

**Thomas, Paul (PAYE, Income Tax & NIC)**

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**From:** Yau, Yee-Wan (KAI Personal Taxes)  
**Sent:** 25 September 2008 13:33  
**To:** 'Rose.Munenura@scotland.gsi.gov.uk'  
**Cc:** 'Simon.Fuller@scotland.gsi.gov.uk'; 'Sean.Neill@scotland.gsi.gov.uk'; Walczowski, Andrzej (KAI Personal Taxes)  
**Subject:** RE: HMRC Table 3.6 for Scotland  
**Attachments:** 080925\_Table 3\_6\_Scotland TXP.xls  
**ESEAutoDelete:** -1

Rose,

As requested, please find attached table 3.6 for the base year file 2005-06 for Scotland (which can be compared to the UK table on the HMRC website), plus projections for the years 2008-09 to 2011-12.

In comparison to the 2005-06 base file for all UK taxpayers,

- The proportion of self employed (numbers and amounts) for Scotland represents 7% of all taxpayers in the UK.
- The proportion of other income (Employment, Pension Income (other pension income)) range from 8.3% to 8.8% for numbers, and 8.0% to 8.3% for amounts for Scotland.
- Overall, the total earned income in Scotland works out to be around 8.5% for numbers and 7.9% for amounts.

Hope this helps,  
Yee Wan

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**From:** Rose.Munenura@scotland.gsi.gov.uk [mailto:Rose.Munenura@scotland.gsi.gov.uk]  
**Sent:** 25 September 2008 09:41  
**To:** Walczowski, Andrzej (KAI Personal Taxes); Yau, Yee-Wan (KAI Personal Taxes)  
**Cc:** Simon.Fuller@scotland.gsi.gov.uk; Sean.Neill@scotland.gsi.gov.uk  
**Subject:** RE: HMRC Table 3.7 for Scotland

Andrzej, Yee-Wan

Thank you so much for your assistance -- much appreciated! All caveats will be noted.

Hope I am not pushing it -- another request! We need to check if the rise in earned income is comparable to the rise in investment income, hence is it possible to get a Scottish version of Table 3.6 with forecasts to 2011/12 (as done for table 3.7). Grateful if you can assist.

Many thanks

Rose

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**From:** Walczowski, Andrzej (KAI Personal Taxes) [mailto:andrzej.walczowski@hmrc.gsi.gov.uk]  
**Sent:** 24 September 2008 12:33  
**To:** Munenura R (Rose)  
**Cc:** Neill S (Sean); Yau, Yee-Wan (KAI Personal Taxes)  
**Subject:** RE: HMRC Table 3.7 for Scotland

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This email has been received from an external party and

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has been swept for the presence of computer viruses.

<<080923\_Table 3\_7\_Scottish TXP.xls>>

Rose

Please find attached above table 3.7 for the base year file 2005-06 (which can be compared to the UK table on the HMRC website), plus projections for the years 2008-09 to 2011-12.

These are for taxpayers only, so the 13 May change in personal allowance (assumed in this analysis for 2008-09 only as future levels of the PA will depend on measures to be announced at PBR this autumn) will lower numbers a little for that year.

Although, as mentioned below, interest and UK dividends are imputed, the two other elements which are income from property and other investment income are based on information in SA returns. Hence the lower proportion that Scotland represents (5.8%) of people and (4.5%) amount of income from property in the base year should be reliable. The proportion of other elements of investment income range from 8.2% to 8.6% for numbers, and 6.7% to 7.2% for amounts. These seem reasonable in terms of proportions of people with these income sources, with lower average amounts reflecting that incomes are generally lower in Scotland (Table 3.11 shows 8.5% of UK taxpayers live in Scotland, but their share of total income is 7.8%).

Please let me know if you have any questions.

Andrzej

Ext 73026

**From:** Walczowski, Andrzej (KAI Personal Taxes)  
**Sent:** 24 September 2008 11:10  
**To:** 'Rose.Munenura@scotland.gsi.gov.uk'  
**Cc:** Sean.Neill@scotland.gsi.gov.uk; Yau, Yee-Wan (KAI Personal Taxes)  
**Subject:** RE: HMRC Table 3.7 for Scotland

Rose

We'll see what we can do (Yee Wan has already started preparing the tables based on our projection files), but there are some important caveats you need to be aware of.

Most tax on interest is collected under TDSI (Tax Deduction Scheme for Interest) which means that basic rate taxpayers have nothing more to pay. This means that administrative tax records do not contain information on interest received, unless the person happens to be a taxpayer in Self-Assessment (SA).

The same applies to UK dividends. The dividends are associated with a 10% tax credit (reflecting corporation tax paid on profits) which matches the basic rate tax liability, hence basic rate taxpayers have nothing more to pay and HMRC does not have information on the UK dividends received by basic rate taxpayers unless they happen to complete an SA return for the year.

To give a more complete picture of the income of taxpayers in our Survey of Personal Incomes (SPI) on which the tables are based, we randomly impute both dividends and interest to records based upon an age/income/gender distribution matrix based on survey data or in the case of interest, separate information provided by banks and Building Societies. These imputations are UK based and do not reflect geographical differences hence should be interpreted with considerable caution, and treated as illustrative rather than as estimated projections for Scotland.

When you combine this with UK projection factors taking the entire file from the base year (currently 2005-06) up to 2011-12 levels, which do not reflect internal migration or differential geographical income effects, then I think you will understand why we only publish UK projections and normally refuse to release any projections

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at a lower geography. However, since we did supply this sort of information when a LIT was considered for E&W, we are happy to supply you with similar information for Scotland so long as you are fully aware of all the above limitations.

Andrzej

Tel 020 7147 3026

**From:** Rose.Munenura@scotland.gsi.gov.uk [mailto:Rose.Munenura@scotland.gsi.gov.uk]

**Sent:** 23 September 2008 09:33

**To:** Walczowski, Andrzej (KAI Personal Taxes); Begum, Shahida (KAI Personal Taxes); Keelaghan, Darren (KAI CaTRA)

**Cc:** Sean.Neill@scotland.gsi.gov.uk

**Subject:** HMRC Table 3.7 for Scotland

Andrzej, Shahida, Darren

Hope you can help with my request below, if not grateful if you can steer me to an appropriate contact.

You may remember that I got in touch with you over a year ago requesting information on Scotland (Table 2.5) for analysis we were carrying out re how much revenue we could raise from the Local Income Tax (LIT).

Following on from that we are now trying to assess how much money could be raised from investment income if a LIT was applied to this. Consequently, is it

1) possible to produce table 3.7 (Investment Income) for Scotland so that we know how much Investment Income is raised by Scottish Taxpayers,

2) produce forward projections of this info to 2011/12.

3) Is it possible to get this information by end of day tomorrow (as we need to feed this info into a cabinet paper with a very tight deadline).

Grateful for your assistance and many thanks in advance.

Warm regards

Rose

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***Dr Rose Munenura***

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02/10/2008

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### 3.6 Earned income, 2010-11

Scottish Taxpayers only

Numbers: thousands; Amounts: £ million; Means: £

Range of total income (lower limit)	Self-employment income										Employment income			Pension Income			All other pensions			Total earned income (1)			Distribution of amounts of total earned income			Percentage of total earned income							
	No. of individuals			Mean			Amount			No. of individuals			Mean			No. of individuals			Amount			No. of individuals			Mean			%			%		
	£	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	No. of individuals	Amount	Mean	%	Self-employment income	Employment income	National Insurance	All Other Pensions			
5,745	6	28	4,670	18	102	5,530	..	24	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0.2	19.9	72.3	2.3	5.5				
6,000	11	52	4,920	59	357	6,030	..	6	24	3,890	..	35	3,520	10	35	3,520	..	74	468	6,300	..	0.7	11.2	76.4	5.1	7.4							
7,000	10	57	5,730	64	447	7,000	..	8	34	4,540	..	41	3,520	12	41	3,520	..	80	579	7,230	..	0.8	9.8	77.2	5.9	7.1							
8,000	21	155	7,250	138	1,120	8,110	..	30	158	5,270	..	168	4,370	39	168	4,370	..	185	1,600	8,690	..	2.3	9.7	70.0	9.9	10.5							
10,000	19	152	8,100	131	1,270	9,650	..	83	505	6,070	..	381	4,620	83	381	4,620	..	220	2,310	10,500	..	3.4	6.6	55.0	21.9	16.5							
12,000	25	233	9,350	210	2,580	12,300	..	90	550	6,100	..	650	7,020	93	650	7,020	..	310	4,010	12,900	..	5.8	5.8	64.3	13.7	16.2							
15,000	35	398	11,500	337	5,380	16,000	..	87	540	6,210	..	957	10,100	95	957	10,100	..	440	7,270	16,500	..	10.6	5.5	73.9	7.4	13.2							
20,000	46	743	16,000	535	12,300	23,100	..	81	501	6,210	..	1,230	14,100	87	1,230	14,100	..	633	14,800	23,400	..	21.6	5.0	83.3	3.4	8.3							
30,000	40	885	22,200	493	17,300	35,100	..	38	240	6,310	..	928	19,900	47	928	19,900	..	544	19,300	35,500	..	28.2	4.6	89.4	1.2	4.8							
50,000	11	399	34,800	116	5,880	50,900	..	10	65	6,190	..	382	25,100	15	382	25,100	..	129	6,730	52,000	..	9.8	5.9	87.4	1.0	5.7							
70,000	8	426	52,900	50	3,380	67,000	..	4	27	6,790	..	201	30,000	7	201	30,000	..	58	4,040	70,000	..	5.9	10.6	83.8	0.7	5.0							
100,000	12	1,160	96,200	28	2,860	101,000	..	2	14	6,610	..	147	39,300	4	147	39,300	..	36	4,190	115,000	..	6.1	27.8	88.4	0.3	3.5							
200,000	4	657	182,000	6	1,240	206,000	..	1	4	7,800	..	57	57,500	1	57	57,500	..	8	1,950	237,000	..	2.8	33.6	237.0	0.2	2.9							
500,000	1	289	466,000	1	416	434,000	..	..	..	..	..	..	..	..	..	..	..	1	728	562,000	..	1.1	39.8	57.1	0.0	3.1							
1,000,000	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	36.2	61.6	0.1	2.1					
All ranges	248	5,820	23,400	2,190	55,000	25,100	..	441	2,670	6,040	..	5,220	10,600	493	5,220	10,600	..	2,740	68,700	25,000	..	100.0	8.5	80.0	3.9	7.6							

Source: Survey of Personal Incomes, 2005-06 projected forward to 2010-11 in line with Budget 2008 assumptions

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

Table updated September 2008

Footnotes

(1) Includes income from benefits which are not shown separately in this table.

Notes on the Table

Earned income, 2011-12

Earned income consists of income chargeable under the Income Tax (Earnings and Pensions) Act 2003 (mainly pay, private and occupational pensions, retirement annuities, state retirement pensions and taxable social security income) and the Income Tax (Trading and Other Income) Act 2005 (self-employment and miscellaneous income).

2. Pay is shown before deduction of superannuation contributions. Under PAYE, tax is paid on pay after deduction of superannuation contributions and HMRC does not record the amounts deducted. The total amount of superannuation contributions has therefore been estimated and has been distributed among earners in the Survey of Personal Incomes sample by a method consistent with information about the number of employees who are contracted in or out of the State Second Pension (S2P, formerly SERPS) and the proportion of their earnings contributed. On 6 April 2002, the State Second Pension reformed SERPS to provide a more generous additional State Pension for low and moderate earners, and to extend access to include certain carers and

3. Self employment income is profit chargeable under the Income Tax (Trading and Other Income) Act 2005 less losses brought forward and capital allowances allowed. The number of individuals with self employment income shown in this table is lower than that shown in Table 3.10. In this table only individuals who are liable to tax in 2010-11 are included, whereas Table 3.10 includes all people with a self employment source in 2010-11. Employment income includes all pay from employment, from taxable benefits and from unemployment benefit, income support or Job Seeker's allowance. In previous years we have used as our definition of self employed, those who have non-zero profits, capital allowances or losses brought forwards. From 2003-04 we have changed the definition to encompass all taxpayers who have a self-employment source.

