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Devolving other national taxes to London
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Executive summary

This paper looks at taxes currently set and collected at the national level and considers how far these taxes have been devolved to UK nations. It also considers the revenues raised by these taxes in London, and the key costs and benefits that could arise should they be devolved to London. The paper further examines some taxation powers that could be given to the capital beyond those already levied by national government. It thus considers income tax, payroll levy, corporation tax and value added tax (VAT).

The paper does not however consider National Insurance Contributions (NICs), consistent with the previous London Finance Commission report, as in theory revenues are used to finance nationally administered services such as pensions, which will remain at the national level[1]. Similarly, business rates, council tax and stamp duty are all considered in other work.

The main findings of this paper are:

- **Income tax** generates significant revenues in the UK. In 2015-16, £168.5 billion was raised by income tax, the equivalent of 34 per cent of all UK tax receipts. Scotland has been granted powers to retain 10p in the pound of non-savings, non-dividend income tax paid by basic, higher and additional rate payers for the 2016-17 financial year. Following this, full rate setting powers are to be devolved. Similar devolution is proposed for Wales. In 2013-14, London generated 23 per cent of the UK's total income tax take on a residence basis or an estimated 26 per cent on a workplace basis. If a similar 10p rate were to be devolved to London, it is estimated the tax could raise between £15.3 billion to £15.8 billion in 2016-17. However, as discussed in this paper, this would need to be accompanied by an associated reduction in expenditure allocated to London. In addition, devolution could lead to behavioural effects and labour and population relocation.

- **Payroll levies**, such as the proposed apprenticeship levy, raise taxes through levies on the wages and salaries paid to employees by employers. The proposed UK apprenticeship levy will come into effect in April 2017 and is expected to raise £2.7 billion in 2017-18. This will be used to support the development and delivery of apprenticeship programmes. Revenues will be allocated on the basis of worker residence. Estimates of London's share of the apprenticeship levy range from £563 million to £827 million in 2017-18. Meanwhile, a general 1 per cent payroll levy on all employees living in London could yield £1.2 billion per annum in 2013-14. However, issues exist with apportioning revenues on a national and sub-national basis, as well as the administrative issues with the levying of such taxes. In addition, the impact of such a tax could be to increase the cost of labour and reduce employment.

- **Corporation tax** raised £44.4 billion in tax revenues in 2015-16, which was the equivalent of 8.3 per cent of total tax receipts in the UK. It is suggested that corporation tax rates can influence firms' location decisions with competitive regimes encouraging business investment and expansion. This prompted the UK government to devolve corporation tax to Northern Ireland to help boost its economy. From 2018-19, the Northern Ireland Assembly will have the power to set its own main rate of corporation tax in respect of certain trading profits and will benefit from additional revenue collected. Estimates of corporation tax receipts generated in London ranged from £8.4 billion to £10.3 billion in 2013-14 and

[1] London Finance Commission (2013), Raising the capital, May 2013.

corporation tax devolution could provide a significant revenue stream for London. However, to fulfil the fiscal autonomy condition of tax devolution established by EU law, this would need to be accompanied by a reduction in government expenditure allocated to London. Furthermore, corporation tax revenues are subject to volatility and devolution would incur implementation and administration costs. It could also lead to corporation tax competition between regions.

- **VAT** raised £115.4 billion in tax revenues in 2015-16 across the UK. This was approximately 21.6 per cent of total HRMC receipts. VAT is an EU tax and must be levied at a standard rate across the territory of a member state. Therefore, devolution has focussed on revenue assignment rather than decision-making over the tax base and/or rate. From 2019-20, Scotland will be assigned the equivalent of half of the VAT receipts raised in Scotland, with the UK Government retaining control over the base and rate. If 50 per cent of VAT revenues were to be assigned to London, this would raise an estimated £10.4 billion in 2017-18. However, the methodology to apportion VAT receipts raised in Scotland is yet to be agreed, but this would be challenging (especially at a regional level) due to the presence of groups of companies operating throughout the UK. Given the concentration of regional and national headquarters located in London, assigning tax receipts to the region could prove even more challenging.

This paper also discusses other national taxes that could potentially be devolved to London, including landfill tax and air passenger duty.

1 Introduction

GLA Economics is undertaking a series of research papers examining options for greater fiscal devolution in London to inform the second London Finance Commission (LFC2). The research series examines a number of areas including council tax and a possible new tourism levy among others. As part of this, this paper is focussed on stamp duty land tax in London.

Previously, in May 2013, the London Finance Commission published its report arguing for greater fiscal independence for the capital in order to invest in and cater for growth[2]. This could be achieved through relaxing restrictions on borrowing for capital investment within prudential rules and the devolution of revenue streams including the full suite of property taxes. These points have been reiterated in the LFC2's interim findings published in October 2016[3]. In addition, the Commission suggested that it could be possible to devolve other taxes like VAT and income tax. The Commission[4] stated:

> *"In having a stake in national taxes such as income tax and VAT, London's government would enable a broader and more stable fiscal base from which to finance high quality services and infrastructure. It would give London's government a larger stake in the success of the economy overall. It would also encourage investment only in those projects that would lead to higher economic growth, feeding into tax revenues."*

Given this, this paper looks at how much London contributes to some of the main national taxes in the UK. It also discusses to what degree these taxes have already been devolved to the UK regions and the main costs and benefits associated with doing so. The national taxes considered in this paper are:

- Income tax;
- Payroll levies including the apprenticeship levy;
- Corporation tax;
- VAT; and,
- Landfill tax and air passenger duty.

This paper continues by first discussing the background to devolution in the UK. Then the subsequent chapters look at the amount of tax raised in London and how it may be devolved for each of the national taxes. Chapter 8 then presents some of the considerations and implications of fiscal devolution, while Chapter 9 presents some concluding remarks.

[2] London Finance Commission (2013). Raising the Capital, May 2013.
[3] London Finance Commission (2016). London Finance Commission 2: interim report, October 2016.
[4] London Finance Commission (2016). London Finance Commission 2: interim report, October 2016, pg. 13.

2 Background

At the country and regional level, the UK has seen increasing devolution of policy powers. This has been coupled with devolved governments and local authorities gaining further fiscal powers. Tax devolution or assignment can range from full power over tax rates and bases, power over tax rates, tax sharing arrangements (i.e. power over part of the rate), to revenue assignment (i.e. no power on rates or base). Fiscal devolution can bring benefits, such as accountability and empowerment; economic incentives to boosting performance; and provide a policy lever to achieve specified outcomes. However, tax devolution can also lead to downsides, such as direct effects (the change in revenues associated with increased or reduced tax rates), behavioural impacts (particularly across the UK where people and businesses are not subject to national borders) and administrative impacts (in terms of administration, implementation and compliance costs). Fiscal devolution may also have implications for the level of block grants and other types of funding received from central government.

It should be noted that some taxes, and the potential for the devolution of those taxes, are subject to restrictions in European law. Current EU tax law stipulates conditions under which corporation tax can be devolved to Member State regions, and prevents VAT from being devolved below Member State level. One key constraint on the devolution of taxes below Member State level is the need to ensure it satisfies the European Court of Justice's criteria for regional differences in direct taxation to not involve State Aid, as established in the "Azores case". These criteria are:

- institutional autonomy – that the region is politically and administratively separate from central government;
- procedural autonomy – the decision must have been adopted without direct central government intervention regarding its content; and
- fiscal autonomy – the fiscal consequences of a tax rate reduction must not be offset by aid or other subsidies[5].

For the purpose of analysing arrangements for devolution of taxes below the UK level, this section assumes that the UK continues to be subject to, or abides by, EU tax law, though this may well change in the future given the outcome of the 23rd June 2016 referendum.

It should also be noted that projections of tax receipts for the UK, Scotland and London draw on forecasts prepared in advance of the outcome of the UK's referendum on EU membership, most notably the OBR's fiscal projections, prepared for the March 2016 Budget[6].

[5] Seely, A (2015). Devolution of corporation tax to Northern Ireland, House of Commons Library, Briefing Paper SN7078.
[6] These have subsequently been superseded by the projections prepared for the Autumn Statement 2016.

3 Income tax

Income tax is levied on an individual's income above a threshold, and there are three different sources of income for tax purposes:

- earned income (pay from employment, self-employment, unincorporated businesses, pensions, taxable benefits and property income);
- savings income; and,
- dividend income.

Income tax raises significant revenues in the UK. In 2015-16, it accounted for £168.5 billion in tax receipts, equivalent to 34 per cent of HMRC's total tax receipts[7].

The devolved nations

Scotland

The Scotland Act of 2012 gives the Scottish Parliament the power to set the 'Scottish Rate of Income Tax' (SRIT), which came into effect from 6 April 2016. From April 2016, the UK income tax rates, the basic, higher and additional rates, paid by Scottish taxpayers will be reduced by 10 percentage points (10p in the pound). The Scottish rate will then be set annually by the Scottish Parliament at any value from 0 per cent upwards in half pence units. The Scottish Parliament agreed to set the Scottish rate at 10 per cent (10 pence in the pound) for tax year 2016-17 effectively making the rate the same as the rest of the UK.

Revenue from the SRIT will accrue to the Scottish Government and the Scottish block grant will be decreased accordingly to reflect HM Treasury's loss of revenue[8].

While the Scottish Parliament has the power to set the SRIT, HMRC continues to be responsible for its collection and management. As such, the tax remains part of the existing UK income tax system. A Memorandum of Understanding has been agreed between the Scottish Government and HMRC to aid this process.

The SRIT will operate for one transitional year (i.e. the 2016-17 financial year) until the full devolution of 'non-saving, non-dividend' (NSND) income tax powers[9] commences in April 2017[10]. The OBR estimates SRIT revenues of £4.9 billion in 2016-17[11].

Wales

The Wales Act 2014 gave new powers to the Welsh Assembly relating to taxation. Alongside the devolution of Stamp Duty Land Tax (SDLT), the Act stated that the Welsh Assembly will be able to set new rates for a new Welsh rate of income tax (WRIT), which would operate in a similar

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[7] HMRC (2016). HMRC tax receipts and national insurance contributions for the UK.
[8] Scottish Parliament (2015). Income tax in Scotland, 15/72, 30 October 2015. Available at: http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_15-72_Income_Tax_in_Scotland.pdf
[9] The Scotland Act (2016) provides the Scottish Parliament with the power to set the rates and band thresholds that will apply to all non-savings non-dividend income tax paid by Scottish taxpayers. The Scottish Parliament will be able to set the rates and band thresholds (excluding the personal allowance) for the first time for tax year 2017/18
[10] Scottish Government and HM Government (2016).The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf
[11] Office for Budget Responsibility (2016). Economic and fiscal outlook: devolved taxes forecast, November 2016.

way to the SRIT. In November 2015, the Chancellor announced that devolution of WRIT would no longer be subject to a referendum, as originally specified in the Act. Assuming a similar 10p rate were to be implemented by the Welsh Assembly, the OBR estimates revenues of £2.1 billion in 2016-17[12].

Income tax in London

As in the UK, income tax raises a significant proportion of London's tax receipts; London's contribution to total UK income tax is significant. According to HMRC receipts data (which measure income tax on a residence basis), London generated £38.6 billion in income tax in 2013-14 (latest data available)[13], or 23.4 per cent of the UK's total income tax take.

Looking at income tax on a workplace basis, reflecting where the economic activity of employment takes place, London's contribution is estimated to be higher; totalling £40.4 billion or 26 per cent of the UK's total income tax take[14].

Subsequently, to estimate the potential revenue for London if income tax was devolved requires a number of assumptions. This is in part due to not having access to HMRC's Personal Tax Model – a microsimulation of the UK income tax system using the Survey of Personal Incomes (SPI) – which was used by the OBR to estimate revenues for the Scottish and Welsh rates of income tax. Ultimately, two approaches have been used to estimate London's revenues – based on the figures for Scotland – which are:

- Approach 1: based on the ratio between Scotland's share of total NSND liabilities for the UK and Scotland's share of total income tax for the UK
  This approach is principally based on calculating (i) Scotland's share of total NSND liabilities for the UK and (ii) Scotland's share of total income tax for the UK. The ratio between the two is then applied to London's share of total income tax for the UK. This provides an estimate of London's share of total NSND liabilities for the UK. Meanwhile, the OBR has projected total NSND liabilities for the UK[15] for which London's share can be applied.

- Approach 2: based on the ratio between the SRIT and Scotland's income tax
  This approach is based on the ratio between Scotland's revenue from the SRIT and Scotland's income tax. This is then applied to London's income tax. The latter has been projected into the future by assuming the same rate of growth as that forecasted by the OBR for UK income tax (i.e. London's share of income tax for the UK remains constant into the future)[16].

For both of these approaches, a number of assumptions have been made including:

- Data on London and Scotland's share of income taxes on a receipts (cash) basis can be applied to forecast tax data on a liabilities (accruals) basis.

[12] Office for Budget Responsibility (2016). Economic and fiscal outlook: devolved taxes forecast, November 2016.
[13] HMRC (2016). Income tax by country and region: 2013 to 2014 (on a receipts basis).
[14] City of London (2014). London's finances and revenues, research report, November 2014.
[15] Office for Budget Responsibility (2016). Economic and fiscal outlook: devolved taxes forecast, November 2016.
[16] Estimate uses the relationship between total income tax for Scotland (as estimated by GERS – see: http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/GERS201608xls) and projected revenues from the SRIT (as estimated by the OBR (ibid)) and projects London's income tax take using London's 2013/14 share of income tax and OBR forecasts on UK level tax receipts (see: Office for Budget Responsibility (2016). Economic and fiscal outlook, November 2016).

- The relationship between income tax and NSND-related income tax is the same for both London and Scotland. This is a simplifying assumption; in reality Scotland has a higher percentage of basic rate taxpayers than London, and London has a higher proportion of higher rate and additional rate taxpayers than Scotland. As the SRIT 10p rate applies equally across all marginal rates, this is likely to mean that the Scottish government would keep proportionately more of its NSND revenues than London would were the same rate to be applied.

Table 1: Proportion of taxpayers by marginal rate in London, Scotland and the UK in 2013-14

	Basic rate	Higher rate	Additional rate	Total
London	74%	21%	3%	100%
Scotland	84%	14%	1%	100%
UK	**82%**	**15%**	**1%**	**100%**

Source: HMRC[17]

In addition to a different distribution of taxpayers by marginal rate, Scotland will also have a different proportion of income tax from employment, self-employment, pensions and property, interest, dividend income and other income than London[18].

- Estimates assume tax devolution to London on the same basis as in the 2016-17 financial year (as in, the 10p rate). As outlined above, devolution of Scottish NSND tax involves rate and band setting powers for the Scottish Government in 2017-18, which could lead to a higher fiscal transfer.

- The calculations here are on a residence basis. As highlighted earlier, estimates of London's income tax revenue on a residency basis are lower than on a workplace basis.

Overall, if a similar 10p rate across taxpayer bands on NSND income were to be applied in London, then it is estimated that the tax would raise between £15.3 and £15.8 billion in 2016-17 (Table 2). This is based on the OBR forecasts for NSND income for the UK and a number of assumptions discussed above. As such, these estimates should be considered as indicative only and are likely to overestimate the tax revenues that would be raised by a similar arrangement to Scotland in London.

Table 2: London-equivalent SRIT revenue estimates, 2013-14 to 2017-18, current prices and resident basis, £millions

Approach	2013-14	2014-15	2015-16	2016-17	2017-18
Approach 1: based on the ratio between Scotland's share of total NSND liabilities for the UK and Scotland's share of total income tax for the UK	£13,975	£14,444	£15,019	£15,258	£15,612

[17] HMRC (2016). Income tax statistics and distribution, number of income tax payers by country. Available at: https://www.gov.uk/government/statistics/number-of-individual-income-taxpayers-by-marginal-rate-gender-and-age-by-country

[18] It is difficult to compare the proportion of taxpayers by source of income as many taxpayers have more than one source of income, however, as an indication London has 1.13 million more people paying employment income tax than Scotland, and 0.98 million more people paying tax on property, interest, dividend income and other income, some of which will not be eligible for income tax on NSND.

Approach 2: based on the ratio between the SRIT and Scotland's income tax	£14,677	£14,519	£13,982	£15,781	£16,171

Note: see above text for a description of the two approaches. HMRC data used for Scotland's and London's share of total income tax for the UK relates to income tax on a receipts basis, whereas OBR data on NSND revenue is on a liabilities basis. These estimates also are on a residence basis. Source: OBR, HMRC, GERS, GLA Economics calculations.

Issues associated with devolution of income tax

The Scottish Government is meeting all start-up and running costs incurred in the implementation of SRIT. Moreover, the Scottish Government has agreed to reimburse the UK government for any net additional costs wholly and necessarily incurred as a result of the implementation and administration of the income tax powers[19]. The total cost of implementing SRIT is estimated to be between £30 million and £35 million[20]. If a similar arrangement was to be implemented in London, this would also incur administrative costs. In addition, any fiscal transfer of revenues from the UK government to London will similarly be accompanied by a reduction in central government grants and/or funding.

However, it should also be noted that as part of the fiscal framework agreed between the UK and Scottish Government in early 2016, Scotland is to receive a one-off transfer (supplementing the block grant) of £200 million to support the implementation of new powers[21]. In addition, the Government's have agreed a baseline transfer of £66 million to cover the on-going administration costs associated with the new powers.

If London's NSND rate were to be fully devolved, as will be the case for Scotland in 2017-18, differential rates of income tax could have the potential to lead to various behavioural effects.

Behavioural responses reflect the tendency for taxpayers to change their behaviour in response to tax changes, and can be particularly large for high earners as they have both greater incentives and opportunities to restructure their finances to minimise their tax liability. London has a high proportion of higher rate and additional rate taxpayers (21 per cent and 3 per cent of taxpayers in London, compared with 15 per cent and 1 per cent at the UK level – see Table 1), which could increase the potential for London residents to act in response to any changes in income tax policy[22].

Evidence collated for the London Finance Commission's 2012 report suggested that higher rates of local income tax can have a detrimental impact on employment, and that London's porous border may present scope for distortions in terms of relocation and labour mobility[23].

[19] Scottish Government & HM Government (2016).The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf
[20] Scottish Parliament (2015). Income tax in Scotland. Available at: http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_15-72_Income_Tax_in_Scotland.pdf
[21] See for instance paragraphs 31 and 32 of the fiscal framework (see: Scottish Government & HM Government (2016). The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf).
[22] The Scottish Government have undertaken analysis around taxable income elasticity, that is, taxpayers' response to changes in the tax rate. See: http://www.gov.scot/Resource/0049/00497818.pdf
[23] London Finance Commission (2013). Raising the capital, May 2013.

4 Payroll levies

This chapter looks at payroll levies. As they can come in many forms, this chapter looks at a general and unspecific payroll levy, as well as the announced apprenticeship levy.

General payroll levy

There are various forms of 'payroll levies'. For the purpose of this analysis (and mainly for simplicity) it has been assumed that a levy would apply to the wages and salaries paid to employees by employers.

There are a number of sources which could be used to estimate the total level of salaries/wages paid to employees in London. For the purposes of this work, HMRC data on income tax has been used to estimate the amount of employment income paid to workers resident in London[24]. This simple estimate suggests that in 2013-14 about £123 billion was paid to employees resident in London by employers. On the basis of this estimate, a 1 per cent payroll levy on all employees living in London could yield £1.2 billion per annum.

Whilst this is a very simple estimate there are a number of significant issues with a general payroll tax.

First, this estimate is based on those employees living in London. It is not clear how such a payroll tax would be administered; there could be significant administrative issues. An alternative could be to levy the payroll tax on London based employers. This would probably be easier to administer and would probably raise more revenue because the number of people working in London exceeds the number of residents in London in work (because of commuting).

Second, this estimate makes no allowance for any dynamic impact. The ultimate impact of a payroll tax, all other things equal, will be to increase the cost of labour (or reduce the returns to work) and thus most likely reduce employment. However, the estimates here make no allowance for any reduction in employment.

Lastly, a payroll tax in London will make other parts of the country (not subject to such a payroll tax) – and/or international competitor locations – relatively more attractive than would have been the case without the payroll tax.

Apprenticeship levy

The apprenticeship levy (also referred to as 'payroll tax') will come into effect in April 2017. Employers will pay 0.5 per cent of their annual pay bill in excess of £3 million through the PAYE system[25]. Those with an annual wage bill of £3 million or less will be exempt. The levy will apply to employers in the public, private and third sectors.

The UK Government will use the funding generated through the levy to support its commitment to deliver its ambitions for apprenticeships in England during the lifetime of the current UK Parliament. A share of the levy will be allocated to each of the devolved administrations through existing Barnett arrangements.

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[24] HMRC (2016). Personal income by tax year: income and tax by country and region.
[25] Total employee earnings subject to class 1 secondary NICs.

According to OBR projections, the levy will raise £2.6 billion when introduced in 2017-18, rising £100 million a year to £3 billion by 2021-22[26].

The devolved nations

The levy is UK wide; therefore, employers pay their contributions on the basis of all UK employees irrespective of where they live or work, and irrespective of the employer's location. Training levies and their collection are a matter reserved to the UK Government. However, skills policy including responsibility for apprenticeships is a devolved matter.

The levy fund will be split amongst England and the devolved administrations, based on the postcode for each worker held by HMRC. The devolved administrations can decide how to spend the levy fund as apprenticeships are a devolved policy. However, in England, levy paying employers will be able to access their contributions to select and pay for apprenticeship training through the digital apprenticeship service. The Government will also apply a 10 per cent top up on contributions, meaning that employers can spend £1.10 for every £1 they pay in. Businesses will have two years to spend this funding before it expires. Moreover, by 2020, it is hoped that all employers – regardless of whether they pay the levy or not – will be able to access the digital apprenticeship service.

Apprenticeship levy in London

As mentioned above, the levy will only be paid on annual pay bills in excess of £3 million and HMRC guidance states that less than 2 per cent of UK employers will pay it[27]. As also mentioned above, the apprenticeship levy will raise £3 billion a year by 2021-22.

At the London level, estimating the revenues raised by the apprenticeship levy would require data on the number of businesses in London with a payroll of over £3 million. This would require in depth payroll data for every business in London, held by HMRC.

In the absence of such data, GLA Economics has estimated a potential range for London's share of total UK apprenticeship levy revenues. The three approaches are:

- Approach 1: Based on the number of jobs reported by ONS ASHE
  This approach multiplies the mean annual pay (including incentives) with the number of jobs reported by the ONS Annual Survey of Hours and Earnings to estimate the total payroll. London's share of the UK total is assumed to be the same as London's share of the total apprenticeship levy for the UK.

- Approach 2: Based on the assumed number of jobs using business size bands
  This approach uses the ONS UK Business Count data to estimate the number of enterprises in London and the UK by employment size band. The mid-point of each band is assumed to be representative of the number of employees at each enterprise. This is then multiplied with the mean annual pay (including incentives) to produce an estimate of total payroll for both London and the UK. Subsequently, London's share of the UK total is assumed to be the same as London's share of the apprenticeship levy for the UK.

- Approach 3: Based on the assumed number of jobs using medium and large business size bands

[26] Office for Budget Responsibility (2016). Economic and fiscal outlook, November 2016.
[27] HMRC (2016). Apprenticeship levy, policy paper, 4 February 2016.

This uses a similar methodology to approach 2, though only enterprises with at least 100 employees and half the number of enterprises with between 50 and 99 employees have been counted.

These approaches suggest that London's share of the total apprenticeship levy for the UK could be between 21.7 per cent and 31.9 per cent. Applying this to the OBR projections of how much the levy would raise for the UK suggests that between £563 million and £827 million could be collected in London in 2017-18 (Table 3).

Table 3: Apprenticeship levy revenues in London and the UK between 2017-18 and 2021-22, current prices, £millions

Approach	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
London						
Approach 1	£0	£563	£580	£602	£628	£654
Approach 2	£0	£685	£706	£733	£765	£796
Approach 3	£0	£827	£852	£884	£923	£961
UK	**£0**	**£2,590**	**£2,670**	**£2,770**	**£2,890**	**£3,010**

Source: OBR, GLA Economics calculations

Issues associated with devolution of the apprenticeship levy

Employment and skills ministers from the devolved nations have highlighted issues with the operation of the planned apprenticeship levy. Specific concerns raised about the levy include:

- the potential for the levy to undermine devolved apprenticeship policies;
- how to fairly apportion the levy raised across the devolved administrations, including transparency around UK departmental budgets;
- content and timelines for the legislation that will introduce the Levy into statute; and,
- the need to ensure the changing apprenticeship landscape will be clear to cross border employers and providers[28].

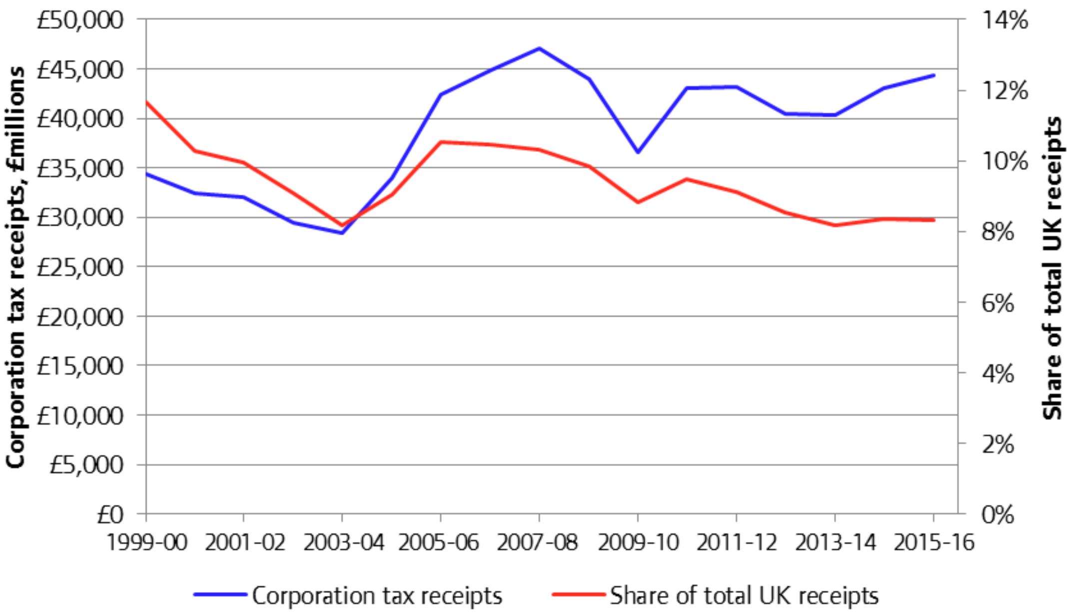
The devolved nations have been engaging with the UK government on both funding arrangements and allocation, and the development and delivery of apprenticeships[29].

[28] Scottish Government (2016). Concern over apprenticeship levy, 4 February 2016. Available at: http://news.scotland.gov.uk/News/Concern-over-Apprenticeship-Levy-2236.aspx
[29] Scottish Government (2016). Consultation of the Scottish Government response to the UK apprenticeship levy, July 2016. Available at: http://www.gov.scot/Publications/2016/07/5912/5

5 Corporation Tax

Corporation tax is a significant national tax, accounting for 8.3 per cent of HMRC's UK receipts in 2015-16 (excluding business rates and council tax which are not collected by HMRC)[30]. Corporation tax is levied on business profits that fall within the UK's corporate tax base. As company profits tend to fluctuate over the economic cycle, corporation tax revenues also fluctuate significantly[31]. For example, corporation tax receipts fell from £43.9 billion in 2008-09 to £36.6 billion in 2009-10 (Figure 1).

Figure 1: Corporation tax receipts for the UK between 1999-00 and 2015-16, current prices, £millions



Source: HMRC Corporation Tax Statistics

Since the UK government announced its intention to make the UK's tax regime the most competitive in the G20, the corporation tax rate has been reduced from 28 per cent in 2010 to 20 per cent in April 2015[32]. Meanwhile, corporation tax receipts have remained relatively stable in cash terms, rising from £43 billion to £44.4 billion in 2015-16 (though this represents a fall of about 10 per cent in real terms).

The devolved nations

Evidence on the relative importance of factors such as corporation tax on firms' location decision is mixed. However, the importance of a competitive tax regime in encouraging business investment and expansion, and hence economic growth and employment, has prompted the consideration of corporation tax as an option for fiscal devolution.

[30] Excluding council tax and business rate receipts. See: HMRC (2016). Tax receipts and national insurance contributions for the UK.
[31] HM Treasury (2011). Rebalancing the Northern Ireland economy, March 2011.
[32] UK Government (2016). Corporation tax rates and reliefs. Accessed on 13 December 2016 and available at: https://www.gov.uk/corporation-tax-rates/rates

Scotland

The Scottish Government has previously stated its desire to reduce corporation tax to below the rate in the rest of the UK in an effort to attract additional investment[33]. However, this could lead to firms shifting profits (such as the 'transfer prices' charged for intra-company transactions) to boost revenues in Scotland at the expense of the UK. This could lead to tax competition and a 'race to the bottom' in corporation tax rates.

The Calman Commission recommended against a separate rate of corporation tax for Scotland due to the potential for distortion through tax competition effects and the administrative burden of legislation.

Wales

The Holtham Commission noted a number of legal and implementation issues in considering corporation tax devolution for Wales, as well as the volatility of corporation tax rates[34]. Similarly, the Silk Commission in Wales concluded that the costs of devolving corporation tax would outweigh the benefits[35].

Northern Ireland

Northern Ireland has argued it has special circumstances which would make it eligible for corporation tax devolution[36]:

- a small private sector and dependence on the public sector;
- large increases in its unemployment rate; and,
- a border with the Republic of Ireland – a competitor for investment with a very low rate of corporation tax at just 12.5 per cent on trading profits[37] (though its 25 per cent rate on non-trading profits is higher than the UK).

In the 2014 Autumn Statement, it was announced that legislation to devolve corporation tax to Northern Ireland would be introduced in the current Parliament. The Corporation Tax (Northern Ireland) Bill 2014-15 gave the Northern Ireland Assembly (NIA) the power to set the main rate of corporation tax in respect of certain trading profits (excluding certain lending and investing activities).

The Northern Ireland Corporation Tax (NICT) regime allows the NIA to set a rate of CT to be applied to certain trading profits arising in Northern Ireland from 2018-19. The NICT rules and policy form part of the UK CT system and will be administered along with the rest of the CT system by HMRC. The NI Executive's budget will bear the costs of setting up and operating

[33] Phillips, D (2014). The Smith Commission's proposals: how big a change do they represent and what questions remain to be addressed, IFS Briefing Note BN157.
[34] Seely, A (2015). Devolution of corporation tax to Northern Ireland, House of Commons Library, Briefing Paper SN7078.
[35] Commission on Devolution in Wales (2012). Empowerment and responsibility: financial powers to strengthen Wales, November 2012. Available at: http://webarchive.nationalarchives.gov.uk/20140605075122/http://commissionondevolutioninwales.independent.gov.uk/files/2013/01/English-WEB-main-report1.pdf
[36] Phillips, D (2014). The Smith Commission's proposals: how big a change do they represent and what questions remain to be addressed, Institute for Fiscal Studies, Briefing Note BN157.
[37] HM Treasury (2011). Rebalancing the Northern Ireland economy, March 2011.

NICT and benefit from the revenue collected[38]. Control over the corporation tax base, including reliefs and allowances, remains with the UK Parliament[39].

Corporation tax in London

Corporation tax raises significant revenues in London. HMRC does not produce estimates of corporation tax by region. However, estimates allocating tax incidence on the basis of regional distribution of profits suggest that London's corporation tax revenue could be in the region of £8.4 billion to £10.3 billion in 2013-14. That is equivalent to 23.5 per cent or 25 per cent of UK total corporation tax revenues[40].

Table 4 shows London's corporation tax estimates between 2013-14 and 2017-18. This assumes London's share of corporation tax in 2013-14[41] remains constant over time.

Table 4: Corporation tax revenue in London between 2013-14 and 2017-18, current prices, £millions

	2013-14	2014-15	2015-16	2016-17	2017-18
UK corporation tax receipts	£40,327	£43,005	£44,410	£46,135	£50,567
London's share of UK tax receipts	25%	25%	25%	25%	25%
Implied London's corporation tax receipts	£10,300	£10,751	£11,102	£11,534	£12,642

Source: Cebr, HMRC Corporation Tax Statistics (for UK receipts 2013-16 data), OBR (for UK receipts 2016-18), GLA Economics calculations

As Table 4 shows, corporation tax devolution could provide a significant revenue stream for London; rising from £10.3 billion in 2013-14 to £12.6 billion in 2017-18.

These estimates assume that if tax revenues from corporation tax were to be devolved to London, the rate of corporation tax would remain the same as those rates assumed in the OBR's fiscal forecasts (i.e. the UK Government's intends to reduce the corporation tax rate to 19 per cent by April 2018).

Issues associated with devolution of corporation tax

Much of the rationale cited for devolution of corporation tax to Northern Ireland would not apply to London, such as low wages, low labour productivity, a weak private sector and its border with the Republic of Ireland.

As with other taxes, the criteria established in the Azores case apply. For Northern Ireland, the fiscal autonomy condition will be met through adjustment of its block grant to reflect the fiscal costs of a corporation tax reduction, taking into account direct and behavioural effects of reducing the rate, so that the Azores criteria are satisfied[42]. This ultimately means quantifying the potential behavioural impact which would be challenging. For example, there are potential second round effects arising from a corporation tax decrease, such as the increased income tax

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[38] See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485924/NICT_MoU_FINAL_signed.pdf
[39] Seely, A (2015). Devolution of corporation tax to Northern Ireland, House of Commons Library Briefing Paper SN7078.
[40] Estimates relate to GERS (see: https://www.whatdotheyknow.com/request/gers_2013_14_table_31_presented#incoming-693025) and City of London (see: City of London (2014). London's finances and revenues, research report, November 2014) figures respectively.
[41] City of London (2014). London's finances and revenues, research report, November 2014.
[42] Northern Ireland Assembly (2015). Corporation tax (Northern Ireland) bill: key provisions and considerations, 12 March 2015, Briefing Paper NIAR 095-15.

and VAT receipts which may arise from the increased economic activity. However, in the case of Northern Ireland, while the block grant will be adjusted to reflect the corporation tax revenues foregone by the UK Government due to both direct and behavioural effects, it will not take into account second round effects on other taxes[43].

Corporation tax revenues also have the potential to be volatile, increasing uncertainty for the Governments' financial and resource planning. The same issue would likely apply for London (though revenues appear less volatile in London).

The Silk Commission quoted evidence that inward investors place a great importance on stability and predictability in the business environment and corporate tax stability plays a key role in this[44]. Implementing different rates of corporation tax across the UK could compromise this advantage and lead to a cannibalisation of corporation tax revenues (as areas across the country compete to be the lowest).

For devolution of corporation tax to be considered in London, the same conditions would likely need to be met as in Northern Ireland. As with other tax devolution, London would bear the full fiscal consequences of changes in tax revenues. In addition, London would also likely incur the start-up costs, on-going costs in maintaining IT systems, and compliance costs to counteract tax avoidance measures. The costs of devolving corporation tax to Northern Ireland have been estimated at one-off costs of £14 million and average annual costs of £4 million over a five year period[45].

[43] See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/390673/Stormont_House_Agreement_Financial_Annex.pdf
[44] Commission on Devolution in Wales (2012). Empowerment and responsibility: financial powers to strengthen Wales, November 2012. Available at: http://webarchive.nationalarchives.gov.uk/20140605075122/http://commissionondevolutioninwales.independent.gov.uk/files/2013/01/English-WEB-main-report1.pdf
[45] HMRC (2015). Corporation tax: devolution of rate-setting power to Northern Ireland, 8 January 2015.

6 VAT

VAT is levied on purchases of goods and services liable for the tax. VAT receipts in London in 2015-16 totalled £115.4 billion, equivalent to 21.6 per cent of total UK tax receipts[46]. As VAT is a tax on consumption, there is a link between economic performance and tax revenues generated making it a candidate for devolution.

The devolved nations

VAT is an EU tax and must be levied at a single rate for each particular good or service and that rate must apply across the territory of a member state. Therefore, discussion of VAT devolution to the devolved nations has focussed on revenue assignment, i.e. with no power over rates and bases.

Scotland

The Scotland Act 2016 provides for the Scottish Government to be assigned receipts from the first 10p on the standard rate of VAT and the first 2.5p of the reduced rate of VAT. Roughly, this is equivalent to half of the VAT receipts raised in Scotland.

As a result, VAT revenues raised in Scotland will be shared between the Scottish and UK governments. HMRC and the Scottish Government will develop a methodology to estimate VAT in Scotland and VAT receipts will be assigned from 2019-20[47]. The UK Government will retain the remainder of VAT receipts and retain control over the overall rate and rules[48].

Wales

The Silk Commission recommended against the devolution of VAT and assignment of revenues due to the restrictions in variation of VAT rates in accordance with EU law. As a result, if devolved to Wales, the Welsh Government would not be able to set a different rate to that of the rest of the UK, and adjustments to the rate of VAT, thereby increasing or decreasing the revenue base of the tax, would not be the result of actions of the Welsh government. The Silk Commission judged this to be the opposite of improved accountability as the level of VAT revenues would not be affected by Welsh Government decisions[49]. Devolution of VAT would also not offer increased taxation and spending choices to the electorate.

VAT in London

VAT assignment estimates presented by the Scottish Government assign 50 per cent of net VAT raised in Scotland to the Scottish Government. The methodology used to estimate VAT raised in Scotland is based on apportioning data on weekly household expenditure, UK government expenditure and UK regional GVA estimates[50].

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[46] Excluding council tax and business rate receipts. See: HMRC (2016). HMRC tax receipts and national insurance contributions for the UK.

[47] Scottish Government & HM Government (2016).The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf

[48] PwC (2015). Devolution in Scotland: what does this mean for business and individuals, February 2015.

[49] Commission on Devolution in Wales (2012). Empowerment and responsibility: financial powers to strengthen Wales, November 2012. Available at: http://webarchive.nationalarchives.gov.uk/20140605075122/http://commissionondevolutioninwales.independent.gov.uk/files/2013/01/English-WEB-main-report1.pdf

[50] Further information on methodology can be found the Scottish Government's GERS publication. See: http://www.gov.scot/Resource/0050/00504656.pdf

The estimates presented below are calculated on a similar basis that is assuming VAT receipts were to be devolved to London on the same basis as Scotland, i.e. 50 per cent of net VAT receipts, using estimates of the household, government and business expenditure apportioned to London. In addition, these estimates apportion consumer spending according to the split between workplace and residence based spending[51]. It should also be noted that Scottish Government estimates currently use the ONS Public Sector Finances database (calculated on an accruals basis), whereas the estimates presented below use HMRC data on a receipts (cash) basis and are net of VAT refunds. The receipts basis is consistent with the method likely to be used in assigning VAT revenues to Scotland[52].

Table 5 shows estimated VAT receipts raised in London, based on London's share of UK VAT receipts in 2013-14 which are applied to OBR forecasts of UK VAT receipts.

Table 5: Estimated VAT revenues attributed to London between 2013-14 and 2017-18, current prices, £millions

	2013-14	2014-15	2015-16	2016-17	2017-18
UK VAT receipts	£104,718	£111,363	£115,415	£120,025	£124,666
London's share	16.7%	16.7%	16.7%	16.7%	16.7%
London's VAT receipts (100%)	£17,500	£18,632	£19,309	£20,081	£20,857
50% of London's VAT receipts	£8,750	£9,316	£9,655	£10,040	£10,429

Source: HMRC, OBR, Cebr, GLA Economics calculations

As Table 5 shows, VAT attributable to London is expected to rise from £17.5 billion in 2013-14 to £20.8 billion in 2017-18. If 50 per cent of revenues were to be assigned to London – as will be the case for Scotland from 2019-20 – then this would raise an estimated £10.4 billion in 2017-18.

Issues associated with devolution of VAT

As with corporation tax, VAT revenues exhibit volatility over time, and as VAT revenues reflect household, government and business spending, are likely to fluctuate over the economic cycle.

The methodology for calculating receipts to be assigned to Scotland (i.e. the definition of VAT revenues raised in Scotland) remains to be agreed. Groups of companies operating across the UK present a significant issue as they make VAT payments on behalf of the combined group. However, these payments represent VAT liabilities arising from the activities of companies or divisions operating across the UK[53].

The same issue would likely apply to London, particularly given the concentration of regional and national headquarters located in London.

[51] Further information on methodology can be found here: City of London (2014). London's finances and revenues, research report, November 2014.
[52] As noted in the GERS publication. See: http://www.gov.scot/Publications/2016/03/3692.
[53] PwC (2015). Devolution in Scotland: what does this mean for business and individuals, February 2015.

7 Landfill tax and Air Passenger Duty

This chapter looks at the landfill tax and air passenger duty which have been devolved to Scotland and Wales.

Landfill tax

Landfill tax is a tax on the disposal of waste and is paid on top of normal landfill fees. It is charged by weight and is payable on all types of weight with a few exemptions. There are two rates of tax depending if the waste is inert and inactive (i.e. rocks and soil) – the standard rate if not and the lower rate if it is. Overall, the landfill tax generated £919 million[54] in tax receipts in 2015-16.

The devolved nations

Scotland
In Scotland, the Scottish landfill tax replaced the UK tax from 1 April 2015.

Wales
In Wales, the landfill tax is expected to be devolved in from 1 April 2018.

Landfill tax in London

The Scottish Government estimates London's landfill tax revenues at £239 million in 2014-15[55]. This is based on apportioning England's landfill tax receipts to regions using the shares of gross value added (GVA) by region[56].

Air passenger duty

Air passenger duty (APD) is charged on all passenger flights from UK airports. The rate of tax varies according to passenger destination and the class of passenger travel. APD raised an estimated £3.1 billion in taxes across the UK in 2015-16[57].

The devolved nations

Scotland
Air passenger duty will be devolved to Scotland from April 2018. According to the Scottish Government's Programme for Government 2016-17[58], the Scottish Government intends to reduce the burden of the APD replacement tax by 50 per cent by the end of the current Parliament, with the reduction beginning in April 2018. This is with a view to abolishing the tax when resources allow.

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[54] HMRC Landfill Tax receipts data excludes Landfill tax in Scotland which is now administered and collected by Revenue Scotland. See: HMRC (2016). HMRC tax receipts and national insurance contributions for the UK.
[55] See: http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/RelatedAreas/NUTS12016
[56] See: http://www.gov.scot/Resource/0049/00495365.pdf
[57] HMRC (2016). HMRC tax receipts and national insurance contributions for the UK.
[58] Scottish Government (2016). A plan for Scotland: the Scottish Government's programme for Scotland 2016-17, 6 September 2016, ISBN: 9781786524393.

Wales

The UK government is considering the case for devolving APD to the Welsh Assembly[59]. However, concerns have been raised as to the impact on English regional airports, such as Bristol.

Northern Ireland

The power to set Air Passenger Duty rates for direct long haul flights departing from Northern Ireland has been devolved to the Northern Ireland Assembly and provided for in the Finance Bill 2012[60]. The Northern Ireland Executive introduced provisions to set these rates to zero from 1 January 2013[61].

Air passenger duty in London

Estimates of APD raised in London have ranged from £400 million in 2010-11[62] to £438 million in 2014-15[63] – based on London's share of England's total population[64].

However, if devolved, APD would be levied solely on airports based in London. That is Heathrow, London City Airport and Biggin Hill only. Whereas estimates of APD based on population are likely to include London residents travelling to airports outside London, such as Gatwick, Stansted and Luton.

Issues associated with devolution of APD

Regional airports in England have expressed concern about the impacts of APD devolution to Scotland and Wales to their businesses. Generally, their concerns were that a decision to lower APD rates in Scotland or Wales could draw passengers and airlines away from their airports. Regional airports play an important role as local employers and enabling the transport of people and products, improving connectivity, increasing trade and creating jobs[65].

The devolution of APD at the sub-national level could lead to similar issues in terms of rate setting creating competitive pressures on regions to lower APD rates to attract airlines and passengers.

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[59] HM Treasury (2015). Discussion paper on options for supporting English regional airports from the impacts of air passenger duty devolution, July 2015.

[60] HM Treasury (2012). Devolution of air passenger duty to Northern Ireland, written ministerial statement, 21 February 2012. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192310/wms_est_210212_2.pdf

[61] Seely, A (2015). Air passenger duty and regional airports, 23 October 2015, House of Commons Library Briefing Paper CBP-7333.

[62] This estimate is based on the region's share of the UK"s population, GVA, household income or similar aggregate. However, it is not clear which has been used in the case of APD. See: City of London (2014). London's finances and revenues, research report, November 2014.

[63] See: http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/RelatedAreas/NUTS12016

[64] See: http://www.gov.scot/Resource/0049/00495365.pdf

[65] HM Treasury (2015). Discussion paper on options for supporting English regional airports from the impacts of air passenger duty devolution, July 2015.

8 Other implications of fiscal devolution

This paper has estimated the potential revenues that would derive from the devolution or assigning of a number of national taxes. Clearly the devolution or assigning of tax revenues to London would lead to a corresponding decrease in central government revenue. For the devolved administrations, this is balanced through an associated reduction in the block grant and a similar requirement would most likely be placed on London.

A number of methods to adjust the block grant have been discussed. This section focuses on the fiscal framework – agreed by the Scottish and UK governments – as this is the only agreement of its kind on fiscal adjustment so far[66]. The Smith Commission proposed two principles of 'no detriment' to underpin tax devolution. The first was that there should be no detrimental impact to Scottish or UK government budgets. That is, the Scottish and UK governments' budgets should be no larger or smaller simply as a result of the initial transfer of tax and/or spending powers. The second related to taxpayer fairness; changes to taxes in the rest of the UK, for which responsibility in Scotland has been devolved, should only affect public spending in the rest of the UK. Changes to devolved taxes in Scotland should only affect public spending in Scotland. That is, where either the UK or the Scottish Governments makes policy decisions that affect the tax receipts or expenditure of the other, the decision-making government will either reimburse the other if there is an additional cost or receive a transfer from the other if there is a saving.

The agreement covers how the block grant will be adjusted to account for changes in spending and tax changes. For the transitional period (to March 2022) the method of indexing the block grant adjustment for taxes will be related to the Barnett formula. However, for the transitional period an annual reconciliation process will be undertaken to ensure that the outcome from this adjustment is the same as reached under an 'Indexed Per Capita' method of adjustment[67].

This means that the initial baseline deduction for tax will be equal to the UK government's receipts generated from Scotland in the year prior to the devolution of powers. After this point, the methods set out above will determine the block grant adjustment. The aim is that the Scottish Government's overall level of funding will be unaffected if Scotland's population grows differently from the rest of the UK. This arrangement therefore ensures no detriment to either the UK government or Scottish Government as a result of devolution of tax powers[68], but that any additional tax revenue generated will benefit the Scottish government.

In addition, replacing the block grant, a stable source of revenue, with volatile tax revenues, will impact the volatility of Scottish finances. Accordingly, the new fiscal framework increases the Scottish Government's capital borrowing cap from £2.2 billion to £3 billion. The annual limit on borrowing for capital expenditure will be increased to £450 million (15 per cent of the overall

[66] The UK Government is working with Northern Ireland and Wales to agree respective fiscal frameworks.
[67] For more detail on the proposed methods, see:
Scottish Government & HM Government (2016).The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf; and
Bell, D & Eiser, D & Phillips, D (2015). Adjusting Scotland's block grant for new tax and welfare powers: assessing the options, Institute for Fiscal Studies, November 2015.
[68] Scottish Government & HM Government (2016).The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, February 2016. Available at: http://www.gov.scot/Resource/0049/00494765.pdf

borrowing cap). The Scotland Bill will be amended to reflect this with effect from 1 April 2017. Revenue borrowing will also be increased to deal with unexpected shortfalls in revenues; up to £200 million a year with a cumulative limit of £500 million. There will also be a "Scotland Reserve". The Scotland Act (2012) provided the Scottish Government with a cash reserve to build up funds when devolved revenues are higher than forecast and drawdown funds when devolved revenues are lower than forecast. The Reserve will enable the Scottish Government to smooth all types of spending and manage tax volatility and determine the timing of expenditure. The Scotland Reserve will apply from 2017-18 onwards.

9 Conclusion

This paper has looked at taxes currently set and collected at the national level and considered how far these taxes have been devolved to UK nations. It has also considered the revenues raised by these taxes in London and some of the key costs and benefits that might arise from devolution. The paper further examined some taxation powers that could be given to the capital beyond those already levied by national government. It found in general that significant revenues could be raised by further devolution of taxation powers but also that a number of issues would need addressing before this could occur.

Appendix 1: London's tax revenue estimated by City of London

This appendix contains data tables showing the tax take for some of the main national taxes in London as estimated by the City of London and Cebr. Where noted in the main body of this paper, these figures have been used to help calculate the potential amount of tax that could get retained in London and, thus, reproduced here for reference.

Table 6: London's tax revenues between 2004-05 and 2013-14 as estimated by the City of London, current prices, £millions

Financial year	Income tax	NICs	VAT	Corporat-ion tax	Council tax	Business rates	Stamp duty land tax	Other taxes	Total
2004-05	£27,500	£16,900	£11,500	£6,900	£2,600	£4,300	£1,800	£10,100	**£81,600**
2005-06	£29,600	£18,800	£11,400	£9,000	£2,700	£4,500	£2,200	£10,100	**£88,300**
2006-07	£33,300	£19,700	£12,200	£9,500	£2,900	£4,700	£2,700	£10,700	**£95,700**
2007-08	£36,200	£23,900	£13,000	£10,400	£3,000	£4,800	£3,000	£11,000	**£105,300**
2008-09	£37,100	£23,500	£12,900	£10,600	£3,200	£5,200	£1,400	£9,900	**£103,800**
2009-10	£35,400	£23,400	£11,400	£8,800	£3,200	£5,300	£1,600	£10,900	**£100,000**
2010-11	£38,600	£24,400	£13,700	£10,200	£3,200	£5,400	£2,000	£13,600	**£111,100**
2011-12	£38,700	£26,000	£16,300	£10,900	£3,300	£5,900	£2,400	£13,000	**£116,500**
2012-13	£38,900	£26,200	£16,800	£10,200	£3,300	£6,200	£2,700	£14,600	**£118,800**
2013-14	£40,400	£27,800	£17,500	£10,300	£3,300	£6,400	£3,900	£17,600	**£127,200**

Source: City of London (2014). London's finances and revenues, November 2014.

Table 7: London's share of total UK tax revenues between 2004-05 and 2013-14 as estimated by the City of London, current prices

Financial year	Income tax	NICs	VAT	Corporat-ion tax	Council tax	Business rates	Stamp duty land tax	Other taxes	Total
2004-05	21.7%	21.6%	15.8%	20.5%	12.9%	21.6%	30.0%	11.7%	**18.4%**
2005-06	22.0%	22.0%	15.6%	21.6%	12.7%	22.1%	29.3%	11.2%	**18.6%**
2006-07	22.6%	22.6%	15.7%	21.4%	13.0%	22.3%	28.1%	11.3%	**19.0%**
2007-08	23.8%	23.8%	16.1%	22.4%	13.0%	22.1%	30.0%	10.9%	**19.7%**
2008-09	24.3%	24.3%	16.5%	24.5%	13.1%	22.6%	29.2%	9.9%	**19.8%**
2009-10	24.5%	24.5%	16.2%	24.6%	12.9%	22.6%	31.7%	10.8%	**20.0%**
2010-11	25.2%	25.3%	16.4%	24.2%	12.5%	23.4%	34.2%	12.0%	**20.5%**
2011-12	25.6%	25.6%	16.6%	24.9%	12.9%	24.7%	39.2%	11.3%	**20.6%**
2012-13	25.7%	25.7%	16.7%	24.9%	12.7%	25.1%	40.1%	12.1%	**20.7%**
2013-14	25.8%	25.8%	16.7%	25.0%	12.4%	25.2%	42.7%	13.2%	**21.0%**

Source: City of London (2014). London's finances and revenues, November 2014.

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