

## **DETAILED REVENUE METHODOLOGY PAPER 2012-13**

This paper outlines the various methodologies used to obtain estimates of public sector revenues in Scotland. As the issue of North Sea revenue is discussed extensively in Chapter 4 of GERS, this paper focuses on the other public sector revenues.

In contrast to public sector expenditure, there is no generic best approach to estimating public sector revenue; instead each revenue is estimated using a separate methodology. This paper discusses the methodology used to apportion a share of each revenue stream to Scotland and highlights any significant changes which have been introduced in this edition of GERS. It should be noted that, as the underlying datasets used in GERS have been subject to revisions and updates, estimates may differ from previous editions of GERS even if the methodology remains unchanged.

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## Methodology Overview

As highlighted in Chapter 3 of the main report, the majority of public sector receipts raised in Scotland are collected at the UK level by HM Revenue and Customs.

In some cases, revenue figures can be obtained for Scotland directly. Examples include local government revenues and particular elements of public corporation revenues. Such taxes are the exception and separate identification of most other revenues for Scotland is not possible. GERS therefore uses a number of different methodologies to apportion tax revenues to Scotland. In doing so, there are often theoretical and practical challenges in determining an appropriate share to allocate to Scotland. In certain cases, a variety of alternative methodologies could be applied each leading to different estimates.

Obtaining an estimate of public sector revenues in Scotland is a two-stage process.

In the first stage, the UK outturn figure for each stream of revenue is obtained from ONS Public Sector Finance Statistics. In the second stage, Scotland's share of the UK figure is estimated according to a specific apportionment methodology. The methodology used differs for each element of revenue. However, in general, the information comes from survey data for the UK.

## UK Revenue Figures

The basis for estimating public sector revenue for Scotland is National Statistics outturn figures for UK fiscal revenue taken from ONS Public Sector Finances. The detailed components, revenue by revenue, are taken from an ONS database (PSAT2) which is produced on a quarterly basis. The fiscal balance calculations in GERS are constrained to the UK Public Sector Finances for January 2014, published in February 2014. An accounting adjustment is applied to both the expenditure and revenue totals so that both sides of the fiscal balance calculations are presented on a consistent basis. The revenue accounting adjustment is very small and has been included in 'other taxes, royalties and adjustments'.

These data are presented on an accruals basis and separately identify revenue attributed to central government, local government and public corporations. The international standards for National Accounts and Government Finance Statistics use the accruals basis rather than a cash approach. This is because accruals accounting reflects a more accurate picture of when revenue is due and spending occurs than the more volatile alternative of cash, which, for example, records when bills are settled rather than when the expenditure occurs.

The assumptions underpinning the apportionment of each revenue source are outlined below.

## Summary of Changes

Table 1 provides a summary of the apportionment methodologies used for each element of revenue and highlights whether or not the methodology has changed since the previous edition of GERS. In some instances ONS's Public Sector Finance estimates of UK revenue for some taxes have also been revised since the last edition of GERS, these changes will affect the estimates of Scottish tax revenue. In addition, there have been revisions to some of the data sources used to apportion tax revenues to Scotland.

<b>Table 1: Apportionment Methodologies and Sources for Public Sector Revenue in Scotland (Excluding North Sea Revenue)</b>			
<b>Revenue</b>	<b>Apportionment Methodology</b>	<b>Source</b>	<b>Revised</b>
Income tax	Scottish share of UK income tax liabilities applied to income tax gross of tax credits. Negative expenditure on tax credits estimated using Scot/UK share of overall spend on tax credits (negative tax plus benefits)	Survey of Personal Income (SPI): HMRC and Scottish Government analysis Data on overall spend on tax credits: HMRC	No
Corporation tax (excl. North Sea)	Scotland's share of profits (less holding gains) of UK corporations	Regional Accounts: ONS	No
Capital gains tax	Actual outturns for Scotland	Supplied directly by HMRC	No
Other taxes on income and wealth	Various	Various	No
National insurance contributions	Estimates of employer, employee, class 2 and class 3 NIC revenue in UK and Scotland	Supplied directly by HMRC	No
VAT	VAT net of LG and CG refunds: Scotland's share of UK household VAT expenditure LG refunds: Scotland's share of UK LG current expenditure on goods and services CG Refunds – MOD: Scotland/UK populations – NHS: Scotland/UK TES for Health – Other Gov depts: Scotland/UK total TES (Excluding NHS/MOD)	Living Costs and Food Survey: ONS Public Sector Finances: ONS ONS and GROS PESA PESA	Yes
Fuel duties	Scotland's share of road traffic fuel consumption	Fuel consumption statistics: DECC	No
Stamp duties	Land and property stamp duty: Actual outturns for Scotland Stocks and shares: - Scotland/UK ratio of adults owning shares	Land and property stamp duty: HMRC Stocks and shares: Family Resources Survey (DWP)	No
Tobacco duties	Spend on tobacco in Scotland/UK	Living Costs and Food Survey: ONS	No
Alcohol duties	Consumption of alcohol in Scotland/UK	Family Food Statistics, DEFRA	Yes
Betting and gaming duties	Spend on betting and gaming in Scotland/UK	Living Costs and Food Survey: ONS	No
Air passenger duty	Scotland's share of passengers by air passenger duty band	Civil Aviation Authority and HMRC	No
Insurance premium tax	Spend on insurance in Scotland/UK	Living Costs and Food Survey: ONS	Yes
Landfill tax	Scotland's share of UK tonnage of waste sent to landfill	Scottish Environment Protection Agency, Environment Agency, Dept. of Environment in Northern Ireland	No
Climate change levy	Electricity: Scotland's share of UK electricity consumption by commercial and industrial users Gas: Scotland's share of UK gas sales to commercial and industrial users Solid and other fuels: Scotland's share of UK (less extra-regio) GVA	Electricity: DECC Gas: DECC Solid and other fuels: Regional Accounts: ONS	No
Aggregates levy	Scotland's share of UK's aggregate production	United Kingdom Minerals Yearbook 2009: British Geological Survey	Yes

**Table 1: Apportionment Methodologies and Sources for Public Sector Revenue in Scotland (Excluding North Sea Revenue) (Cont)**

Inheritance tax	Actual outturns for Scotland	HMRC	No
Vehicle excise duty	Scotland's share of total value of UK vehicle licences issued (less refunds)	DVLA	No
Non-domestic rates	Actual Data	Scottish Local Government Finance Statistics	No
Council tax	Actual Data	Scottish Local Government Finance Statistics	No
Other taxes, royalties and adjustments	Various	Various	No
Interest and dividends	For PC receipts: Scotland's share of public sector UK GVA For LG and CG receipts: Scotland/UK population	Regional Accounts: ONS	No
Gross operating surplus	CG: Scottish/UK share of central government NMCC LG: Scottish/UK share of local government NMCC Public corporations – individual data for Scottish PCs – data for UK-wide PCs based on relevant industry GVA – and actual data for Local Authority housing rentals	CG: ONS Regional Accounts LG: ONS Regional Accounts PC: Supplied by Public Sector Finance team: ONS, and Regional Accounts: ONS	No
Rent and other current transfers (excluding oil royalties and licence fees)	Various	Various	No
North Sea revenue	See Chapter 4	See Chapter 4	No

Table 2 summarises the revisions in this edition of GERS by comparing the estimates contained in this report with last year's publication. Overall, estimated non-North Sea public sector revenue in Scotland has been revised up in all years, reflecting upward revisions to UK revenues. 2008-09 has been revised up by 0.6%; 2009-10 revised up by 0.9%; 2010-11 revised up by 0.1%; and 2011-12 revised up slightly but broadly unchanged.

<b>Table 2: Revision to Estimates of Total Non-North Sea Public Sector Revenue: 2008-09 to 2011-12</b>				
	<b>(£ million)</b>			
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>Scotland</b>				
Estimates published in GERS 2011-12	43,502	41,664	44,287	46,297
Estimates published in GERS 2012-13	43,772	42,054	44,318	46,315
<b>Revision</b>	<b>270</b>	<b>390</b>	<b>31</b>	<b>18</b>
<b>UK</b>				
Estimates published in GERS 2011-12	520,332	506,090	542,601	561,386
Estimates published in GERS 2012-13	523,815	510,118	547,100	565,597
<b>Revision</b>	<b>3,483</b>	<b>4,028</b>	<b>4,499</b>	<b>4,211</b>
<b>Scotland/UK ratio</b>				
Estimates published in GERS 2011-12	<b>8.4%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>
Estimates published in GERS 2012-13	<b>8.4%</b>	<b>8.2%</b>	<b>8.1%</b>	<b>8.2%</b>
<b>Revision (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

Table 3 illustrates the revisions to individual public sector revenue streams in Scotland and the UK for 2011-12. The revisions to the UK revenue estimates and to the underlying data used to apportion some taxes to Scotland, have resulted in minor revisions to some revenue estimates. The net effect of all of the changes has been to increase the estimate of public sector revenue in Scotland by £16 million and to increase the estimate of UK revenue by £4.2 billion.

**Table 3: Revision to Estimates of Public Sector Revenue: Scotland and UK 2011-12**

	(£ million)		%	
	Scotland	UK	Scotland	UK
Income tax	-14	-40	0%	0%
Corporation tax (excluding North Sea)	-215	-205	-7%	-1%
Capital gains tax	31	0	13%	0%
Other taxes on income and wealth	-4	-2	-2%	0%
National insurance contributions	-109	0	-1%	0%
VAT	-419	-3	-4%	0%
Fuel duties	-20	0	-1%	0%
Stamp duties	5	0	1%	0%
Tobacco duties	38	0	3%	0%
Alcohol duties	-3	0	0%	0%
Betting and gaming duties	7	0	6%	0%
Air passenger duty	14	0	6%	0%
Insurance premium tax	-46	0	-18%	0%
Landfill tax	-1	0	-1%	0%
Climate change levy	0	0	0%	0%
Aggregates levy	-4	0	-7%	0%
Inheritance tax	65	40	40%	1%
Vehicle excise duty	3	-7	1%	0%
Non-domestic rates	0	12	0%	0%
Council tax	-3	0	0%	0%
Other taxes, royalties and adjustments	-40	-950	-4%	-7%
Interest and dividends	218	2,682	92%	96%
Gross operating surplus	515	2,694	21%	11%
Rent and other current transfers	0	-10	0%	-2%
<b>Revision</b>	<b>18</b>	<b>4,211</b>	<b>0%</b>	<b>1%</b>

Revisions to the majority of previously published estimates are relatively small and largely explained by revisions to the UK constraining totals for each revenue stream. For other revenues, changes to methodologies, the latest data, or the UK constraining totals have led to changes to the Scottish estimates. These are discussed below.

Revisions to corporation tax, national insurance contributions, and VAT, are due either to updates to the latest apportionment data or methodological changes. For corporation tax, UK receipts are assigned to Scotland in proportion of the country's share of company profits, as estimated from the ONS Regional Accounts. Scotland's share of UK company profits, particularly in financial services, has been revised down in the latest Regional Accounts publication. This is due to a change in methodology within Regional Accounts which attempts to apportion profits in line with company activity, rather than employment. This leads to a downward revision in the estimate of Scottish on-shore corporation tax receipts in GERS. The changes to national insurance contributions reflect new 2011-12 accruals data received from HMRC. Changes to VAT receipts are primarily due to a revised methodology for estimating Local Government VAT refunds. There is a corresponding reduction in Local Government expenditure. This change therefore has no effect on the current budget balance or the net fiscal balance.

Revisions to other taxes, royalties and adjustments, interest and dividends, and gross operating surplus reflect changes in the UK constraining data. The reasons for the revisions to the UK data for gross operating surplus have been discussed above, as have part of the revisions for interest and dividends. However, interest and dividends has also increased due to the reclassification of Northern Rock Asset Management and Bradford & Bingley from public financial corporations to central government. This was incorporated into UK public sector finances in January 2013, but was not incorporated into the ONS PSAT2 database in time for the 2013 GERS publication. As such, these revenues were captured through the revenue accounting adjustment in the GERS 2013 publication, but are now reported against interest and dividends. This results in a reduction in the other taxes, royalties and adjustments line and a corresponding increase in the interest and dividends line, with no change on overall revenues.

## Longer-run revisions to revenues estimates

The following charts show how revenues (onshore; total, including a population share of North Sea; total, including a geographical share of North Sea) have been revised between successive publications following the major GERS review in 2008. The associated data appear as revisions parallelograms below the charts.

**Chart 1: Revisions to onshore revenues (Scotland)**

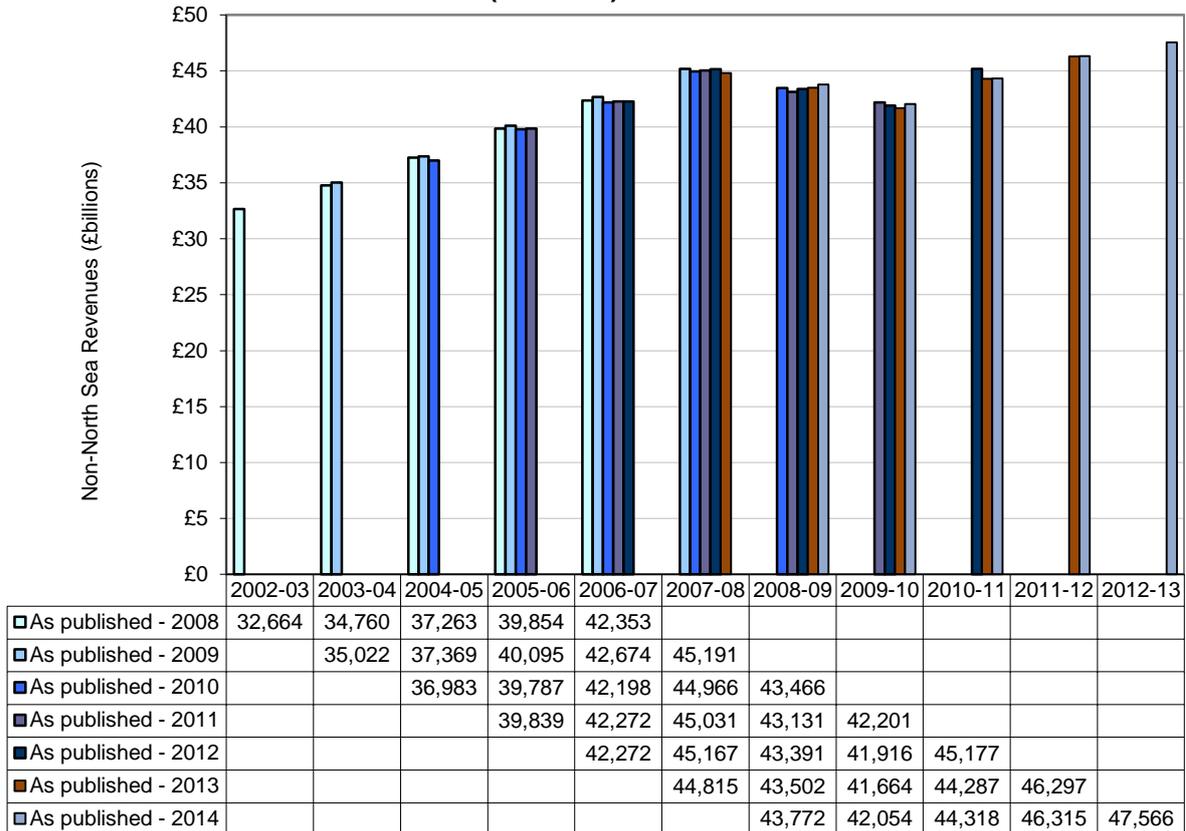


Chart 2: Revisions to revenues including a population share of North-Sea revenues

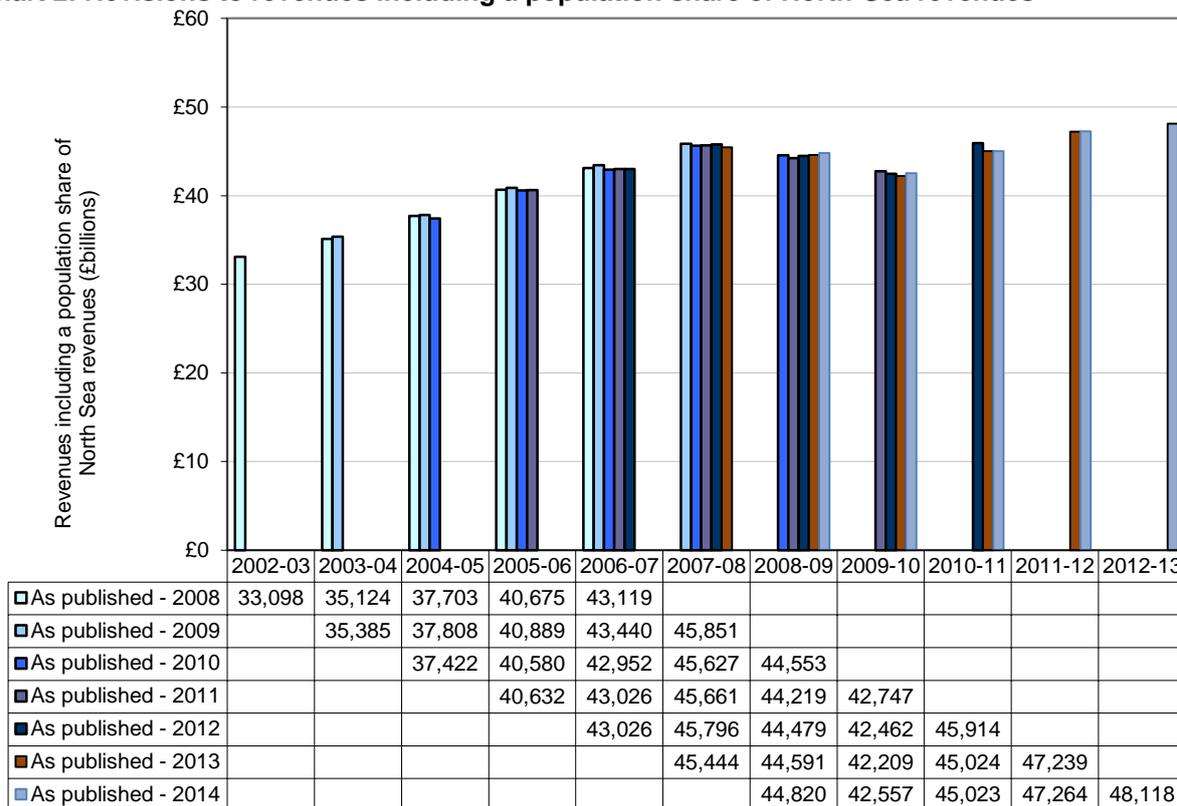
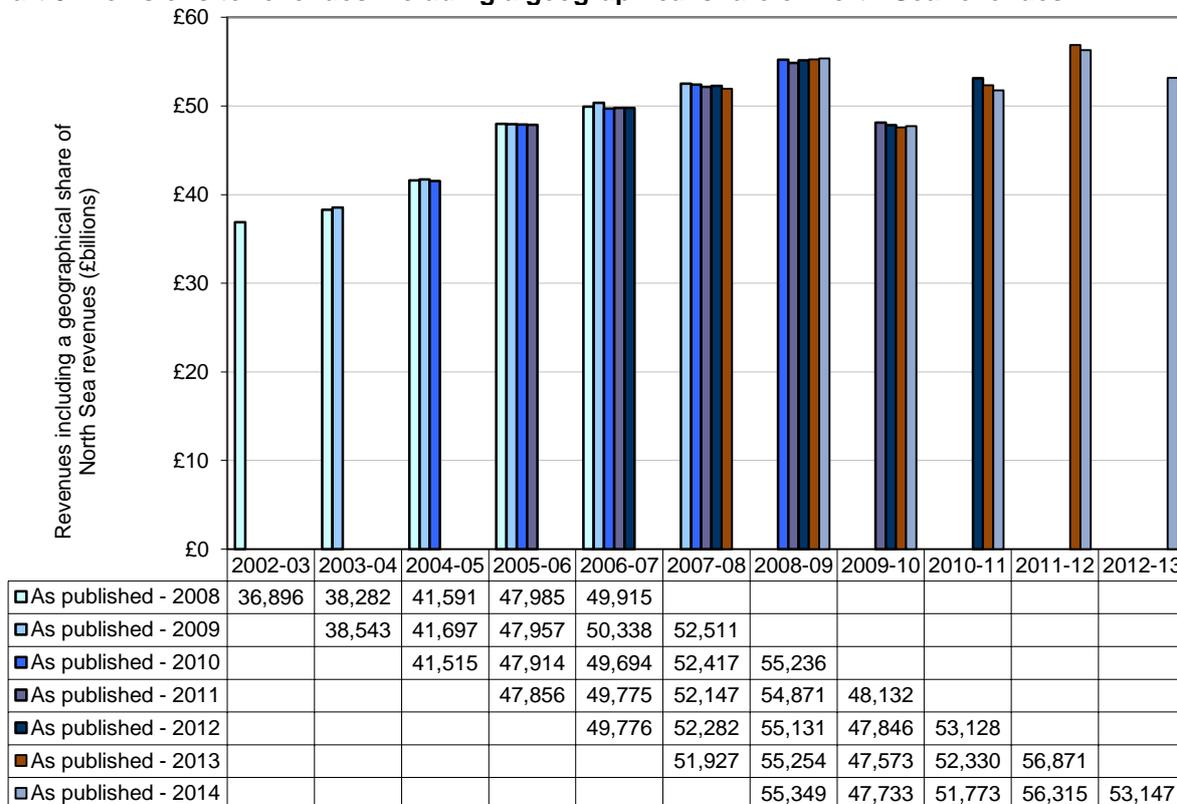


Chart 3: Revisions to revenues including a geographical share of North-Sea revenues



## Income Tax

### Background

Income tax is the single largest source of public sector revenue in both Scotland and the UK. A taxpayer's income is assessed for income tax according to a prescribed order:

- (1) non-savings income,
- (2) savings income (not dividends),
- (3) dividends.

For non-savings income, income tax is charged at a basic rate of 20% and a higher rate of 40%. In 2010-11 an additional rate of 50% was introduced for income over £150,000. In addition, there is a starting rate of 10% charged on savings income. Details of current tax allowances and rates are available at: <http://www.hmrc.gov.uk>.

### Methodology

UK figures for income tax revenue (both net and gross of tax credits) are taken from ONS' database underlying the Public Sector Finances.

HMRC's Survey of Personal Incomes (SPI) is used to estimate Scotland's share of total UK income tax (gross of tax credits). This survey is carried out annually, sampling from HMRC's PAYE, Self-Assessment and Claims Databases, and covers the income assessable for tax in each tax year. It covers 1.8% of income tax payers with a sample of approximately 600,000 people in the UK. The latest SPI survey was published in January 2014 and provided data for 2011-12.

The SPI is used to estimate Scottish income tax liabilities (gross of tax credits) as a proportion of UK total income tax liabilities. This share is then applied to the total UK income tax figure provided in ONS' database. The resulting figure is used as an estimate of gross income tax revenues raised in Scotland. The negative tax elements of the tax credits received in Scotland are then deducted to produce an estimate of net income tax for Scotland.

An estimate of the negative expenditure element of child tax credits (CTC) and working tax credits (WTC) for Scotland is made by applying Scotland's share of the UK total spend on tax credits (the negative expenditure part plus the actual expenditure relating to benefits) to the UK figure for negative expenditure on CTC and WTC (from the ONS database underlying the Public Sector Finances).

An estimate for Scotland of the negative expenditure elements of Mortgage Interest Relief at Source and Life Assurance Premium Relief at Source tax credits is made by allocating a population share of the UK figure to Scotland.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

## Detailed Revenue Methodology

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### Estimates:

Table 4 shows that the estimated share of Scotland's revenue from income tax has remained broadly unchanged compared to previous estimates, with a slight decrease in the years 2010-11 and before. This reflects changes to tax credit data.

<b>Table 4: Income Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	143,791	140,606	146,627	146,548	147,731
Scotland	10,547	10,277	10,589	10,776	10,865
<b>Scotland/UK</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>7.4%</b>	<b>7.4%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>n/a</b>

## Corporation Tax (excluding the North Sea)

### Background

Corporation tax is a tax on a company's taxable income or profits.<sup>1</sup> Different rates apply depending upon the amount of profit raised. There are a number of special accounting rules for particular expenditures, such as capital investment and research and development, which qualify for tax allowances and reliefs. Details of the current tax allowances and tax rates are available at <http://www.hmrc.gov.uk>.

There are different rates and rules governing corporation tax of North Sea output. North Sea revenues are discussed in depth in Chapter 4 of the main GERS publication.

### Methodology

GERS apportions a share of UK corporation tax revenues based on the economic activity undertaken in Scotland and not the location of companies' headquarters. Public corporations' and North Sea corporation tax revenues are excluded from the analysis and are apportioned to Scotland separately.

Calculating Scottish corporation tax revenues is a three stage process. Firstly the UK figure for total corporation tax is taken from ONS' database underlying the Public Sector Finances. An adjustment is then made to remove corporation tax payments from the North Sea sector. Although the ONS database has accurate up to date figures on total corporation tax, it does not keep up to date data on North Sea corporation tax payments, and so data is obtained from HMRC's published tables on corporation tax.

The Scottish share of UK corporation tax (excluding North Sea) is then estimated by calculating Scotland's share of profits, less holding gains, of all public and private corporations in the UK (less extra-regio) as reported in the ONS Regional Accounts. A slight adjustment is made to convert the Regional Accounts figures from calendar years to financial years. The relevant ratio is then applied to the total UK corporation tax figure. The resulting figure is an estimate of corporation tax revenues (excluding North Sea) raised in Scotland.

Figures on payments from public corporations are then netted off this total figure. A figure for corporation tax payments from all public corporations in the UK is included in ONS' database underlying the Public Sector Finances. The ratio obtained from the profits less holding gains from ONS Regional Accounts (described above) is applied to the total UK public corporations' payments to obtain a Scottish estimate which is then subtracted from the Scottish estimate of total corporation tax payments.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

As shown in Table 5 below, there has generally been a downward revision to Scotland's estimated share of corporation tax in the latest edition of GERS. This reflects downwards revisions to the Scottish share of company profits in the 2013 Regional Accounts publication, particularly within financial services. This revision is primarily the result of a change in

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<sup>1</sup> Where an accounting period straddles two financial years, the profits are apportioned accordingly.

## Detailed Revenue Methodology

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methodology which within Regional Accounts which attempts to apportion profits in line with company activity, rather than employment, although an employment proxy is still used for financial services.

<b>Table 5: Corporation Tax Non-North Sea (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	33,025	30,538	34,968	32,695	34,384
Scotland	2,816	2,535	2,787	2,762	2,872
<b>Scotland/UK</b>	<b>8.5%</b>	<b>8.3%</b>	<b>8.0%</b>	<b>8.4%</b>	<b>8.4%</b>
Estimated ratios in previous GERS publication					
<b>Scotland/UK</b>	<b>8.7%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.2%</b>	<b>-0.6%</b>	<b>-1.0%</b>	<b>-0.6%</b>	<b>n/a</b>

## Capital Gains Tax

### Background

Capital gains tax (CGT) is a tax on capital gains from the buying and selling of assets. The capital gain is broadly the difference between the disposal proceeds and the cost of acquiring an asset. Individuals have an annual amount on which CGT is not liable and as with other forms of personal taxation various reliefs and exemptions are available.

Prior to June 2010 capital gains tax was charged at a flat rate of 10%. Since June 2010, it has been charged at a basic rate of 18% and a top rate of 28% for higher-rate taxpayers.

Details of the current tax allowances and tax rates are available at <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total CGT is taken from ONS' database underlying the Public Sector Finances.

HMRC produce estimates of the amount of revenue raised from capital gains tax in Scotland for each financial year. These annual figures are converted to quarterly estimates, and the proportion of the UK revenue raised in Scotland based on these figures is applied to the total UK figure obtained from ONS' database. The latest estimates of Scottish revenues are for 2012-13

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

As shown in Table 6 below, there have been changes to Scotland's estimated share of UK receipts in 2011-12, reflecting changes to the HMRC estimates. The estimated share in previous years remains broadly unchanged.

<b>Table 6: Capital Gains Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	7,851	2,504	3,590	4,336	3,926
Scotland	568	164	202	278	292
<b>Scotland/UK</b>	<b>7.2%</b>	<b>6.6%</b>	<b>5.6%</b>	<b>6.4%</b>	<b>7.4%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>7.3%</b>	<b>6.5%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.7%</b>	<b>n/a</b>

## Other Taxes on Income and Wealth

### Background

Other taxes on income and wealth include a number of small taxes including the following:

- Capital gains tax from households
- Company income tax revenues, net of repayments
- Household charitable donations via gift aid and covenant tax reliefs
- Betting and gaming duty (those elements of the duty that are classed as tax on income<sup>2</sup>)
- OFGEM tax on Non-Fossil Purchasing Agency renewable energy income
- Inland revenue: Company IT withheld
- Horserace betting levy board
- Tax credits – Insurance and Pension Funds
- Corporation tax credit expenditure
- Company tax credits
- Non-Profit Institutions Serving Households tax credits

### Methodology

The UK figure for other taxes on income and wealth is taken from ONS' database underlying the Public Sector Finances.

UK revenue from other taxes on income and wealth are apportioned to Scotland as follows

<b>Public Sector Revenue</b>	<b>Apportionment Methodology</b>
Company income tax receipts, net of repayments	GVA
Household charitable donations via gift aid and covenant tax reliefs	As for income tax (SPI)
Betting and gaming duty (those elements of the duty that are classed as tax on income)	As for betting and gaming duty
OFGEM tax on Non-Fossil Purchasing Agency renewable energy income	As for other renewable energy obligations
Inland Revenue: Company IT withheld	As for corporation tax
Horserace betting levy board	As for betting and gaming duty
Central government contributions to payroll giving to charities	GVA
Tax credits – Insurance and Pension Funds	As for income tax (SPI)
Corporation tax credit expenditure	As for corporation tax
Company tax credits	As for corporation tax
Non-Profit Institutions Serving Households tax credits	As for income tax (SPI)

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

<sup>2</sup> Most elements of Betting and Gaming Duty are classed as tax on production – see separate section on Betting and Gaming

Estimates

Scotland's estimated share of the UK total revenues from 'other taxes on income and wealth' is broadly unchanged, albeit with slight decreases in most years. This reflects downward revisions to estimates of corporation tax credit expenditure, in line with the downward revisions to overall corporation tax revenues discussed above.

<b>Table 7: Other Taxes on Income and Wealth (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	2,741	2,361	6,134	2,974	3,122
Scotland	249	210	354	261	271
<b>Scotland/UK</b>	<b>9.1%</b>	<b>8.9%</b>	<b>5.8%</b>	<b>8.8%</b>	<b>8.7%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.1%</b>	<b>9.0%</b>	<b>6.0%</b>	<b>8.9%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-0.1%</b>	<b>n/a</b>

## National Insurance Contributions

### Background

National insurance contributions (NICs) are a tax on earnings. Their payment is designed to allow the payee to build an entitlement to certain social security benefits, including the state pension. There are a number of different rates, thresholds and classes for national insurance. The main rate, known as the class 1 rate, was 11% between 2008-09 and 2010-11, and increased to 12% for 2011-12 and 2012-13.

For details of current thresholds and rates please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total NICs together with separate figures for class 1 (employee and employer), class 2 and class 4 (self-employed), and class 3 (voluntary contributions paid to fill gaps in contribution records) contributions are taken from ONS' database underlying the Public Sector Finances. Class 1 contributions account for over 97% of the total.

Scotland's share of UK class 1, 2 and 3 contributions have been provided by HMRC. The latest data are for 2011-12 for class 1, 2010-11 for class 2, and 2008-09 for class 3. This reflects lags in producing data on self-reported receipts. Scotland's share of UK class 4 contributions is calculated using its share of class 2 contributions. Scotland's share of each class of contribution is then applied to the total UK national insurance figures provided in the ONS' Public Sector Finance Database.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Scotland's estimated share of the UK total revenues from National Insurance Contributions is broadly unchanged, with a slight decrease in 2011-12 reflecting the latest data from HMRC.

<b>Table 8: National Insurance Contributions (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	96,613	96,638	97,747	101,597	104,483
Scotland	7,987	7,912	7,967	8,284	8,521
<b>Scotland/UK</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>n/a</b>

## VAT

### Background

Value added tax (VAT) is charged on the sale of most goods and services in the UK. Depending upon the product, VAT is charged at three different rates; during the period of the report these were: standard rate, reduced rate (5%) and zero rate. Certain services are also 'exempt' from VAT.

The standard rate of VAT was temporarily reduced from 17.5% to 15% on 1 December 2008, and it returned to 17.5% on 1 January 2010. The standard rate of VAT increased from 17.5% to 20% on 4 January 2011. For further details please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total VAT revenues is taken from ONS' database underlying the Public Sector Finances. This total figure is made up of three main parts: net VAT, local government VAT refunds and central government VAT refunds.

Scotland's share of UK net VAT revenues is estimated from the Living Costs and Food Survey (LCF), formerly the Expenditure and Food Survey (EFS).

The LCF provides estimates of average weekly expenditure per household on a large number of goods and services in Scotland and the UK. The relevant VAT rate applicable to each good/service are applied to the average amount spent on each product type to produce an estimate of the average amount of VAT paid per household on each commodity/service. Total VAT revenues are then estimated by multiplying average household VAT revenues by the number of households in Scotland and the UK. The Scotland/UK ratio of estimated VAT revenues from private households is then applied to actual total UK net VAT revenues to estimate the value of VAT revenues attributable to Scotland.

Local government VAT refunds are apportioned on the basis of Scotland's share of UK local government final consumption expenditure.

Central government VAT refunds:

- to the Ministry of Defence are assigned on the basis of Scotland's share of the UK population;
- to NHS are assigned on the basis of Scotland's share of UK Total Expenditure on Services on health;
- to other government departments – on basis of Scotland's share of total UK Total Expenditure on Services (less Ministry of Defence and NHS).

### Differences from Previous Years' Methodology

Local government VAT refunds are now apportioned based on the share of UK local government final consumption expenditure. Previously, the share of local government expenditure on goods and services was used; however, the data used to derive these estimates are not publicly available. As such, moving toward final consumption expenditure allows a more transparent calculation to be made. As there is an offsetting local government expenditure on VAT refunds in the accounting adjustment, this change has no effect on the overall fiscal aggregates.

### Estimates

Scotland's estimated share of the UK total revenues from VAT has been revised downward in all years, particularly in 2011-12. This reflects the change in methodology to VAT refunds discussed above, and updates to the EFS survey data provided by ONS for 2011-12.

<b>Table 9: Value Added Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	85,350	83,710	97,277	109,800	112,072
Scotland	7,377	7,161	8,143	9,136	9,347
<b>Scotland/UK</b>	<b>8.6%</b>	<b>8.6%</b>	<b>8.4%</b>	<b>8.3%</b>	<b>8.3%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.7%</b>	<b>8.7%</b>	<b>8.6%</b>	<b>8.7%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>n/a</b>

## Fuel Duties

### Background

Fuel duty, formally known as hydrocarbon oil duty, is an excise duty levied on the sale of oils (including road fuels). The rate of duty levied varies between fuel types. Information on current duty rates is available from <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total fuel duties is taken from ONS' database underlying the Public Sector Finances.

As with other excise duties, the estimation of revenues raised from fuel duty in Scotland is based on the premise that the burden of duty is borne by the final consumer.

Fuel duty revenues are apportioned to Scotland by estimating Scotland's share of UK fuel consumption. UK road traffic fuel consumption and a regional breakdown, based on weighted traffic flows on a sample of roads across the UK, are published by the Department of Energy and Climate Change (DECC). Using this information Scotland's share of UK fuel consumption is derived. This estimate is then applied to the figure for UK total tax revenue to estimate Scotland's share of total fuel duty.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Updated data published by DECC have led to a decrease in Scotland's share of UK revenues, as shown in Table 10.

<b>Table 10: Fuel Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	24,615	26,197	27,256	26,798	26,571
Scotland	2,095	2,234	2,324	2,276	2,258
<b>Scotland/UK</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.6%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>-0.1%</b>	<b>n/a</b>

### Stamp Duties

#### Background

Stamp duty is levied on conveyances and transfers of land and property and on share transactions. Stamp duty land tax (SDLT) is paid on property transactions whilst share transactions are liable for either stamp duty or stamp duty reserve tax (SDRT). For details on the rates of duty please see: <http://www.hmrc.gov.uk>.

#### Methodology

The UK figure for total stamp duty revenue is taken from ONS' database underlying the Public Sector Finances.

Separate methods are used for estimating Scotland's share of UK revenue raised from (1) land and property stamp duties, and (2) stocks and shares stamp duties.

#### 1. Land and property stamp duty

HMRC publish estimates of land and property stamp duty raised in Scotland. Outturn estimates are available up to and including 2011-12, with provisional estimates for 2012-13. In addition, the Office for Budget Responsibility produce estimates of Scottish land and property stamp duty for the years 2011-12 to 2018-19. The OBR estimates are consistent with HMRC for 2011-12, but not for 2012-13, as the OBR estimates specifically adjust Scottish tax receipts for changes in the tax regime, which the HMRC provisional 2012-13 estimate does not. As such, the estimates in GERS are consistent with the HMRC outturn estimates for the years 2008-09 to 2011-12, and with the OBR estimates for 2012-13.

#### 2. Stocks and Shares Stamp Duty

The Scotland/UK ratio of adults owning stocks and shares as reported in the DWP Family Resources Survey (FRS), weighted according to estimates of adult population in Scotland and the UK (those classed as aged 18+) was used to estimate the proportion of UK stamp duty from stocks and shares raised in Scotland.

#### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

#### Estimates

Scotland's estimated share of the UK total revenues from Stamp Duty is broadly unchanged.

Table 11: Stamp Duty (£ million)

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>UK</b>	8,002	7,904	8,931	8,919	9,140
<i>of which land and property</i>	4,797	4,885	5,961	6,125	6,906
<i>of which stocks and shares</i>	3,205	3,019	2,970	2,794	2,234
<b>Scotland</b>	594	517	573	511	472
<i>of which land and property</i>	320	250	330.06	275	283
<i>of which stocks and shares</i>	274	267	243	236	189
<b>Scotland/UK</b>	<b>7.4%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>5.7%</b>	<b>5.2%</b>
<i>of which land and property</i>	6.7%	5.1%	5.5%	4.5%	4.1%
<i>of which stocks and shares</i>	8.6%	8.9%	8.2%	8.4%	8.4%
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>6.3%</b>	<b>7.4%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>n/a</b>
<i>of which land and property</i>	5.6%	6.7%	5.1%	5.5%	n/a
<i>of which stocks and shares</i>	8.1%	8.6%	<b>8.8%</b>	8.9%	n/a
<b>Difference (% point)</b>					
<b>Overall</b>	0.0%	0.0%	0.0%	0.1%	n/a
<i>of which land and property</i>	0.0%	0.0%	0.0%	0.0%	n/a
<i>of which stocks and shares</i>	0.0%	0.0%	0.0%	0.2%	n/a

## Tobacco Duty

### Background

Tobacco excise duty is a tax charged on cigarettes, cigars, hand rolling, pipe and chewing tobacco. Duty on cigarettes is based on a percentage of the recommended retail price, plus a specified charge per 1,000 cigarettes. Duties on cigars, hand rolling, pipe and chewing tobacco are charged according to weight. There are no exemptions or reliefs for tobacco duty. The rates of duty are set each UK Budget. For details on the rates of duty please see: <http://www.hmrc.gov.uk>.

### Methodology

As with alcohol (see below), the estimation of tobacco duty raised in Scotland is based on the premise that the burden of duty is borne by the final consumer.

UK tobacco duty revenues are taken from ONS' database underlying the Public Sector Finances. Scotland's share of total UK private household expenditure on tobacco products is then used to derive the proportion of duty attributable to Scotland.

Expenditure on tobacco products is estimated using the Living Costs and Food Survey (LCF), formerly the Expenditure and Food Survey (EFS), which collects information on average household spending patterns on a wide variety of products including tobacco. The latest Scottish data are for 2011. Total weekly spend is then estimated by multiplying average household spend by the number of households in Scotland and the UK. The ratio of tobacco expenditure in Scotland and the UK is then applied to total UK tobacco revenue to estimate the proportion of tobacco duty attributable to Scotland.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

There have been revisions to estimates for 2010-11 and 2011-12 resulting from updated data from the Living Costs and Food Survey. These data are consistent with household expenditure statistics use in the Scottish Input Output framework and quarterly household final consumption expenditure estimates published as part of the Scottish National Accounts Project (SNAP).

<b>Table 12: Tobacco Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	7,896	9,462	9,305	9,878	9,590
Scotland	842	1,024	1,064	1,168	1,128
<b>Scotland/UK</b>	<b>10.7%</b>	<b>10.8%</b>	<b>11.4%</b>	<b>11.8%</b>	<b>11.8%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>10.7%</b>	<b>10.8%</b>	<b>11.3%</b>	<b>11.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.4%</b>	<b>n/a</b>

## Alcohol Duty

### Background

Alcohol excise duty is a flat-rate duty on alcoholic beverages. Duty on spirits is calculated per litre of pure alcohol; cider, perry, wine and made wine are dutied in bands of alcoholic strength and calculated by volume; beer duty is calculated by strength and volume. Since flat-rates are expressed in cash terms, they are revalorised (i.e. increased in line with inflation) each year. For details of current rates of duty please see: <http://www.hmrc.gov.uk>.

### Methodology

The estimation of alcohol duty raised in Scotland is based on the premise that the burden of duty is borne by the final consumer rather than the producer.

UK alcohol duty revenues are taken from ONS' database underlying the Public Sector Finances for:

- Spirits;
- Cider and perry;
- Wine; and
- Beer.

Scotland's share of total UK private household consumption of these different alcohol products is then used to derive the proportion of duty attributable to Scotland.

Expenditure on alcoholic products is estimated using the Family Food Survey published by DEFRA, which collects information on average household spending patterns on a wide variety of products including alcohol. Total weekly consumption is then estimated by multiplying average personal consumption spend by the estimated population in Scotland and the UK. The ratios of total consumption in Scotland and the UK of spirits, cider and perry, wine, and beer are then applied to UK alcohol duty revenues to estimate Scotland's share.

### Differences from Previous Years' Methodology

Previous publications used data on expenditure on alcohol from the Living Costs and Food Survey to apportion Scottish revenues. The move to the Family Food Survey reflects the fact that consumption is felt to be a better indicator of revenues than expenditure, as duty is related to the quantity of alcohol purchased rather than its price. In addition, the data in the Family Food Survey allow separate estimates to be made of consumption of beer and cider and perry, which were previously apportioned as a single line.

### Estimates

The change in methodology has resulted in a revision to the estimates of the Scottish share of alcohol duty, as shown in the table below. There are upward revisions to the Scottish share in 2008-09 and 2010-11, reflecting that the consumption data in Family Food Survey suggests that Scotland's share of alcohol duty from spirits is higher than previously estimated.

<b>Table 13: Alcohol Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	8,598	9,246	9,434	10,180	10,139
Scotland	814	892	910	978	980
<b>Scotland/UK</b>	<b>9.5%</b>	<b>9.6%</b>	<b>9.7%</b>	<b>9.6%</b>	<b>9.7%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.0%</b>	<b>9.6%</b>	<b>9.4%</b>	<b>9.6%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>n/a</b>

## Betting and Gaming Duty

### Background

Betting and gaming duty is a tax on various forms of gambling. There are six different betting and gaming duties each of various rates. For example, there is a 15% tax on bookmakers' gross profits and for non-UK established online betting and gaming operators. For details of current rates of duty and exemptions please see: <http://www.hmrc.gov.uk>.

### Methodology

As with alcohol, the estimation of betting and gaming duty raised in Scotland is based on the premise that the burden of duty is borne by the final consumer.

UK betting and gaming duty revenues are taken from ONS' database underlying the Public Sector Finances. Scotland's share of total UK private household expenditure on gambling products is then used to derive the proportion of duty attributable to Scotland.

Expenditure on gambling products is estimated using the Living Costs and Food Survey (LCF), formerly the Expenditure and Food Survey (EFS), which collects information on average household spending patterns on a wide variety of products including gambling. The latest Scottish data are for 2011. Total weekly spend is then estimated by multiplying average household spend by the number of households in Scotland and the UK. The ratio of gambling expenditure in Scotland and the UK is then applied to UK betting and gaming revenues to estimate the value of betting and gaming duty attributable to Scotland.

### Differences from Previous Years Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

There have been small revisions to 2011-12 data resulting from the incorporation of the most recent Living Costs and Food Survey data. These data are consistent with household expenditure statistics use in the Scottish Input Output framework and quarterly household final consumption expenditure estimates published as part of the Scottish National Accounts Project (SNAP). Table 14 outlines the effect that the new LCF data has made to the estimate of Scotland's share of UK betting and gaming duty. The estimates for the latest years have been revised upward as a result of the new 2011 data received from ONS with previous year's estimates unchanged.

<b>Table 14: Betting and Gaming Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	994	1,029	1,069	1,221	1,228
Scotland	105	106	98	122	120
<b>Scotland/UK</b>	<b>10.5%</b>	<b>10.3%</b>	<b>9.2%</b>	<b>10.0%</b>	<b>9.8%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>10.5%</b>	<b>10.3%</b>	<b>9.1%</b>	<b>9.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>n/a</b>

## Air Passenger Duty

### Background

Air passenger duty (APD) is levied on the carriage, from a UK airport, of chargeable passengers on chargeable aircrafts. There are currently four rates of duty with exemptions for certain flights, e.g. flights from the Highlands and Islands of Scotland. For details of current rates and exemptions please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total APD is taken from ONS' database underlying the Public Sector Finances. This is then apportioned using the following methodology.

Data from the Civil Aviation Authority (CAA) surveys of Scottish airports in 2005, 2009, and 2013 are combined with Scottish passenger numbers from Scottish Transport Statistics, excluding flights from the Highland and Islands and to offshore facilities. This provides an estimate of the number of Scottish passengers by each air passenger duty band on the basis of their final destination. These are combined with HMRC figures on UK APD liable passengers travelling in each duty band to estimate Scotland's share of UK passengers by duty band. Data for the years between 2005 and 2009, and 2009 and 2013 are interpolated to provide estimates for intervening years. Estimates are produced on a calendar year basis, consistent with the CAA survey data, and converted to a smoothed quarterly series using a cubic spline.

These shares are combined with HMRC figures for air passenger duty revenues by band to derive an estimate of Scotland's share of total UK revenues.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS. However, additional data has been received for 2013.

### Estimates

Scotland's estimated share of UK revenues for Air Passenger Duty is shown in the table below. There have been revisions to the years since 2009, reflecting the new CAA 2013 survey data.

<b>Table 15: Air Passenger Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	1,835	1,870	2,183	2,637	2,818
Scotland	168	162	183	227	234
<b>Scotland/UK</b>	<b>9.2%</b>	<b>8.7%</b>	<b>8.4%</b>	<b>8.6%</b>	<b>8.3%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.2%</b>	<b>8.7%</b>	<b>7.8%</b>	<b>8.1%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>n/a</b>

## Insurance Premium Tax

### Background

Insurance premium tax (IPT) is a tax on general insurance premiums. IPT is payable on most types of insurance in the UK and on foreign travel insurance for trips lasting less than four months. There are two rates: a standard rate of 6% and a higher rate of 20% depending upon the type of insurance purchased. There are some exceptions to IPT including life insurance. For further details please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total IPT is taken from ONS' database underlying the Public Sector Finances.

The estimation of IPT revenues raised in Scotland is based on the premise that the burden of duty is borne by the final consumer.

Expenditure on insurance is estimated using the Living Costs and Food Survey (LCF), formerly the Expenditure and Food Survey (EFS), which collects information on average household spending patterns on a wide variety of products including insurance. The latest Scottish data are for 2011. Total weekly spend is then estimated by multiplying average household spend by the number of households in Scotland and the UK. The ratio of insurance expenditure in Scotland and the UK is then applied to UK insurance premium tax revenues to estimate the value of insurance premium tax revenues attributable to Scotland.

### Differences from previous years' methodology

Previous editions of GERS apportioned a population share of insurance premium tax to Scotland.

### Estimates

Table 16 shows that the share of Scotland's revenue from insurance premium tax has been revised downward in all years following the change in methodology.

<b>Table 16: Insurance Premium Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	2,271	2,262	2,509	3,002	3,033
Scotland	167	165	173	205	207
<b>Scotland/UK</b>	<b>7.4%</b>	<b>7.3%</b>	<b>6.9%</b>	<b>6.8%</b>	<b>6.8%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-1.1%</b>	<b>-1.1%</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>n/a</b>

## Landfill Tax

### Background

Landfill tax is a tax on the disposal of waste and is paid on top of normal landfill fees. Different rates are applied according to the type of waste being disposed of. For further details on rates please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total landfill tax is taken from ONS' database underlying the Public Sector Finances.

The proportion of the UK total tonnage of waste sent to landfill in Scotland is used to apportion total UK landfill tax to Scotland. The quantity of waste sent to landfill in Scotland is provided by the Scottish Environment Protection Agency. The quantity of waste sent to landfill in the UK as a whole is taken from figures for England and Wales (from the Environment Agency), figures for Northern Ireland (an estimate using a methodology agreed with the Department of Environment in Northern Ireland, based on results of recent surveys on Northern Ireland's waste) and the figure for Scotland.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Estimates of Scotland's share of UK landfill tax revenue since the previous edition of GERS are broadly unchanged.

<b>Table 17: Landfill Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	863	944	1,094	1,075	1,116
Scotland	82	85	98	96	100
<b>Scotland/UK</b>	<b>9.6%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>8.9%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.5%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>n/a</b>

## Climate Change Levy

### Background

Climate Change Levy is chargeable on the industrial and commercial supply of lighting, heating and other sources of power used by industry, commerce, agriculture, public administration and other services. The levy does not apply to domestic consumers or to charities. Different rates apply for different sources of power. For further details please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total climate change levy is taken from ONS' database underlying the Public Sector Finances. Separate apportionment methods are used for three fuel types:

- (1) electricity,
- (2) gas,
- (3) solid and other fuels.

ONS's database does not include a 3 way breakdown of fiscal revenues. To account for potentially different levels of consumption of each fuel between Scotland and the UK as a whole, figures are obtained from HMRC (via the climate change levy bulletin) on the levy declared on trader returns for each type of fuel. These are used as proxies for the UK revenue obtained from each type of fuel. From these data the proportion of revenue raised from each source is estimated and applied to the ONS total. The resulting 3 UK revenues are apportioned to Scotland as follows:

(1) Climate change levy revenues from electricity consumption are apportioned on the basis of Scotland's share of UK electricity consumption by commercial and industrial users. Estimates of Scottish electricity consumption are provided by DECC. The UK figure is obtained by combining regional figures published by DECC for England, Wales, Scotland, and Northern Ireland.

(2) Revenue from gas consumption is apportioned to Scotland on the basis of Scotland's proportion of total UK gas consumption. Consumption is proxied by figures on sales of gas (in GWh) to commercial and industrial users. Estimates of Scottish gas consumption are provided by DECC. The UK figure is obtained by combining figures published by DECC for England, Wales and Scotland with an estimate of consumption in Northern Ireland obtained directly from providers of gas in Northern Ireland.

(3) UK revenue from consumption of other fuels is apportioned to using Scotland's share of UK GVA (less extra regio).

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Scotland's estimated share of UK Climate Change Levy is unchanged since the previous edition of GERS, as shown in Table 18 below.

<b>Table 18: Climate Change Levy (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	711	687	660	678	654
Scotland	64	61	62	64	62
<b>Scotland/UK</b>	<b>9.1%</b>	<b>8.8%</b>	<b>9.4%</b>	<b>9.5%</b>	<b>9.5%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.1%</b>	<b>8.8%</b>	<b>9.4%</b>	<b>9.5%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>n/a</b>

## Aggregates Levy

### Background

Aggregates levy is a tax on the commercial exploitation of rock, sand and gravel. It is charged at a flat rate per tonne. For details on exemptions to this levy please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total aggregates levy is taken from ONS' database underlying the Public Sector Finances.

Data from the United Kingdom Minerals Yearbook 2011 is used to estimate the proportion of UK aggregate production of sand, gravel and crushed rock that takes place in Scotland each year. This is used as a proxy for Scotland's share of the revenue derived from aggregates levy. Exports of marine dredged sand and gravel, which are exempt from aggregates levy, are excluded from the UK total.

### Differences from Previous Years' Methodology

For crushed rock, regional data for Northern Ireland are not available. Previously, this had been estimated to provide totals for all countries which were combined to give a UK total. In this edition of GERS, the UK total is taken directly from other published tables.

For sand and gravel, exports of marine dredged sand and gravel had previously been included in the UK totals.

### Estimates

As well as the methodology changes, there have also been revisions resulting from the use of updated data from the latest minerals yearbook. The overall change to Scotland's estimated share of UK aggregates levy is shown in Table 19. Scotland's share of UK aggregates levy revenue has been revised downward in all years.

<b>Table 19: Aggregates Levy (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	321	276	294	283	261
Scotland	50	49	55	48	45
<b>Scotland/UK</b>	<b>15.7%</b>	<b>17.9%</b>	<b>18.7%</b>	<b>17.0%</b>	<b>17.3%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>16.6%</b>	<b>19.4%</b>	<b>20.1%</b>	<b>18.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.9%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>n/a</b>

## Inheritance Tax

### Background

Inheritance tax is a tax on assets, exceeding a minimum threshold, transferred on or shortly before death. An individual's estate on death for inheritance tax purposes is made up of a range of assets including those held directly in their name, their share of jointly owned assets and various other forms of asset. For further information regarding exemptions is available from: <http://www.hmrc.gov.uk>.

### Methodology

The UK figure for total inheritance tax is taken from ONS' database underlying the Public Sector Finances.

HMRC produce estimates on the amount of revenue raised from inheritance tax in Scotland. The proportion of the UK revenue raised in Scotland based on these figures is applied to the total UK figure obtained from the ONS' database.

### Differences from Previous Years' Methodology

There has been no change in methodology adopted by GERS since the previous edition of GERS. However, there have been changes to historical estimates of the Scottish share of UK Inheritance Tax as a result of a methodological change introduced by HMRC in estimating receipts associated with devolved administrations. Further details are available at <http://www.hmrc.gov.uk/statistics/receipts/disagg-method.pdf>.

### Estimates

Following the updated methodology adopted by HMRC, there has been an upward revision to Scotland's estimated share of UK inheritance tax since the previous edition of GERS in all years.

<b>Table 20: Inheritance Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	2,931	2,431	2,722	2,955	3,150
Scotland	245	206	175	229	243
<b>Scotland/UK</b>	<b>8.3%</b>	<b>8.5%</b>	<b>6.4%</b>	<b>7.8%</b>	<b>7.7%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>6.1%</b>	<b>6.0%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>2.3%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>2.1%</b>	<b>n/a</b>

## Vehicle Excise Duty

### Background

Vehicle excise duty (also known as road tax) is an annual charge paid by vehicle owners. For cars registered since 2001, duty is charged according to the emissions of the vehicle and the type of fuel used. For older cars, duty is charged according to the engine size. For details of current rates of duty please see: <http://www.hmrc.gov.uk>.

### Methodology

The UK figures for both vehicle excise duty from households and vehicle excise duty from businesses are taken from ONS' database underlying the Public Sector Finances. These figures are disaggregated into Great Britain's (GB) revenues and revenues from Northern Ireland, as in Northern Ireland the duty is collected separately by the Northern Ireland Vehicle Agency. Northern Ireland data is not used in the apportionment to Scotland, but is used in producing UK totals published in GERS.

Data obtained from the DVLA on Scotland's proportion of GB's total value of licences (less exemptions) for households and for businesses are used to estimate Scotland's share of the two elements of GB vehicle excise duty.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

The estimates of Scotland's share of UK vehicle excise duty are shown in the table below. They are broadly unchanged since the previous edition of GERS.

<b>Table 21: Vehicle Excise Duty (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	5,602	5,692	5,789	5,930	6,003
Scotland	458	466	470	477	481
<b>Scotland/UK</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.0%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.0%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>n/a</b>

### Non-Domestic Rates

#### Background

Non-domestic rates, or business rates, are levied on occupiers of non-residential properties such as shops, offices, warehouses and factories.

#### Methodology

The figure for Scotland is derived by taking the figure for receipts published in the Scottish Government's Local Government Finance Statistics and making the following deductions.

- Refunds
- Payments by local government
- Discretionary reliefs to Private Non-Financial Corporations
- Discretionary reliefs to Non Profit Institutions Serving Households
- Collection Costs

The resulting figure is consistent with the figure that feeds into the ONS system as a contribution to total UK non-domestic rates.

#### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

#### Estimates

There has been no change in Scotland's estimated share of UK non-domestic rates since the previous edition of GERS.

<b>Table 22: Non-Domestic Rates (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	21,925	22,639	22,715	23,980	25,072
Scotland	1,736	1,822	1,892	1,933	1,981
<b>Scotland/UK</b>	<b>7.9%</b>	<b>8.0%</b>	<b>8.3%</b>	<b>8.1%</b>	<b>7.9%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>7.9%</b>	<b>8.0%</b>	<b>8.3%</b>	<b>8.1%</b>	<b>n/a</b>
	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>n/a</b>

## Council Tax

### Background

Full council tax is levied on occupiers of a house which is their sole or main residence. There are a range of exemptions and reliefs from council tax, including a 25% reduction for single occupancy households, and between 10% and 50% reduction for dwellings which are not the main residence (i.e. second homes). For further details about exemptions and reliefs from council tax please see: <https://www.gov.uk/council-tax>

### Methodology

Council tax receipts for Scotland are taken directly from the Scottish Government's Council Tax Collection Statistics 2012-13.

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Table 23 shows that the estimated share of Scotland's revenue from council tax has remained unchanged from to previous estimates.

<b>Table 23: Council Tax (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	24,651	25,210	25,732	25,964	26,279
Scotland	1,960	1,961	1,969	1,984	2,006
<b>Scotland/UK</b>	<b>8.0%</b>	<b>7.8%</b>	<b>7.7%</b>	<b>7.6%</b>	<b>7.6%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>7.9%</b>	<b>7.8%</b>	<b>7.6%</b>	<b>7.7%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>n/a</b>

## Other Taxes and Royalties

### Background

Other taxes and royalties comprise a number of relatively small public sector revenue sources. Each of which is apportioned to Scotland separately.

### Methodology

The table below highlights the methodology used to estimate income from other taxes and royalties for Scotland.

<b>Revenue</b>	<b>Background</b>	<b>Methodology</b>
Fossil Fuel Levy	For years up to 2002/03, this was a levy paid by suppliers of electricity from non-renewable energy sources in the UK. The costs were passed to the consumers in the cost of the electricity supplied. The fossil fuel levy was imposed to fund the Non-Fossil Fuel Obligation.	Based on GVA share
Consumer Credit Act fees	The Consumer Credit Act requires businesses that offer credit or lend money to consumers to be licensed by the OFT. This includes where credit is arranged to finance the purchase of goods or services.	Apportioned to Scotland on the basis of Scotland's proportion of the UK population.
Northern Ireland domestic rates		Not applicable to Scotland
To levy funded bodies	Statutory bodies which impose a compulsory charge on industry members and exist only in the agricultural sector.	Scotland share of agriculture GVA.
Regulatory fees	Fees and levies intended to be raised for regulatory bodies such as the FSA, the Financial Services Ombudsman and Financial Services Compensation Scheme.	Apportioned to Scotland on the basis of Scotland's proportion of the UK population.
Boat licences		Apportioned to Scotland on the basis of Scotland's proportion of the UK population.
Milk super levy	UK-administered quota system on milk production introduced by the EU in 1984 to curb excess production. If a producer exceeds the quota an annual super levy is charged and used to pay for disposal.	Apportioned to Scotland on the basis of Scotland's proportion of UK agricultural GVA.
National lottery	This is the contribution that Camelot makes to the National Lottery Distribution Fund (not part of betting and gaming duty).	Method as for betting and gaming duty – using Scotland's proportion of estimated UK spend on betting etc as estimated by the Living Costs and Food Survey.
<b>Revenue</b>	<b>Background</b>	<b>Methodology</b>
Renewable energy obligations	Obligations on electricity suppliers to source an increasing proportion of electricity from renewable sources. A certificate is issued to the supplier for every MWh of renewable electricity sold. A fine is paid if they do not meet the target.	Figures for Scotland provided directly by ONS

Renewable energy obligations	Obligations on electricity suppliers to source an increasing proportion of electricity from renewable sources. A certificate is issued to the supplier for every MWh of renewable electricity sold. A fine is paid if they do not meet the target.	Figures for Scotland provided directly by ONS
Rail franchise premia	Train operators pay the government a set fee for the right to run services on the rail network. The franchises usually run for 10 years.	On the advice of ONS, took 20 per cent of GNER revenue (the only rail franchise then operating in Scotland) – the 20 per cent being an estimate of the amount of route in Scotland.
Fishing licences	These relate to Environment Agency rod licences in England and Wales. No fishing/rod licence is required for fishing in Scotland (although as per England and Wales a fishing permit is often requested by a local water authority or land owner).	None for Scotland
Passport fees		Apportioned to Scotland on the basis of Scotland's proportion of the UK population.
TV licences		Apportioned to Scotland on the basis of Scotland's proportion of the UK's estimated number of private households.

Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

Estimates

Revisions to the data that listed above have resulted in changes to Scotland's estimated share of total revenues for other taxes and royalties, as shown in Table 24.

<b>Table 24: Other Taxes and Royalties (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	8,012	9,174	9,617	11,881	12,895
Scotland	717	806	837	988	1,082
<b>Scotland/UK</b>	<b>8.9%</b>	<b>8.8%</b>	<b>8.7%</b>	<b>8.3%</b>	<b>8.4%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.0%</b>	<b>8.7%</b>	<b>8.4%</b>	<b>8.0%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>n/a</b>

### Interest and Dividends

#### Background

This revenue element includes all interest and dividend payments received by the public sector from the private sector and the rest of the world. Interest payments received by public sector bodies from other UK public sector bodies are not included.

#### Methodology

UK figures for interest and dividend revenue received by (a) Public Corporations, (b) Local Government and (c) Central Government, are obtained from ONS' database underlying the Public Sector Finances.

UK public corporation revenue from interest and dividends is apportioned to Scotland using Scotland's share of UK public sector GVA from the 2013 Regional Accounts publications. UK local government and central government revenues from interest and dividends are apportioned to Scotland using Scotland's share of UK population.

#### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

#### Estimates

Revisions to public sector GVA in the latest Regional Accounts publication have led to downward revisions to Scotland's share of UK interest and dividends revenues.

<b>Table 25: Interest and Dividends (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	7,614	3,407	4,947	5,489	7,617
Scotland	634	276	410	454	623
<b>Scotland/UK</b>	<b>8.3%</b>	<b>8.1%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.2%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>8.6%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>-0.2%</b>	<b>-0.2%</b>	<b>n/a</b>

## Gross Operating Surplus

### Background

Gross operating surplus (GOS) refers to the operating (or trading) surpluses (or losses) of central government, local government and public corporation trading activity.

By definition, general government GOS is equal to general government non-market capital consumption. This is a measure of the amount of fixed capital resources used up in the production process (i.e. depreciation). Since this is a public sector receipt, that does not raise actual funds, it is balanced by an offsetting item within public expenditure. By definition, the adjustment item (NMCC) is added to public expenditure rather than subtracted on the revenue side.

For public corporations, the GOS figure includes the gross trading surplus, rental income, stock appreciation (or holding gains), and FISIM (Financial Intermediation Services Indirectly Measured).

### Methodology

In calculating GOS for Scotland, separate figures are estimated for:

1. Central government
2. Local government
3. Public corporations

1. The UK revenue for central government GOS is taken from ONS' database underlying the Public Sector Finances.

It is apportioned to Scotland according to Scotland's share of UK NMCC for central government obtained from ONS Regional Accounts.

2. The UK revenue for local government GOS is taken from ONS' database underlying the Public Sector Finances.

It is apportioned to Scotland according to Scotland's share of UK NMCC for local government obtained from ONS Regional Accounts.

3. The approach taken to estimate the GOS for public corporations in Scotland is different. The GOS of public corporations comprises the following elements –

1. Gross trading surplus
2. Housing Revenue Account (HRA)
3. Rental Income (excluding HRA)
4. FISIM
5. Holding Gains

For elements 1 – 3, revenue from every public corporation was obtained. Public corporations were classified as 'Scotland', 'Not Scotland', or 'UK', depending on their area of coverage. For those classified as 'Scotland', all of the revenue (Gross Trading Surpluses, Rental and FISIM) was assigned to Scotland. Public corporations classified as 'Not Scotland' were excluded. For 'UK' public corporations, revenue was apportioned to Scotland on the basis of the relevant industry GVA share.

## Detailed Revenue Methodology

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For the Housing Revenue Account, figures were obtained directly for local authority rents from ONS.

Finally, holding gains were apportioned to Scotland on the basis of Scotland's GVA share (excluding extra regio).

### Differences from Previous Years' Methodology

There has been no change in methodology since the previous edition of GERS.

### Estimates

Revisions to ONS Regional Accounts and UK Public Sector Finances public corporations data have resulted in changes to Scotland's estimated share of revenue from gross operating surplus, as shown in Table 26. In particular, the incorporation of data from the Whole of Government Accounts for public corporations and revisions to public corporations' capital accounts data have led to an increase in public corporation gross operating surplus relative to that of general government. As the estimated Scottish share of public corporation gross operating surplus is greater than the estimated share of general government, this results in an increase in the overall Scottish share.

<b>Table 26: Gross Operating Surplus (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	26,698	24,617	25,980	26,258	27,591
Scotland	3,416	2,897	2,936	3,012	3,247
<b>Scotland/UK</b>	<b>12.8%</b>	<b>11.8%</b>	<b>11.3%</b>	<b>11.5%</b>	<b>11.8%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>12.6%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>10.6%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>0.2%</b>	<b>1.3%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>n/a</b>

## Rents and Other Current Transfers

### Background

This revenue refers to rents and transfers received by central government, local government and public corporation trading activity. The largest component is local government rental income.

The UK figure for rents and other current transfers is taken from ONS' database underlying the Public Sector Finances.

Rents and other current transfers for central government, local governments and public corporations are estimated separately.

Central government rents and other current transfers comprise the following elements:

1. Revenues for spectrum use in relation to licences for 3G mobile telephones
2. Rents on land
3. Water abstraction
4. Other spectrum revenues
5. Court fines
6. Other, e.g. speed camera fines, charitable contributions to NHS trusts

Local government rents and other current transfers comprise income of insurance and pension funds allocated to local authorities as beneficial owners.

Public corporation rents and other current transfers relate to the activities of the Export Credits Guarantee Department.

### Methodology

#### (i) Central government

Central government rents and other current transfers are apportioned as follows:

Rents and Other Current Transfers	Apportionment Methodology
Rents on land	Public sector GVA
Water abstraction	Public sector GVA
Other spectrum revenues	Public sector GVA
Court fines	Separate identification of 'Scotland' and 'Non-Scotland' revenues
Other, e.g. speed camera fines, charitable contributions to NHS trusts	Public sector GVA

(ii) UK revenues from rents and other current transfers from Local Authorities and Public corporations are each apportioned to Scotland on the basis of Scotland's share of UK's public sector GVA.

### Differences from previous years' methodology

There has been no change in apportionment methodologies since the previous edition of GERS.

### Estimates

Scotland's estimated share of UK revenue from rents and other current transfers is shown in Table 27 below. It is broadly unchanged from the previous estimates.

<b>Table 27: Rents and Other Current Transfers (£ million)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
UK	905	714	520	519	1,418
Scotland	81	64	46	47	128
<b>Scotland/UK</b>	<b>9.0%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>9.0%</b>
Estimated ratios in previous GERS publications					
<b>Scotland/UK</b>	<b>9.1%</b>	<b>9.1%</b>	<b>8.9%</b>	<b>8.8%</b>	<b>n/a</b>
<b>Difference (% point)</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>n/a</b>