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# Pay-As-You-Earn and corporate tax receipts from the banking sector

An Official Statistics release

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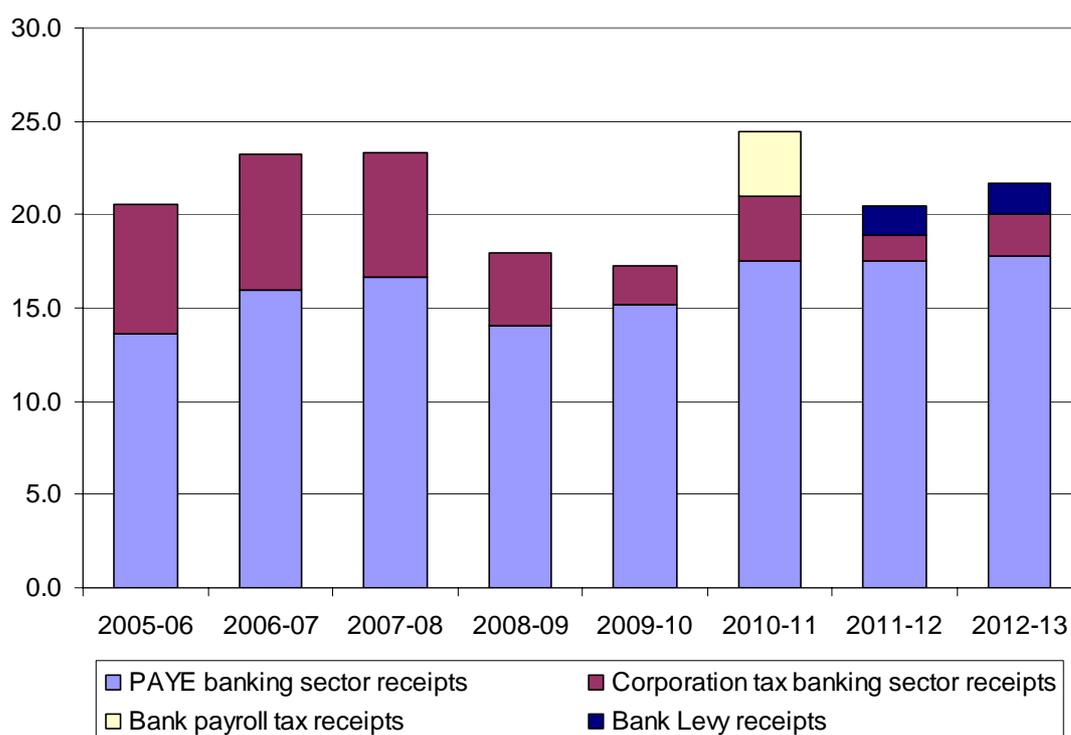
## About these statistics

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, Bank Levy, Corporation Tax and Bank Payroll Tax receipts from the banking sector.

## Key Messages

- Total Bank Levy, Corporation Tax and PAYE receipts from the banking sector in 2012-13 have increased by £1.2bn (6%) compared to the previous year.
- Pay-As-You-Earn receipts from the banking sector were £17.8bn in 2012-13, a 1.5% increase compared to 2011-12. PAYE receipts from the banking sector are now at their highest level, recovering from a drop in 2008-09.
- Corporation Tax receipts from the banking sector were £2.3bn in 2012-13. This remains below the level of receipts in 2005-06 to 2007-08, but is an increase from 2011-12, when banking sector CT receipts were at their lowest level for the period covered by this publication.
- Bank Levy receipts were £1.6bn in both 2012-13 and 2011-12.

**Chart 1: PAYE, Corporation Tax, Bank Payroll Tax and Bank Levy receipts from the banking sector (£ billions)**



# **Pay-As-You-Earn and corporate tax receipts from the banking sector**

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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 receipts from the banking sector in the UK, and receipts of the Bank Payroll Tax and Bank Levy. 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 4 of this publication, which also includes estimates of receipts of 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 2012-13 on PAYE and Corporation Tax receipts from the banking sector, along with receipts of Bank Payroll Tax for 2010-11 and the Bank Levy from 2011-12. The period covered by these statistics (2005-06 to 2012-13) was chosen to give a reasonable coverage both before and after the banking crisis. Due to the changing and complex structure of the banking sector it is impractical to extend the statistics 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 an interest in these statistics and would like to be contacted by us about future publications and developments to the statistics, then please register as a user at the following link:

[https://www.surveymonkey.com/s/user\\_reg](https://www.surveymonkey.com/s/user_reg)

If you have any comments or questions about these statistics then please contact the responsible statistician directly (contact details provided below and on the cover page). Alternatively, you can use the HMRC statistics feedback form linked below. We will undertake to review user comments on a quarterly basis and use this information to influence the development of our Official Statistics:

<http://www.hmrc.gov.uk/statistics/feedback.htm>

## Section 2: Receipts table and Commentary

Table 1 presents PAYE and Corporation Tax receipts from the banking sector in the UK and receipts from the Bank Payroll Tax and Bank Levy.

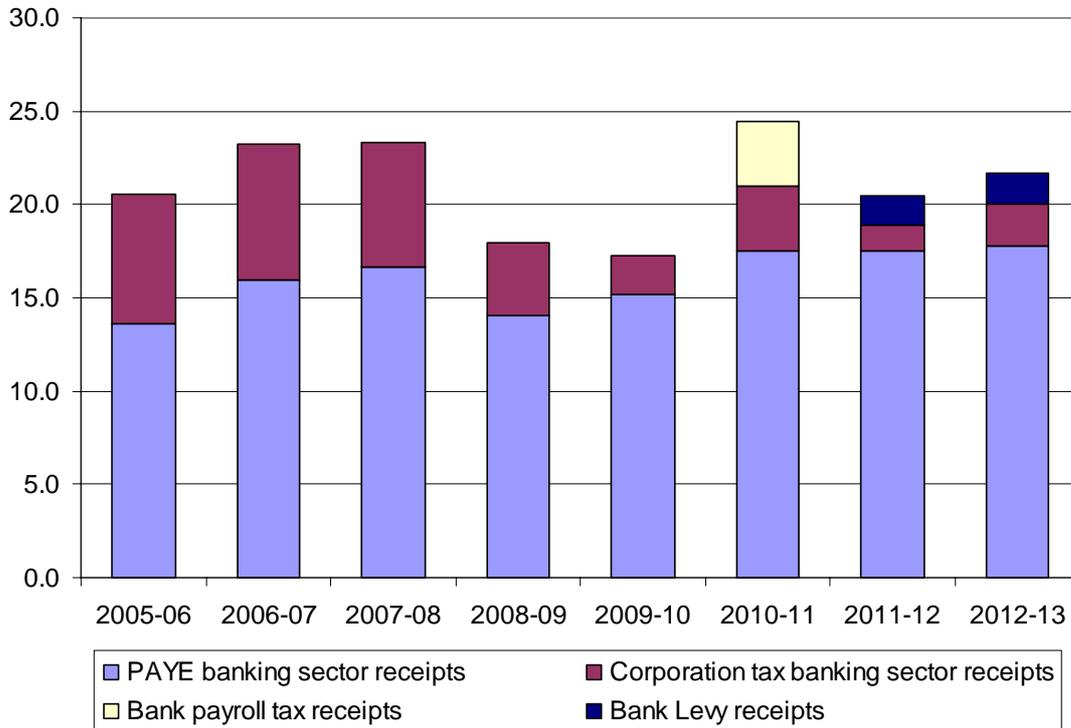
**Table 1: PAYE, Bank Payroll Tax, Corporation Tax and Bank Levy net receipts from the banking sector (£ billions)**

Year	PAYE	Bank Payroll Tax	Corporation Tax	Bank Levy	Total
2005-06	13.6	-	7.0	-	<b>20.6</b>
2006-07	15.9	-	7.3	-	<b>23.2</b>
2007-08	16.7	-	6.6	-	<b>23.3</b>
2008-09	14.0	-	3.9	-	<b>17.9</b>
2009-10	15.2	-	2.1	-	<b>17.3</b>
2010-11	17.5	3.4	3.5	-	<b>24.4</b>
2011-12	17.6	-	1.3	1.6	<b>20.5</b>
2012-13	17.8	-	2.3	1.6	<b>21.7</b>

### Notes

1. Corporation Tax and Bank Levy 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, net of repayments and 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 have estimated that the net yield, taking account of behavioural effects which may have affected other tax receipts, was £2.3bn. Cash receipts from the Bank Payroll Tax relate to the period 9 December 2009 to 5 April 2010. See page 15 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. 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 on pages 16-18.
6. 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 2012-13 are shown in Appendix B on pages 22-23.
7. Figures may not sum to the totals due to rounding.

**Chart 1: PAYE, Corporation Tax, Bank Payroll Tax and Bank Levy receipts from the banking sector (£ billions)**



As shown in Chart 1, in percentage terms banking sector Corporation Tax receipts have varied more than the sector's PAYE receipts over the period covered by this bulletin.

PAYE receipts are driven by levels of pay and employment, whereas Corporation Tax receipts relate to companies' profits. Profit levels are more sensitive to the economic cycle than pay and employment levels, so Corporation Tax receipts vary with the economic cycle more than PAYE receipts.

### **PAYE**

Banking sector PAYE receipts fell in only one year (in 2008-09, by 16%). There was then a recovery and PAYE receipts have continued to increase surpassing their previous peak in 2007-08 and are now at their highest level.

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 rose by £0.9bn in 2012-13, increasing from their lowest point in 2011-12.

From 2008-09 onwards Corporation Tax receipts have been at a considerably lower level than in the first three years covered by this publication. The financial crisis in 2008 resulted in lower profits in the banking sector, reducing Corporation Tax liabilities. A further contributing factor has been reductions in the CT main rate. The main rate was 30% until 2007-08 and then reduced by 2% on each of 1 April 2008, 2011 and 2012 to reach 24% for profits arising in 2012-13.

## Bank Levy

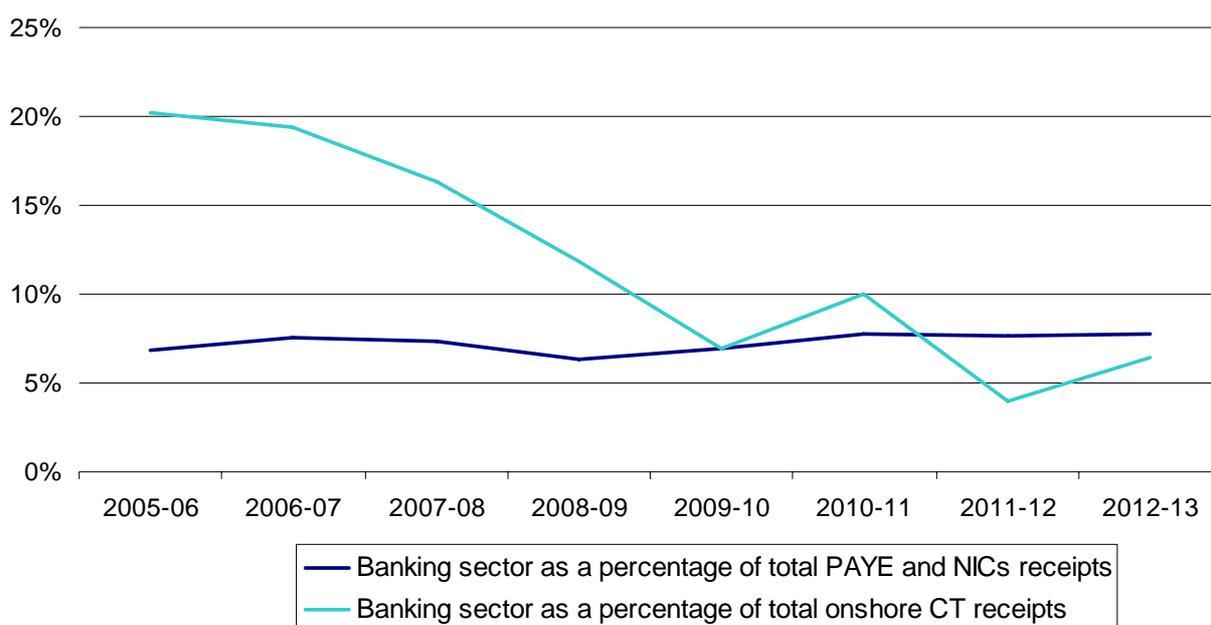
Bank Levy was introduced in January 2011 and the first payments were received in August 2011. Receipts of the Bank Levy were £1.6bn in both 2011-12 and 2012-13.

## 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.

Chart 2 shows the percentages of total PAYE and onshore Corporation Tax receipts which are from the banking sector in each year. Bank Levy and the Bank Payroll Tax are not included in this chart as these taxes are paid by the banking sector alone.

**Chart 2: Banking Sector receipts as a percentage of total PAYE and total onshore Corporation Tax receipts**



The banking sector share of total PAYE paid by the economy as a whole has been relatively stable throughout the period covered by these statistics. The sector's share was 7.7% in 2012-13 and previously ranged between a low of 6.3% in 2008-09 and a peak of 7.8% in 2010-11.

The proportion of total onshore Corporation Tax received from the banking sector has fallen considerably over the past eight years. In 2012-13 the proportion has increased to 6.4% from 3.1% in 2011-12, but remains below the proportions seen in earlier years.

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:

<http://www.hmrc.gov.uk/thelibrary/national-statistics.htm>

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 Financial Services Authority (FSA) publishes a list of regulated firms which businesses and the public would tend to think of as banks<sup>1</sup>. However, the FSA note that this list should only be used as a guide, and they cannot guarantee its accuracy or completeness.

For this statistical publication we have used a definition of the banking sector based upon those organisations 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.

The exercise to compile the statistics has involved working with experts across HMRC, including in the Large Business Service 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 scope of the Code (whether or not they formally adopt it since it is a voluntary code). For practical reasons the banks included in the analysis are the same for years 2005-06 to 2010-11. In both 2011-12 and 2012-13 the population was updated to include new banks which fall within the population definition. Banks ceasing to exist during the period covered are included within the scope of the analysis. Earlier years' figures have not been revised for any subsequent changes in the population.

### HMRC's Code of Practice on Taxation for Banks

The Government introduced the Code of Practice on Taxation for Banks on 9 December 2009. For further details see the following link:

<http://www.hmrc.gov.uk/thelibrary/bank-code-practice.htm>

The Code of Practice on Taxation for Banks is intended for all banks operating in the UK, and for any organisations undertaking banking activities in the UK. In addition to banks, the Code therefore applies to the following:

- A) Groups that undertake banking-type activities, including:
- Firms listed as banks by the Financial Services Authority;
  - UK subsidiaries of overseas banking groups;
  - UK branches of overseas banking companies;

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<sup>1</sup> [http://www.fsa.gov.uk/Pages/Library/Other\\_publications/Banks/index.shtml](http://www.fsa.gov.uk/Pages/Library/Other_publications/Banks/index.shtml)

- Securities houses; and
- Building societies as defined by s119 Building Societies Act 1986.

B) Banks owned by, and banking-type activities of, predominantly non-banking groups, including:

- Insurance groups;
- Retailers; and
- Motor manufacturers.

For these predominantly non-banking groups, the Code of Practice on Taxation for Banks only applies to the banking activities of the group (whether carried out by the bank or other members of the group).

In May 2013 HMRC published a consultation document “Strengthening the Code of Practice on Taxation for Banks”. The definition used in this publication is as set out in the Code of Practice existing at the end of 2012-13. Any changes to the Code of Practice as a result of the consultation will be taken into consideration in determining the population in future years.

## **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.

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. There are approximately 300 banking groups and singleton companies in the population. The larger banks are generally groups whereas the smaller banks and building societies tend to be singleton companies.

Only those groups whose main business can be described as banking-type activity, as set out at A) above, are included in the statistics. This means that:

- Banks that are part of predominantly non-banking groups are not included, despite being covered by the Code of Practice on Taxation for Banks, at B) above; and
- PAYE and Corporation Tax arising from non-banking activities carried out within banking groups will be included. An example of this is insurance activities carried out by banking groups.

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 company 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 company group’s tax receipts between banking and non-banking activity.

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?**

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 (around 85% of the gross total in 2010-11). 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:

<http://www.hmrc.gov.uk/statistics/receipts.htm>

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

<http://www.hmrc.gov.uk/statistics/income.htm>

### 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.

<http://www.hmrc.gov.uk/statistics/receipts.htm>

## **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 on page 22.

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

<http://www.hmrc.gov.uk/statistics/ct-receipts.htm>

### **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:

<http://www.hmrc.gov.uk/statistics/receipts.htm>

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 on page 23.

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.

## **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.

### Value Added Tax (VAT)

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 £3.5bn of VAT was irrecoverable by businesses in the banking sector in 2010-11. This was based on a survey of businesses whose main activity is assessed by HMRC as Standard Industrial Classification of Economic Activities<sup>2</sup> 2007 (SIC 2007) code 64 (*Financial service activities, except insurance and pension funding*). An estimate for 2011-12 is not available, because the survey was not repeated for that year.

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. There are two rates:

- a standard rate of 6%
- a higher rate of 20% for travel insurance and some insurance for vehicles and domestic/electrical appliances

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 exempt, but they may be liable to similar taxes imposed by other countries.

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<sup>2</sup> 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>

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 for these statistics. 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 2012-13 are less than £0.5bn.

#### 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, Bank Payroll Tax and Corporation Tax receipts are presented on a National Accounts basis. The Bank Levy is presented on a cash receipts basis. The National Accounts aim to recognise tax as the liability accrues, irrespective of when the tax is received by the Exchequer. However, some taxes are accounted for when the Exchequer actually receives the tax, reflecting the difficulty in determining the period to which the tax liability relates. One such tax is Corporation Tax, where the National Accounts accruals are equal to cash receipts

Corporation Tax receipts in this publication cover the months April to the following March which is consistent with an annual National Accounts basis. Bank Levy receipts also cover the months April to 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**

All 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 sum to the total as shown.

## Appendix A: Data sources

### Pay-As-You-Earn

The data for PAYE receipts comes from cash amounts (known as 'postings') recorded on HMRC's BROCS ("Business Review of the Collection Service") administrative system reflecting all transactions between employers and HMRC.

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.

HMRC has recently introduced a new PAYE accounting system (the Enterprise Tax Management Platform, or ETMP), linked to the Real Time Information (RTI) programme. The PAYE information in next year's release will be based on ETMP data, but all of the data for this publication up to and including 2012-13 come from BROCS.

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 100% of the postings information. Therefore, as complete data is used, sampling error is not an issue.

As explained in the main body of this document, these statistics have applied the definition of the banking sector at a group level where there are subsidiaries and parent companies. It follows that:

1. A company group classified as being in the banking sector may contain companies within its group structure that are not involved in banking activity; and

2. A company group that is classified as NOT being in the banking sector may contain companies within its group structure that are involved in banking activity.

Because of the way Corporation Tax receipts data is recorded on the COTAX system, it is not feasible to split the total receipts from a company group between those from companies in the banking sector, and those that are not in the banking sector. Therefore, the Corporation Tax receipts figures include all company group totals under scenario 1 but exclude all company group totals under scenario 2.

### **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 Payroll Tax**

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

## Appendix B: Rates of Taxation

The key rates of taxation affecting the taxes in Table 1 are shown in Tables 2 to 5 below.

**Table 2: Corporation Tax rates (2005-06 to 2012-13)**

	Main Rate	Small Profits Rate	Starting Rate <sup>1</sup>
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%	-

<sup>1</sup> 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: PAYE Income Tax rates (2005-06 to 2012-13)**

	Starting Rate	Basic Rate	Higher Rate	Additional Rate <sup>2</sup>
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%

<sup>2</sup> The Additional Rate of Income Tax applies to individuals with taxable income in excess of £150,000

**Table 4: Class 1 NIC rates and thresholds (2005-06 to 2012-13)**

	Employee's primary Class 1 NIC				Employer's secondary Class 1 NIC	
	Lower earnings limit (£/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	630	11%	1%	94	12.8%
2006-07	84	645	11%	1%	97	12.8%
2007-08	87	670	11%	1%	100	12.8%
2008-09	90	770	11%	1%	105	12.8%
2009-10	95	844	11%	1%	110	12.8%
2010-11	97	844	11%	1%	110	13.8%
2011-12	102	817	12%	2%	136	13.8%
2012-13	107	817	12%	2%	144	13.8%

**Table 5: Bank Levy rates from introduction to 1 January 2014**

<b>Rate Period</b>	<b>Rate for long term chargeable equity &amp; liabilities</b>	<b>Rate for short term chargeable equity &amp; liabilities</b>
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 onwards	0.071%	0.142%

### **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 and the rates/thresholds for Employer's and Employee's National Insurance Contributions, please see:

<http://www.hmrc.gov.uk/rates/nic.htm>

For a complete table of Corporation Tax rates and thresholds from 1971 onwards please see table A6 of the Corporation Tax Statistics publication:

<http://www.hmrc.gov.uk/statistics/ct-receipts/table-a6.pdf>

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