernireland>

Figure 2: Income Tax payers and Office for National Statistics population estimates by age and sex, 2017-18



Marginal rate⁴

In 2017-18, 625,000 individuals (2%) were savers rate taxpayers⁵, 26 million individuals (83.3%) were basic rate taxpayers, there were 4.2 million (13.5%) higher rate taxpayers and 392,000 (1.3%) additional rate taxpayers.

In 2020-21, it's estimated that 713,000 individuals (2.2%) are savers rate taxpayers, 26.9 million individuals (83.3%) are basic rate taxpayers, while there are 4.2 million (13%) higher rate taxpayers and 481,000 (1.5%) additional rate taxpayers.

The number of higher rate taxpayers were projected to increase slightly from 4.2 million in 2017-18 to 4.3 million in 2018-19, partly due to earnings growth and the higher rate threshold (HRT) increasing in line with the Consumer Price Index (CPI).

Higher rate taxpayers were then projected to decrease to 3.9 million in 2019-20, when the HRT was increased by £3,650. The HRT was then frozen in 2020-21 at the 2019-20 level, causing the number of higher rate taxpayers to increase again to 4.2 million.

From 2016-17 the Scottish Government have set the HRT for Scottish taxpayers. The assumptions around how a Scottish taxpayer is identified, how their marginal rate is allocated, and how the dual HRT's have been modelled are detailed in Annex B of the supporting documentation.

The number of additional rate taxpayers is projected to increase in every year from 2017-18 to 2020-21. The additional rate threshold has been frozen at £150,000 since it was introduced in 2010-11.

⁴ Figures may not sum due to rounding.

⁵ Individuals without taxable earnings but with taxable savings above the starting rate limit and/or taxable dividends, where rates of 20% and 7.5% applied to savings and dividends.

Table 2.2 – Number of individual Income Tax payers by country and region, 1999-00 to 2020-21

[Table 2.2](#) provides a breakdown of the number of individuals with positive Income Tax liabilities (taxpayers) over time, country and across Government Office Regions. The table provides separate breakdowns of the Income Tax paying population by taxpayers' marginal tax rate, gender and by age group.

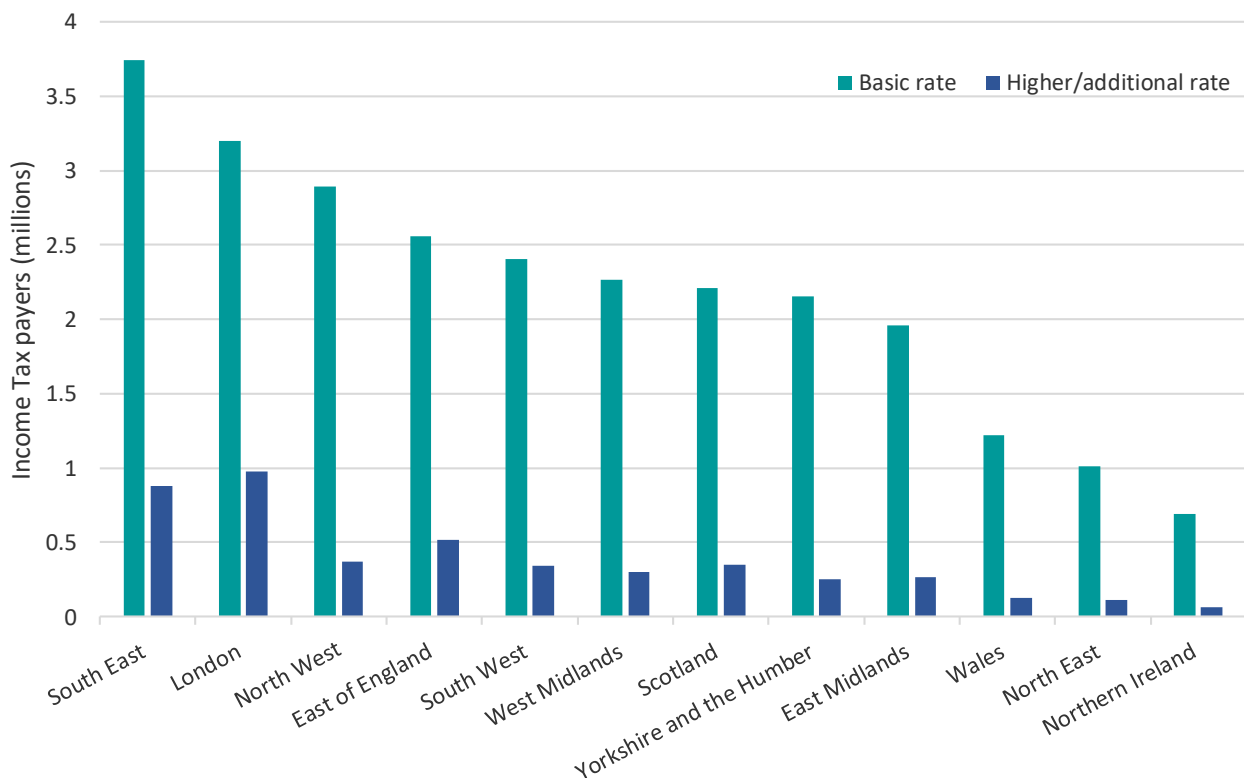
Interpreting Table 2.2

Taxpayer country and region for individuals in the SPI data are determined by individuals' residential postcode (not, for example, their place of work if any). Projections of taxpayer numbers by country and region beyond the 2017-18 outturn are based on economic outturn/forecast 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 or population trends. Annex B of the supporting documentation provides further details.

Please see Table 2.2a for historic years before 1999-00.

Taxpayers

Figure 3: Income Tax payers by country and region, 2017-18



Projections⁶ show taxpayer numbers increasing across the countries and regions between 2017-18 and 2020-21. In 2017-18, estimates suggested that the largest number of taxpayers resided in the South East (14.8% of the total), followed by London (13.4%) and the North West (10.5%) Government Office Regions. Northern Ireland had the lowest number of taxpayers (2.4%) of all the countries and regions, followed by the North East (3.6%) and then Wales (4.3%). Around 1% of taxpayers either resided abroad or their address was unknown in the SPI (these are not included in Table 2.2).

Higher and additional rate taxpayers

In 2017-18, there were three regions where the proportion of higher and additional rate taxpayers exceeded the UK average (14.8%): London (23.4%), the South East (19.1%), and the East of England (16.8%). By contrast, under-representation of higher and additional rate taxpayers was most marked in Northern Ireland (8.7%), Wales (9.5%) and the North East (9.9%).

The increases in the higher rate threshold (HRT) between 2017-18 and 2019-20 contribute to the number of higher rate taxpayers decreasing by 2020-21 across all regions except Scotland despite the HRT freeze in 2020-21. The Scottish HRT⁷ was frozen in 2017-18, capped at 1% increase in 2018-19 and frozen again in 2019-20 and 2020-21. These policies contribute to the projected increases in higher rate Scottish taxpayers in each of these years.

⁶ The projection methods take account of relevant economic trends at UK level; irrespective of the place of residence of each individual in the SPI data (see Annex B of the supporting documentation). Therefore, these regional projections of taxpayer numbers are indicative, and show close correspondence with the expected overall UK trend, but do not reflect any intra-UK population changes.

⁷ Higher rate threshold for non-savings non-dividend income for Scottish taxpayers.

Table 2.4 – Shares of total income (before and after tax) and Income Tax for percentile groups⁸, 1999-00 to 2020-21

Table 2.4 shows how the distributions of income and tax liabilities have changed since 1999-00. Income distribution provides one measure of income inequality, while the shares of total tax liabilities reflect the progressivity of the Income Tax system. The table also shows the income breakpoints for each percentile groups.

Interpreting Table 2.4

Table 2.4 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 includes those incomes that are assessable for tax (e.g. a range of non-taxable social security benefits, some tax credits and non-taxable savings from ISAs etc. are not included).

Taxpayers are ranked based on total income assessable for tax (earnings, savings and dividend 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).

Projections of shares of income and tax for percentile groups 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 (for more details see Annex B of the supporting documentation).

Income distribution

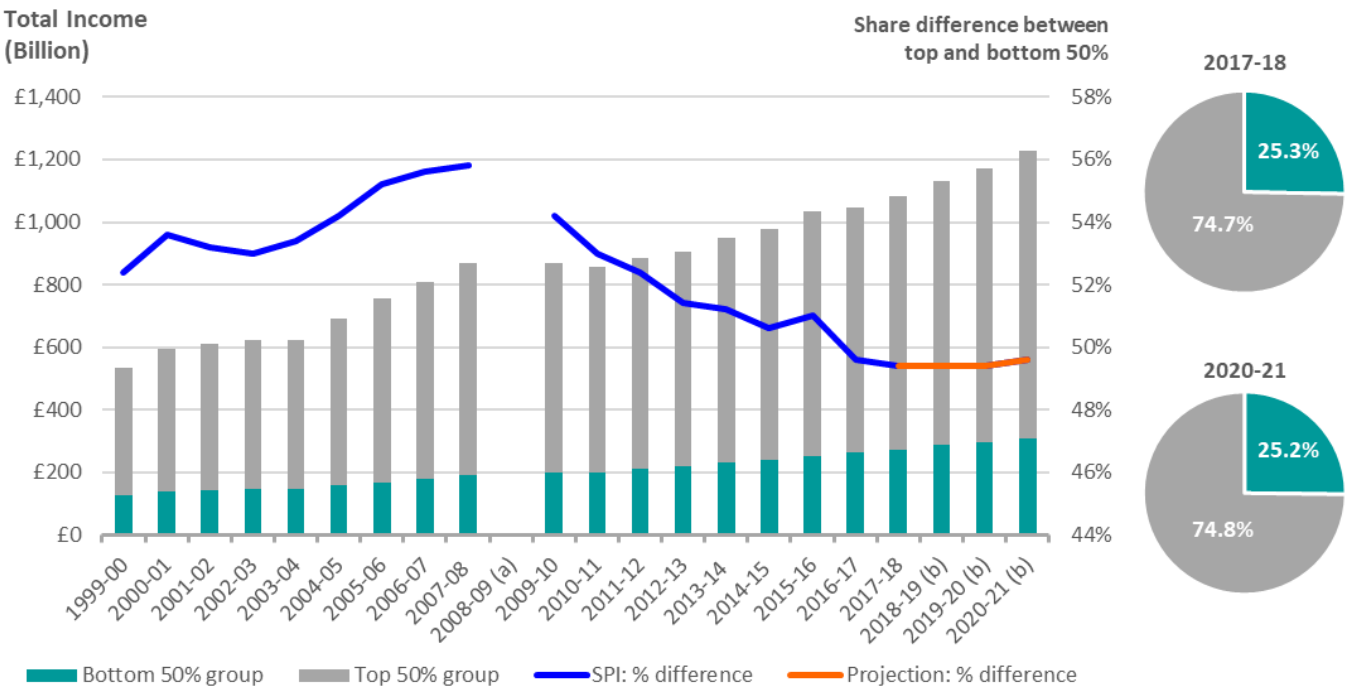
Figure 4 shows that taxpayers' total income grew from £533 billion in 1999-00 to £1,080 billion in 2017-18 and is projected to reach £1,230 billion by 2020-21.

In 1999-00, income inequality between the bottom and top 50% of taxpayers was highlighted by a 52.4 percentage point difference in their share of total income before tax: the bottom 50% had 23.8% whilst the top 50% had 76.2%. Inequality by this measure grew in the years leading up to the 2008 recession, showing a 55.8 percentage point difference in 2007-08 (77.9% compared to 22.1%). Since then, inequality has continually fallen and went below its 1999-00 level in 2012-13 and down to 49.4 in 2017-18. However, this is expected to increase to 49.6 percentage points in 2020-21.

The top 10% of taxpayers accounted for around a third (34.1%) of all income in 2017-18, the top 5% around a quarter (24.9%), and the top 1% around 12.7%. By contrast, the bottom 10% accounted for 3.7% of all income, the bottom 5% had 1.7%, and the bottom 1% had 0.3%.

⁸ Percentile groups are ranged on total income before tax.

Figure 4: Distribution of total income for bottom and top 50% of taxpayers, 1999-00 to 2020-21

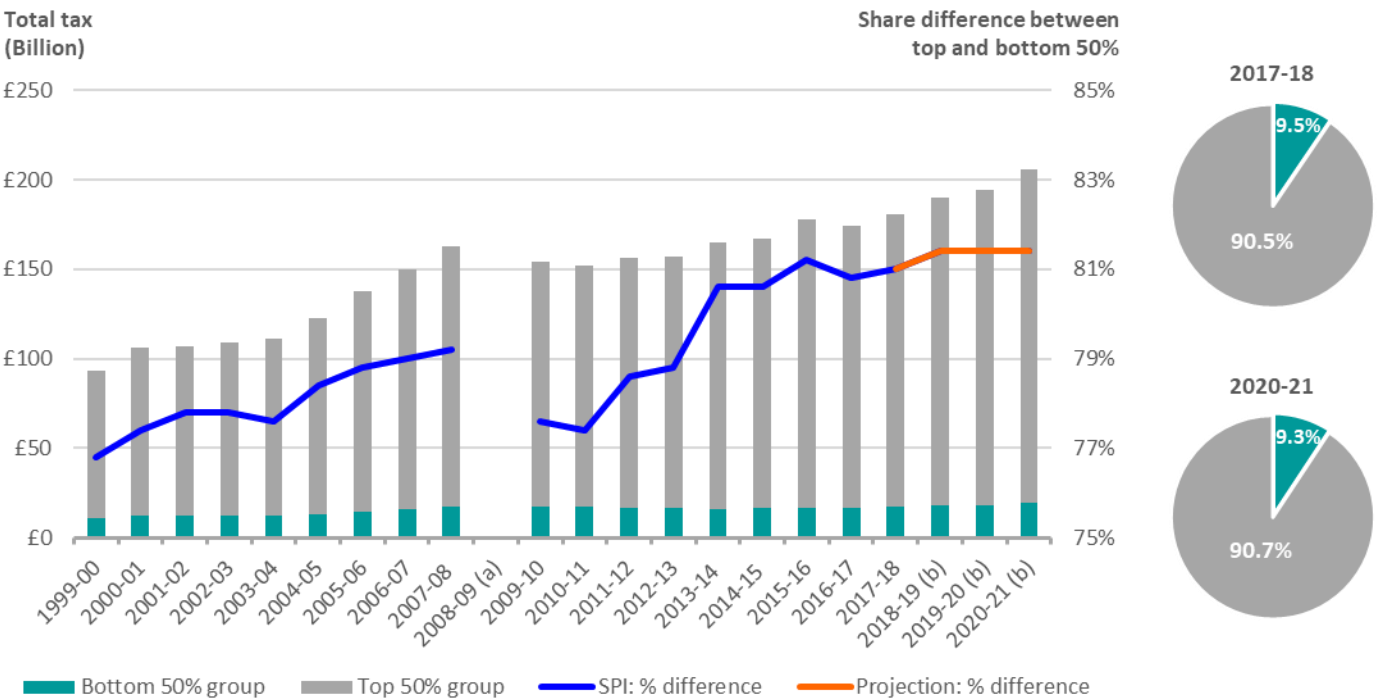


(a) 2008-09 Survey of Personal Incomes is currently unavailable
 (b) Projections

Share of Income Tax liabilities

Figure 5 shows taxpayers' total Income Tax liabilities at £93 billion in 1999-00, growing to £181 billion in 2017-18 and is expected to reach £206 billion by 2020-21.

Figure 5: Share of total Income Tax for bottom and top 50% of taxpayers, 1999-00 to 2020-21



(a) 2008-09 Survey of Personal Incomes is currently unavailable
 (b) Projections

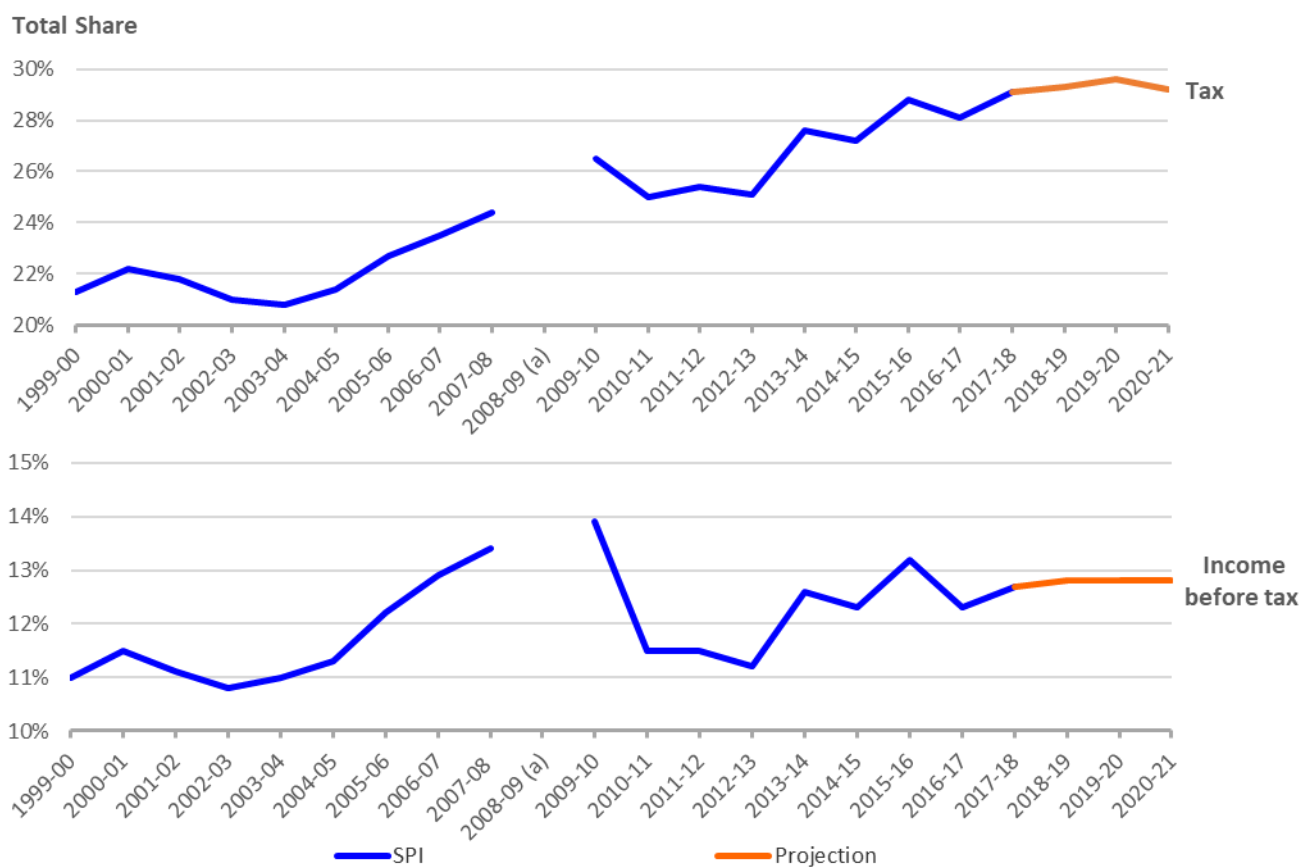
In 2017-18 the bottom 50% of taxpayers were liable for 9.5% of total tax, whilst the top 50% were liable for 90.5%. Around three fifths (60.5%) of total Income Tax liability was accrued by the top 10% of taxpayers, while around a quarter (29.1%) was accrued by the top 1% in 2017-18. In comparison, the bottom 10% accrued 0.4% of total Income Tax and the bottom 1% accrued a negligible share.

In 2020-21 the bottom 50% of taxpayers are projected to be liable for 9.3% of total tax, whilst the top 50% are projected to accrue 90.7%, showing the continued progressivity of the Income Tax system. The top 10% of taxpayers are projected to be liable for 60.8% of total tax, with the bottom 25% projected to accrue 2.2%.

Additional rate impacts

The top 1% of taxpayers have made up the majority of the additional rate taxpayer population since its introduction in April 2010. The share of total income projected to be received by the top 1% of taxpayers increases by 0.1% to 12.8% between 2017-18 and 2020-21, while their share of tax to be paid also increases by 0.1% to 29.2%. The highest share of tax to be paid by the top 1% is projected to have been 29.6% in 2019-20. The reduced tax share in 2020-21 from the previous year is mainly due to the increase in taxpayer numbers, partly caused by the Personal Allowance (PA) freeze.

Figure 6: Percentage share of total income before tax and total tax for the top 1% of taxpayers 1999-00 to 2020-21



(a) 2008-09 Survey of Personal Incomes is currently unavailable

Figure 6 shows how the 2010 introduction of the additional rate on taxable income over £150,000 led to individuals bringing forward or ‘forestalling’ income in 2009-10 from 2010-11. Income forestalling was estimated by HM Revenue and Customs (HMRC) at around £16-18 billion or 2% of total taxpayer income. Details of these effects were set out in a HMRC report⁹.

In April 2013, the additional rate was reduced, and this led to the postponement or ‘deferral’ of income from 2012-13 to 2013-14. This can be seen in the ‘below normal’ share of income of the top 1% in 2012-13 and the subsequent increase in 2013-14. The share of income of the top 1% should have returned to a ‘normal’ level in 2014-15.

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

- artificially high in 2009-10,
- artificially low in 2010-11 to 2011-12 as forestalling unwinds over these years
- *(relating to the introduction of the 50p rate in April 2010).*
- artificially low in 2012-13
- artificially high in 2013-14
- *(relating to the reduction in the additional rate to 45p in April 2013).*
- returned to normal in 2014-15.

Outturn for 2015-16 and 2016-17, new outturn for 2017-18 and projections for 2018-19 to 2020-21 explicitly take account of estimated income shifting due to the changes to the taxation of dividends.

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

- artificially high in 2015-16,
- artificially low in 2016-17 through to 2020-21 as the forestalling unwinds over these years
- *(relating to the introduction of the new dividend taxation policies in 2016-17, the majority of the unwind effect is captured in 2016-17 to 2018-19).*

The published years unaffected by income forestalling or unwinding are those up to 2007-08; and 2014-15. Therefore only 2014-15 can be compared directly with the years preceding the additional rate.

The share of total income before tax for the top 1% of taxpayers declined from 13.4% in 2007-08 to 12.3% in 2014-15, reflecting the reduction in income inequality referred to earlier in the two data points unaffected by income shifting.

In contrast, the share of total tax accrued by the top 1% of taxpayers increased from 24.4% in 2007-08 to 27.2% in 2014-15 indicating that the progressivity of the tax system increased over this period. Factors contributing to this increase in progressivity will include:

⁹ *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>

- introduction of the additional rate and the PA taper;
- lowering of the limits on tax relief on pension contributions;
- real terms PA increases since 2010-11 with the benefits going mainly to basic rate taxpayers.

Annex B of the supporting documentation describes in more detail HMRC's estimates of possible behavioural responses to the additional rate of Income Tax.

Table 2.5 – Income Tax liabilities by income range, 2017-18 to 2020-21

[Table 2.5](#) shows a snapshot of the numbers of individuals with positive Income Tax liabilities (taxpayers) and their tax liabilities by range of total income and marginal rate of tax.

Interpreting Table 2.5

Income groups are defined in Table 2.5 in terms of the lower limit for total income before any deductions, allowances and tax credits. Taxable income is net of these deductions and allowances, and this explains why total income for some taxpayers at each marginal tax rate in Table 2.5 exceeds the corresponding limits for taxable incomes that apply to the tax bands (e.g. total income for some basic rate taxpayers significantly exceeds the basic rate limit for taxable income). From 2018-19 Scottish taxpayers in the starter rate and intermediate rate are considered “basic” rate taxpayers (further details in Annex B of the supporting documentation).

Column totals for tax liabilities of taxpayers by marginal rate show total liabilities of such taxpayers, including liabilities accrued at other rates of tax (e.g. total liabilities of higher rate taxpayers include 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 45% (46% for Scottish taxpayers).

Please see Table 2.5a for historic years before 2017-18.

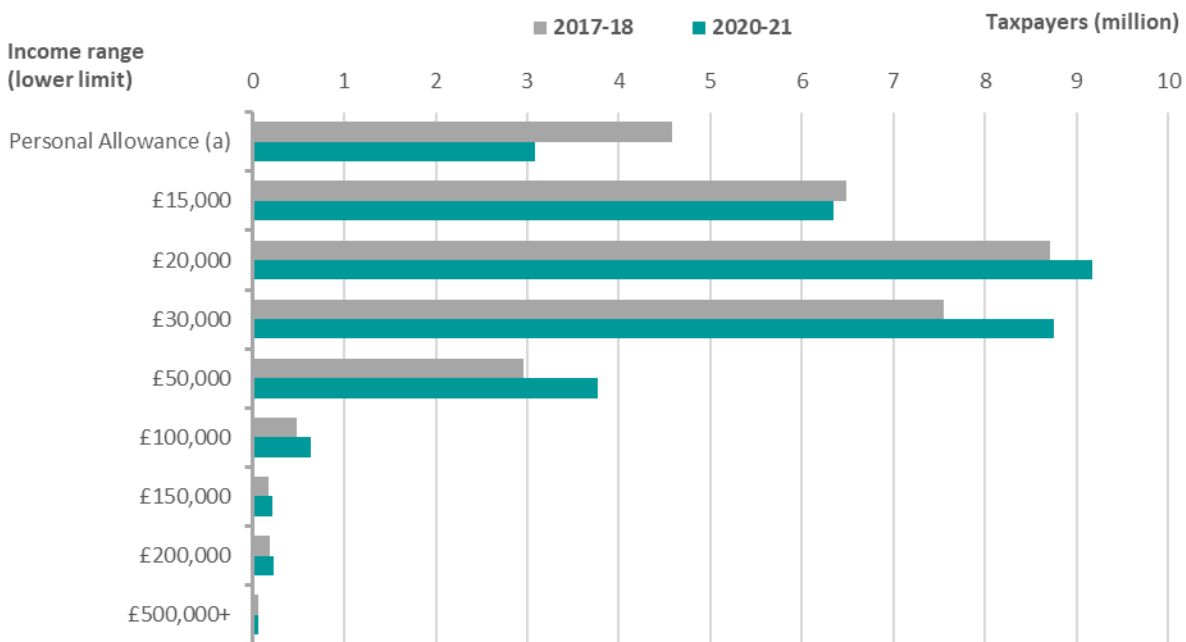
Taxpayers by income

In 2017-18, an estimated 11.1 million Income Tax payers (35.5%) had total income assessable for tax under £20,000 and 16.3 million taxpayers (52.1%) had income from £20,000 to under £50,000. Combined these groups accounted for 87.6% of all taxpayers in 2017-18.

The number of taxpayers with total incomes of £50,000 or more in 2017-18 was 3.9 million (12.4%), substantially smaller than the number of taxpayers with incomes under £50,000. Table 2.5 shows that there were relatively few taxpayers with very high incomes such that it was estimated that 18,000 taxpayers had incomes above £1 million, of which 6,000 had incomes above £2 million.

Figure 7 shows the projected change in the distribution of taxpayers by income range between 2017-18 and 2020-21 during which overall taxpayer numbers are estimated to increase by 1.1m. Projections for 2020-21 show increasing taxpayer numbers for all income ranges over £20,000 compared with 2017-18, reflecting expected growth in the population, employment and incomes. However, there is a reduction in taxpayers with total income below £15,000, primarily due to aggregate above indexation increases to the PA.

Figure 7: Taxpayers by income range for 2017-18 and 2020-21



(a) £11,500 in 2017-18, £12,500 in 2020-21

Liabilities and average tax rates

Figure 8 shows that average rates of tax generally rise with total income. In 2017-18, the average rate was 6.1% of total income for those with incomes from £15,000 to under £20,000 and increased to 9.7% for incomes from £20,000 to under £30,000. Rates then rose to 20.5% for incomes between £50,000 and £100,000 (within the higher rate tax band), and to 34.0% for incomes from £150,000 to under £200,000 (within the additional rate band). For incomes of £200,000 or more, average tax rates rose to a peak of 40% for individuals earning from £1 million to under £2 million before falling to 38.7% for incomes of £2 million and more.

The distribution of total tax liabilities by taxpayers' marginal rate shows marked differences from the distribution of taxpayer numbers by marginal rate. In 2017-18, basic and savers rate taxpayers represented the large majority of taxpayers by number (85.3%) but accounted for less than half of total liabilities (33.1%). By contrast, higher rate taxpayers (13.5% by number) accounted for 35.2% of total tax liabilities and additional rate taxpayers (1.3% by number) accounted for 31.7% of total tax liabilities¹⁰.

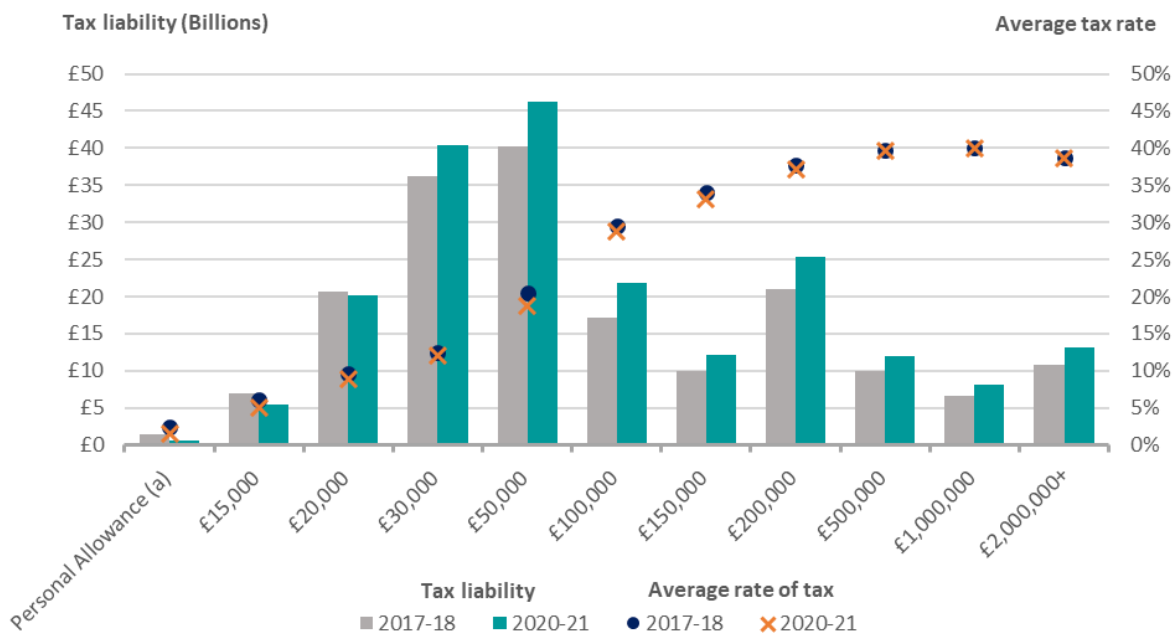
Figure 8 shows that the total tax liabilities of those with income up to £30,000 is projected to decrease between 2017-18 and 2020-21. Taxpayers with income over £30,000 are expected to gain a larger proportion of total tax liabilities: whereas in 2017-18 they were liable for 84.0%, in 2020-21 they are liable for 87.2% of total tax.

The average tax liability is expected to increase by around £570, from £5,800 to £6,370 from 2017-18 to 2020-21, partly due to above indexation PA increases removing some individuals with lower incomes from Income Tax. Those with income between £15,000 and £150,000

¹⁰ 2017-18: basic and savers rate taxpayer liabilities = £59.9bn, higher rate liabilities = £63.6bn, additional rate taxpayer liabilities = £57.3bn. Total taxpayer liabilities = £181bn.

are expected to see an average increase in their tax liability of around £55 over this period, mostly due to an increase in taxpayers with higher earnings.

Figure 8: Total tax liabilities and average rate of Income Tax by income range, 2017-18 and 2020-21



(a) £11,500 in 2017-18, £12,500 in 2020-21

The average rate of tax across all taxpayers is projected to increase slightly from 16.7% in 2017-18 to 16.8% in 2020-21. While there is a fall in average rates of tax for those in income groups below £1,000,000, partly due to the higher rate threshold (HRT) being significantly higher in 2020-21 compared to 2017-18, there are more taxpayers in the higher income groups driving up the overall average. Those with incomes between £50,000 and £100,000 have the largest decrease in average rates of tax at 1.8 percentage points from 2017-18 to 2020-21 as they benefit from both the above indexation increases to the PA and HRT in 2019-20. Those with incomes between £100,000 and £200,000 will also see falls in average tax rates.

All else being equal, the impact of the cash increases in the PA on average tax rates becomes progressively smaller as income rises. Average tax rates for those with income below £50,000 are projected to decrease in 2020-21 compared to 2017-18, with the average rates for those with incomes between £15,000 and £20,000 decreasing by up to 1.1 percentage points.

For those with incomes between £200,000 and £1 million, average tax rates are projected to decrease slightly from 2017-18 to 2020-21. Such individuals have the PA fully withdrawn and therefore do not benefit from its above indexation increases but have benefitted from the above indexation increases in the HRT.

Table 2.6 – Income Tax liabilities by income source, tax band and marginal rate, 2017-18 to 2020-21

Table 2.6 shows total tax liabilities, broken down by income source (earnings, savings and dividends) and by Income Tax band showing the composition of the total tax liabilities. It also shows average tax rates by taxpayer marginal rate.

Interpreting Table 2.6

Projections of total Income Tax liabilities shown in Table 2.6 and in other tables are for reference. Please see the supporting document on use of ITLS statistics and projections.

Estimates of total liabilities for given tax bands include tax accrued on incomes in that band by all taxpayers, e.g. totals for basic rate tax include the basic rate tax liabilities of basic, higher, and additional rate taxpayers.

Table 2.6 presents tax liabilities classified into three broad sources of income assessable for Income Tax: earnings, savings interest and dividends, split by marginal rates. Earnings are defined as including; pay from employment, profits from self-employment, private and occupational pensions, retirement annuities, state retirement pensions, foreign income, taxable benefits, income from property and taxable social security income.

Please see Table 2.6a for historic years before 2017-18.

Income source

In 2017-18, the large majority (92.8%) of total Income Tax liabilities (£181 billion) were due on earnings, with a further 6.3% from dividends and 0.9% from savings interest. In the projections to 2020-21, the proportion of tax from earnings decreases to 91.7%, tax from dividends increases to 7.4% and tax from savings interest remains at 0.9% of the total liabilities (£206 billion), mainly due to policy changes in the taxation of dividends. These results largely reflect the composition of taxpayer incomes by source¹¹.

Liabilities by tax band

In 2017-18, 49.1% of total tax liabilities were due on taxable incomes falling within the basic rate tax band (applying to the first £33,500 of taxable income in 2017-18), compared with 30.4% in the higher rate tax band (taxable income above £33,500 and up to £150,000) and 20.5% in the additional rate tax band. The starting rate for savings is 0% so there are no starting rate taxpayers.

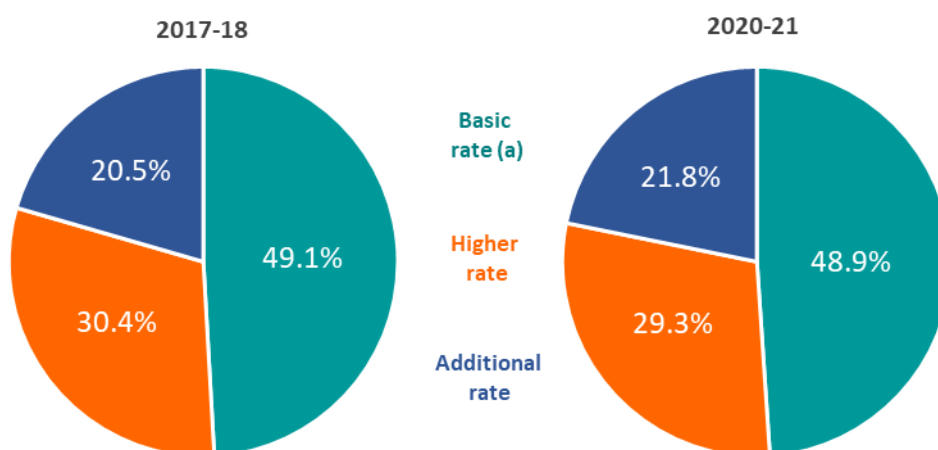
Composition of total tax liabilities in 2020-21 is expected to change compared with 2017-18. Tax at the basic rate (including tax at savers rate) is projected to decrease by 0.2 percentage points to 48.9% in 2020-21. Tax at the higher rate is projected to decrease by 1.1 percentage points to 29.3% while additional rate tax is projected to increase by 1.3 percentage points to 21.8%.

¹¹ HMRC also publishes detailed statistics on taxpayer incomes based on the SPI data: <https://www.gov.uk/government/statistics/income-and-deductions>

The significant lift in the Personal Allowance (PA) between 2017-18 and 2020-21 may explain the slight reduction in tax liable at the basic rate, despite the PA freeze in 2020-21. The changes seen at the higher and additional rates suggest a combination of the following:

- The basic rate limit (BRL) has increased significantly between 2017-18 and 2019-20, hence some taxpayers may no longer have income taxed at the higher rate (it's being taxed at the basic rate instead).
- The BRL was frozen in 2020-21 and so there will be a larger number of taxpayers brought into the higher rate by the average wage growth in that year.
- The additional rate threshold has been fixed at £150,000 since its introduction, contributing to the number of additional rate taxpayers increasing, meaning more tax is accrued at that rate which would have otherwise been subject to the higher rate of tax.
- There is still some residual unwind of forestalled dividend income in the projected years (see 'Additional rate impacts' for table 2,4 of this bulletin), however there is less unwind in 2020-21 compared to 2017-18. (This is the dividend income that was forestalled in 2015-16 ahead of changes to dividend taxation.) This would increase the amount of additional rate tax accrued in 2020-21 compared with 2017-18.

Figure 9: Proportion of tax liabilities at basic, higher and additional rate, 2017-18 and 2020-21



(a) Includes savers rate taxpayer's liabilities, 0.4% in 2017-18 and 0.4% in 2020-21 and Scottish taxpayer's liabilities in the starter rate and intermediate rate who are considered "basic" rate taxpayers (further details in Annex B of the supporting documentation).

Average rates of tax

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 9.5% for basic rate taxpayers, 21.7% for higher rate taxpayers, and 38.2% for additional rate taxpayers in

2017-18, compared with headline marginal tax rates of 20%, 40% and 45% on earnings. Average rates of tax in 2017-18 were 3.5% for savers rate taxpayers¹².

For basic rate taxpayers, the average rate of Income Tax is projected to remain broadly unchanged at 9.5% from 2017-18 to 2019-20 then increase slightly to 9.6% in 2020-21. The average rate for higher rate taxpayers is expected to stay broadly the same from 2017-18 to 2019-20 then fall slightly to 21.6% in 2020-21. The average rate for additional rate taxpayers is projected to decrease, falling to 37.7% in 2019-20 then remain broadly unchanged in 2020-21.

¹² Individuals with taxable savings above the starting rate limit and/or Personal Savings Allowance, or taxable dividends but no taxable earnings.

SECTION B: Illustrative Tax Burdens

Section B provides details of some of the key illustrative statistics presented in Table 2.7.

Table 2.7 – Income Tax (net of tax credits) as a per cent of gross earnings for specimen families, 1990-91 to 2020-21

Table 2.7 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.

Interpreting Table 2.7

Table 2.7 is different from the other tables in this release. SPI data is not used in constructing the table. The tax burdens are shown for hypothetical or illustrative families with given circumstances, earnings and tax credits. Tax credit entitlements exceed Income Tax liabilities in some cases leading to negative estimated tax burdens.

These illustrative families are not designed to represent the overall UK taxpaying population, whose family circumstances and incomes vary widely. The tax burdens do not account for differences from devolved elements of Income Tax. Earnings levels assumed in Table 2.7 are derived from the Office for National Statistics' (ONS) Annual Survey of Hours and Earnings, with latest available outturn data for April 2019. Outturns for tax burdens therefore are published to 2018-19, with projections for 2019-20 and 2020-21. The ONS have revised their 2018 earnings estimates, and this has been incorporated into the earnings levels used for 2017-18, which therefore may have changed the tax burdens for that year, from that published in the previous publication of Table 2.7.

Tax burden

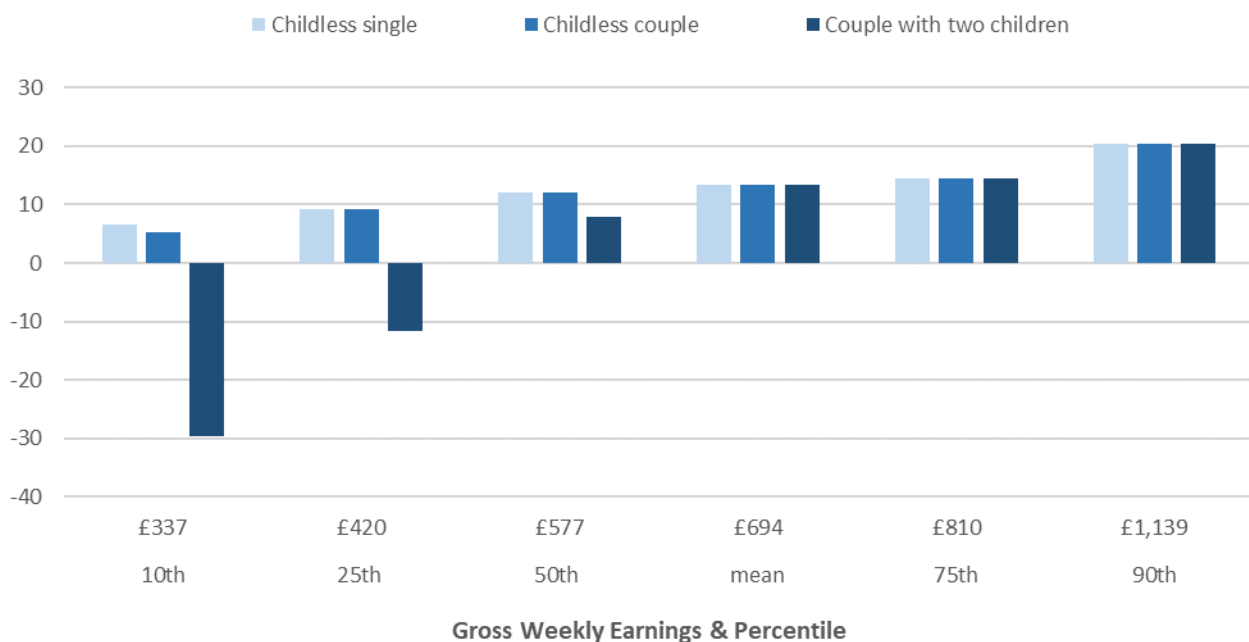
In 2018-19, the latest tax year for which provisional earnings outturns are available¹³, childless single persons with gross earnings at the 10th percentile of the earnings distribution had an estimated Income Tax burden of 6.5%. This increased to 12.1% at the median (50th percentile) and 20.3% at the 90th percentile. For childless couples, the tax burden was the same except for those at the 10th percentile who would still have been entitled to Working Tax Credit (WTC) in 2018-19, which reduced their net Income Tax burden to 5.2%. Childless single people also qualify for WTC but only received support at earnings levels below those shown in table 2.7.

A **couple with two children** may be 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 median (50th percentile) earnings. At the 10th percentile the amount of CTC and WTC received in 2018-19 significantly exceeded Income Tax liabilities due, giving a net tax burden of -29.5% of gross earnings. As CTC is withdrawn at higher earnings levels, the difference in tax burdens for couples with and without children

¹³ The ONS have published provisional estimates of earnings for 2019; this may be subject to revision at a later date.

steadily falls. Since 2015-16 those at the mean level of earnings and above no longer receive any WTC or CTC.

Figure 10: Income Tax (net of tax credits) as a per cent of gross earnings, 2018-19

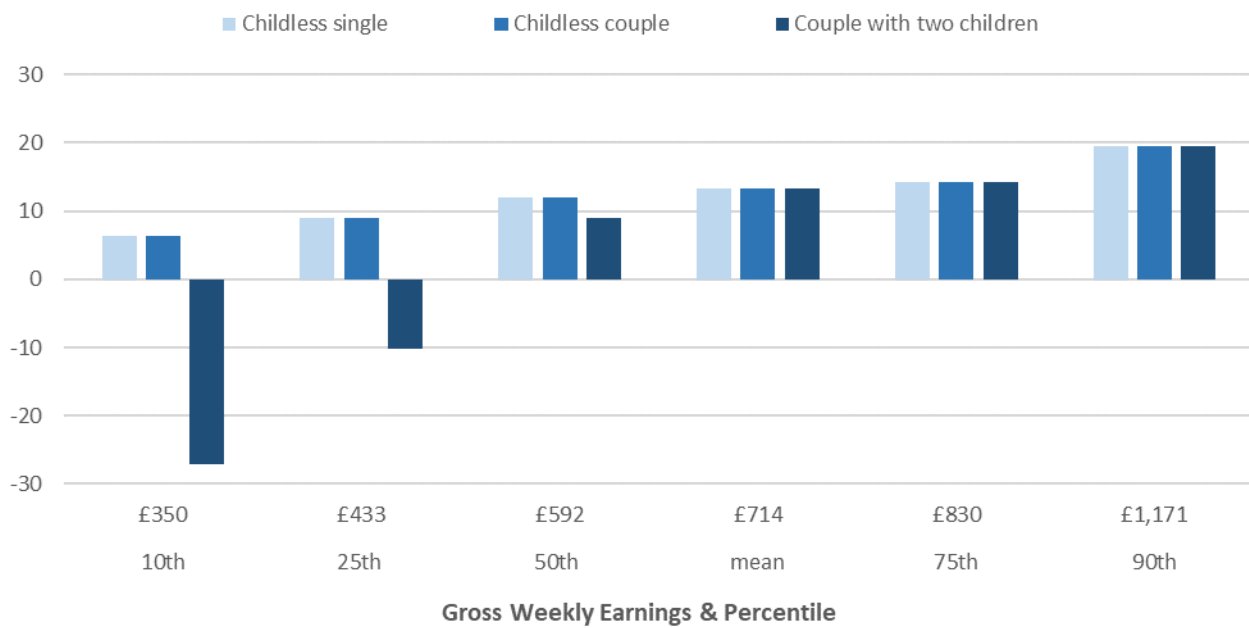


Income Tax burdens for **childless single persons** increased in 2018-19 compared with the previous year, by 0.1 percentage points up to and including the 25th percentile. All other groups remained the same, except for the 90th percentile, which showed a decrease in tax burden by 0.1 percentage points. The increases were due to gross earnings, for each of the illustrative percentiles up to the mean, having a higher percentage growth than the growth in the Personal Allowance (PA), which was grown by the Consumer Price Index (CPI). The illustrative high earner at the 90th earnings percentile had their tax burden reduced due to a combination of the growth in the PA and basic rate limit being higher than their gross earnings growth.

Changes in tax burdens in 2018-19 for **childless couples with only one earner** were the same as those for single persons, except at the 10th earnings percentile. At the 10th earnings percentile, reductions in WTC relative to earnings gave an overall increase in the net tax burden for childless couples, compared to 2017-18.

Couples with two children, with earnings up to the median (50th percentile) saw their net tax burden increased due to reductions in their WTC and CTC award (as the threshold had not increased in line with year-on-year wage growth) compared with 2017-18. Those in the mean, 75th and 90th percentile do not receive WTC and CTC and thus saw the same net changes in their tax burden as those without children.

Figure 11: Income Tax (net of tax credits) as a per cent of gross earnings, 2020-21



Projections for 2020-21 show Income Tax burdens increasing for all families compared to 2019-20. This is due to the freezing of the PA at £12,500, as well as the basic rate limit freezing at £37,500.

For individuals in Scotland, the higher rate threshold (HRT) for non-savings non-dividend (NSND) income has remained at £43,430 in 2020-21. Thus, Scottish families may have a different tax burden to that of families with equivalent earnings in other parts of the UK (further details in Annex B of the supporting documentation).