

Finance Committee Inquiry into the impact of variations in national and sub-national income tax – additional information

At the Finance Committee meeting on 12 March 2020, the Minister for Finance and Trefnydd agreed to provide details of the number of higher rate earners in Wales employed in the public sector. This note contains the requested information.

The latest available detailed figures relate to 2016-17. In that year, it is estimated that there were 116,000 higher or additional rate income tax payers who would have paid the Welsh Rates of Income Tax (WRIT). Within that total, 27,300 or 23% were in the public sector. Looking at additional rate payers alone, there were around 3,800 subject to WRIT, of whom 700 or 19% were in the public sector¹.

In 2016-17 the higher rate element of WRIT would have raised £244m, of which £57m or 23% would have come from public sector workers. The additional rate element would have raised £42m, of which £3m or 7% would have come from public sector workers¹.

Notes:

The public sector is approximated here using the Standard Industrial Classifications of O (Public administration and defence; compulsory social security), P (Education) and Q (Human health and social work activities).

Not all individuals that work in these industries will be working for the public sector. For example there are organisations in both the education and health sectors which are outside the public sector. However, this is the best approximation available.

The analysis uses the latest available data, HMRC's Survey of Personal Incomes 2016-17. The 2017-18 data is expected to be available later this year.

The tax rates for 2016-17 were:

Tax rate	Income band	Tax rate
Personal allowance	£11,000	0%
Basic rate	Over £11,000 to £43,000	20%
Higher rate	Over £43,000 to £150,000	40%
Additional rate	+£150,000	45%

Welsh tax payers are identified by their post code. From 2019-20, WRIT payers will be identified by their 'C' code.

The Survey of Personal Incomes data for 2019-20 is expected to be available in 2022.

¹ The percentages shown are calculated using the precise number of payers, rather than the rounded figures shown. As a result, the percentages may not exactly correspond to the figures displayed due to rounding.