

# United Kingdom

## (2022-2023 Income tax year)

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This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

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## United Kingdom 2022

## The tax/benefit position of single persons

|  | Wage level (per cent of average wage) | 67     | 100    | 167    | 67     |
|--|---------------------------------------|--------|--------|--------|--------|
|  | Number of children                    | none   | none   | none   | 2      |
| <b>1. Gross wage earnings</b>  |                                       | 29 681 | 44 300 | 73 982 | 29 681 |
| <b>2. Standard tax allowances</b>  |                                       |        |        |        |        |
| Basic allowance  |                                       | 12 570 | 12 570 | 12 570 | 12 570 |
| Married or head of family  |                                       |        |        |        |        |
| Dependent children   |                                       |        |        |        |        |
| Deduction for social security contributions and income taxes                 |                                       |        |        |        |        |
| Work-related expenses  |                                       |        |        |        |        |
| Other  |                                       |        |        |        |        |
|  | Total                                 | 12 570 | 12 570 | 12 570 | 12 570 |
| <b>3. Tax credits or cash transfers included in taxable income</b>           |                                       | 0      | 0      | 0      | 0      |
| <b>4. Central government taxable income (1 - 2 + 3)</b>                      |                                       | 17 111 | 31 730 | 61 412 | 17 111 |
| <b>5. Central government income tax liability (exclusive of tax credits)</b> |                                       | 3 422  | 6 346  | 17 025 | 3 422  |
| <b>6. Tax credits</b>  |                                       |        |        |        |        |
| Basic credit   |                                       |        |        |        |        |
| Married or head of family  |                                       |        |        |        |        |
| Children   |                                       | 0      | 0      | 0      | 0      |
| Other  |                                       |        |        |        |        |
|  | Total                                 | 0      | 0      | 0      | 0      |
| <b>7. Central government income tax finally paid (5-6)</b>                   |                                       | 3 422  | 6 346  | 17 025 | 3 422  |
| <b>8. State and local taxes</b>  |                                       | 0      | 0      | 0      | 0      |
| <b>9. Employees' compulsory social security contributions</b>                |                                       |        |        |        |        |
| Gross earnings   |                                       | 2 264  | 4 127  | 5 537  | 2 264  |
| Taxable income   |                                       |        |        |        |        |
|  | Total                                 | 2 264  | 4 127  | 5 537  | 2 264  |
| <b>10. Total payments to general government (7 + 8 + 9)</b>                  |                                       | 5 687  | 10 473 | 22 562 | 5 687  |
| <b>11. Cash transfers from general government</b>                            |                                       |        |        |        |        |
| For head of family   |                                       |        |        |        |        |
| For two children   |                                       | 0      | 0      | 0      | 2 909  |
|  | Total                                 | 0      | 0      | 0      | 2 909  |
| <b>12. Take-home pay (1-10+11)</b>   |                                       | 23 995 | 33 827 | 51 420 | 26 903 |
| <b>13. Employer's compulsory social security contributions</b>               |                                       | 2 993  | 5 118  | 9 434  | 2 993  |
| <b>14. Average rates</b>   |                                       |        |        |        |        |
| Income tax   |                                       | 11.5%  | 14.3%  | 23.0%  | 11.5%  |
| Employees' social security contributions                                     |                                       | 7.6%   | 9.3%   | 7.5%   | 7.6%   |
| Total payments less cash transfers   |                                       | 19.2%  | 23.6%  | 30.5%  | 9.4%   |
| Total tax wedge including employer's social security contributions           |                                       | 26.6%  | 31.5%  | 38.4%  | 17.7%  |
| <b>15. Marginal rates</b>  |                                       |        |        |        |        |
| Total payments less cash transfers: Principal earner                         |                                       | 32.7%  | 32.7%  | 42.7%  | 69.7%  |
| Total payments less cash transfers: Spouse                                   |                                       | n.a.   | n.a.   | n.a.   | n.a.   |
| Total tax wedge: Principal earner  |                                       | 41.3%  | 41.3%  | 50.0%  | 73.6%  |
| Total tax wedge: Spouse  |                                       | n.a.   | n.a.   | n.a.   | n.a.   |

## United Kingdom 2022

## The tax/benefit position of married couples

|  | Wage level (per cent of average wage) | 100-0  | 100-67 | 100-100 | 100-67 |
|--|---------------------------------------|--------|--------|---------|--------|
|  | Number of children                    | 2      | 2      | 2       | none   |
| <b>1. Gross wage earnings</b>  |                                       | 44 300 | 73 982 | 88 601  | 73 982 |
| <b>2. Standard tax allowances</b>  |                                       |        |        |         |        |
| Basic allowance  |                                       | 13 830 | 25 140 | 25 140  | 25 140 |
| Married or head of family  |                                       |        |        |         |        |
| Dependent children   |                                       |        |        |         |        |
| Deduction for social security contributions and income taxes                 |                                       |        |        |         |        |
| Work-related expenses  |                                       |        |        |         |        |
| Other  |                                       |        |        |         |        |
|  | Total                                 | 13 830 | 25 140 | 25 140  | 25 140 |
| <b>3. Tax credits or cash transfers included in taxable income</b>           |                                       | 0      | 0      | 0       | 0      |
| <b>4. Central government taxable income (1 - 2 + 3)</b>                      |                                       | 30 470 | 48 842 | 63 461  | 48 842 |
| <b>5. Central government income tax liability (exclusive of tax credits)</b> |                                       | 6 094  | 9 768  | 12 692  | 9 768  |
| <b>6. Tax credits</b>  |                                       |        |        |         |        |
| Basic credit   |                                       |        |        |         |        |
| Married or head of family  |                                       |        |        |         |        |
| Children   |                                       | 0      | 0      | 0       | 0      |
| Other  |                                       |        |        |         |        |
|  | Total                                 | 0      | 0      | 0       | 0      |
| <b>7. Central government income tax finally paid (5-6)</b>                   |                                       | 6 094  | 9 768  | 12 692  | 9 768  |
| <b>8. State and local taxes</b>  |                                       | 0      | 0      | 0       | 0      |
| <b>9. Employees' compulsory social security contributions</b>                |                                       |        |        |         |        |
| Gross earnings   |                                       | 4 127  | 6 391  | 8 254   | 6 391  |
| Taxable income   |                                       |        |        |         |        |
|  | Total                                 | 4 127  | 6 391  | 8 254   | 6 391  |
| <b>10. Total payments to general government (7 + 8 + 9)</b>                  |                                       | 10 221 | 16 159 | 20 946  | 16 159 |
| <b>11. Cash transfers from general government</b>                            |                                       |        |        |         |        |
| For head of family   |                                       |        |        |         |        |
| For two children   |                                       | 1 890  | 1 890  | 1 890   | 0      |
|  | Total                                 | 1 890  | 1 890  | 1 890   | 0      |
| <b>12. Take-home pay (1-10+11)</b>   |                                       | 35 970 | 59 712 | 69 545  | 57 822 |
| <b>13. Employer's compulsory social security contributions</b>               |                                       | 5 118  | 8 111  | 10 236  | 8 111  |
| <b>14. Average rates</b>   |                                       |        |        |         |        |
| Income tax   |                                       | 13.8%  | 13.2%  | 14.3%   | 13.2%  |
| Employees' social security contributions                                     |                                       | 9.3%   | 8.6%   | 9.3%    | 8.6%   |
| Total payments less cash transfers   |                                       | 18.8%  | 19.3%  | 21.5%   | 21.8%  |
| Total tax wedge including employer's social security contributions           |                                       | 27.2%  | 27.3%  | 29.6%   | 29.6%  |
| <b>15. Marginal rates</b>  |                                       |        |        |         |        |
| Total payments less cash transfers: Principal earner                         |                                       | 32.7%  | 32.7%  | 32.7%   | 32.7%  |
| Total payments less cash transfers: Spouse                                   |                                       | 20.0%  | 32.7%  | 32.7%   | 32.7%  |
| Total tax wedge: Principal earner  |                                       | 41.3%  | 41.3%  | 41.3%   | 41.3%  |
| Total tax wedge: Spouse  |                                       | 27.3%  | 41.3%  | 41.3%   | 41.3%  |

The national currency is the Pound Sterling (GBP). In 2022, GBP 0.82 was equal to USD 1. In 2021-2022, the Average Worker is estimated to earn GBP 44 300 (Secretariat estimate).

## 1. Personal Income Tax System

### 1.1. Central government income taxes

#### 1.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1.).

#### 1.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

#### Standard reliefs

- Basic reliefs: A personal allowance of GBP 12 570 is granted to each individual with income below GBP 100 000. The personal allowance is then tapered away by GBP 1 for every GBP 2 of income above GBP 100 000.
- Standard marital status reliefs: Marriage Allowance – Allows the transfer of 10% of an individual's personal allowance to their husband, wife or civil partner. The allowance is restricted to couples where the higher earner is a basic rate taxpayer and is only beneficial if the lower earner owes below the personal allowance. The allowance has to be claimed and is given only to those who meet the eligibility criteria.
- Relief for social security contributions and other taxes: None.

#### Main non-standard tax reliefs applicable to an AW.

- Work-related expenses: Flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard;
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5% tax relief for policies entered into force before 13 March 1984.

#### 1.1.3. Tax schedule

In 2022-23 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20% on the first GBP 37 700, 40% over the basic rate limit of GBP 37 700 and 45% over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.) Dividend income is charged at 8.75% up to the basic rate limit of GBP 37 700, 33.75% above GBP 37 500 and 39.35% above GBP 150 000. The Dividend Allowance is GBP 2 000 in 2022-23, meaning that dividend taxpayers will not have to pay tax on the first GBP 2 000 of their dividend income, no matter what non-dividend income they have. Savings income is charged at 0% up to the starting rate limit on the first GBP 5 000, at 20% up to GBP 37 700, 40% above GBP 37 700 and 45% above GBP 150 000. From 2016-17, a new Personal Savings Allowance was introduced giving GBP 1 000 of savings income tax free for taxpayers with total income below the basic rate limit or GBP 500 for those with total income below the higher rate limit.

| Taxable income (GBP) | Rate % |
|----------------------|--------|
| 0–37 700             | 20     |
| 37 700–150 000       | 40     |
| Over 150 000         | 45     |

## 1.2. State and local income tax

From 2018-19 the Scottish Government has introduced a starter rate band for non-savings non-dividend income of Scottish taxpayers. In 2022-23, the starter rate band applied from GBP 12 570 to GBP 14 732. The basic rate band for non-savings non-dividend income is set from GBP 14 732 to GBP 25 688. The Scottish Government has an intermediate rate band for non-savings non-dividend income of Scottish taxpayers from GBP 25 688 to GBP 43 662. The higher rate band for non-savings non-dividend income of Scottish taxpayers in 2022-23 is from GBP 43 662 to GBP 150 000.

In 2022-23 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 097, 20% over the starter rate limit of GBP 2 162, 21% over the basic rate limit of GBP 13 118, 41% over the intermediate rate limit of GBP 31 092 and 46% over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.)

## 2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

### 2.1. Employees' contributions

Due to an in-year policy change, the Primary Threshold of earnings at which National Insurance contributions are payable by employees changed mid-year in the 2022-23 tax year. From 6 April 2022 to 5 July 2022 National Insurance contributions (NICs) were payable by employees earning more than GBP 190 in any week, and from 6 July 2022 to 5 April 2023 NICs are payable by employees earning more than GBP 242 in any week. This averages out to an annual equivalent of GBP 11 908. These NICs are 13.25% of weekly earnings between the Primary Threshold (GBP 190/242) and GBP 967 and 3.25% of earnings above GBP 967. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under the weekly Primary Threshold have no National Insurance contribution liability but a notional contribution will be deemed to have been paid in respect of earnings between GBP 123 and the Primary Threshold to protect benefit entitlement.

From November 2022 onwards, the rates of National Insurance were reduced by 1.25 percentage points (to 12% and 2% respectively).

### 2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 175 per week. The rate of employers' contributions for employees is 15.05% of earnings above GBP 175 per week. From November 2022 onwards, the rate of Employer National Insurance was reduced by 1.25 percentage points (to 13.8%).

The apprenticeship levy was introduced in April 2017. The apprenticeship levy is charged at a rate of 0.5% on the gross pay bill of employers. Employers will receive an allowance of GBP 15 000 per year to offset against the levy meaning that only employers with a gross pay bill of over GBP 3m will end up paying the levy. Due to the fact that the apprenticeship levy does not apply to all employers, it is not included in the Taxing Wages calculations

### 3. Universal Cash Transfers

#### 3.1. Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

#### 3.2. Transfers for dependent children

Child Benefit: GBP 21.80 per week is paid in respect of the first child in the family up to the age of 19 (if the child aged 16-19 is in education or training) with GBP 14.45 per week paid for each subsequent child.

Since January 2013, a tax charge has applied for any taxpayer who has income over GBP 50 000 and either they or their partner are in receipt of Child Benefit. For those with adjusted net income (ANI, pre-tax income less certain allowances) between GBP 50 000 and GBP 60 000, the amount of the charge will be 1% of the Child Benefit for every GBP 100 of income over GBP 50 000. For those with income over GBP 60 000, the amount of the charge will equal the amount of Child Benefit. Child Benefit recipients can opt out of receiving payments as an alternative to paying the charge. Where both adults are over the threshold, the liability falls on the adult with the highest ANI.

Universal Credit (UC): a payment available to low income families with or without children which is gradually replacing a number of benefits and tax credits (including Working and Child Tax Credit). The maximum amount depends on the age of the claimant(s), whether they are single or in a couple, the number of children, whether claimant(s) have a disability or health condition that limits their capability for work, if claimant(s) have disabled children, whether the claimant(s) are carers, and childcare and housing costs. A couple where one is aged over 25 with a child born prior to 6 April 2017 would receive a maximum UC monthly amount of GBP 815.72 or GBP 9 788.64 per year, assuming no other elements are payable. UC is reduced by a "taper rate" of 55 pence for each GBP of earnings (net of income tax and employee social security contributions) above a threshold (or "work allowance") of GBP 573 per month; a different threshold of GBP 344 per month is applied if the claimant has housing costs.

Claimant(s) receive a work allowance if they have limited capability for work or have children. UC may also be reduced by other income the claimant may have. There are further rules around the amount of savings held by claimants, and for some claimants the total amount payable is subject to a cap.

### 4. Recent changes in the tax/benefit system

#### 4.1. Changes to labour taxation due to the COVID pandemic in 2022

As a continued response to the COVID-19 pandemic, for the first six months of the tax year (April to September 2021) the standard allowance for UC is temporarily increased by GBP 86.67 per month.

Coronavirus Job Retention Scheme: The Coronavirus Job Retention Scheme enables employers to claim a taxable grant covering up to 80% of the wages for furloughed employees (capped at GBP 2 500 a month per employee). The initial scheme applied from March to July 2020 and was open to all employers. The Coronavirus Job Retention Scheme has since been extended four times, with the latest extension until 30 September 2021.

Self-Employment Income Support Scheme - initial two grants: The Self-Employment Income Support Scheme provided taxable grants to self-employed people, or members of a partnership, who have lost income. It was open to around 3.4 million people. On 17 August 2020, the scheme reopened for a second round of grant applications (open until 19 October 2020).

Self-Employment Income Support Scheme-third grant: The Self-Employed Income Support Scheme grant extension provided a grant to self-employed individuals who were eligible for the Self-Employed Income Support Scheme and were actively continuing to trade but facing reduced demand due to COVID-19.

Self-Employment Income Support Scheme-fourth and fifth grants: The Self-Employment Income Support Scheme grant extension provides a grant to self-employed individuals who are currently eligible for the Self-Employment Income Support Scheme and are actively continuing to trade but are facing reduced demand due to COVID-19. The fourth grant will cover the period February to April 2021, and can be claimed from late April. The fifth grant will cover the period May to September 2021 and can be claimed from July 2021.

Income Tax Self-Assessment- Deferral: Self-Assessment taxpayers who cannot pay tax bills on time because of COVID-19 were given the option of deferring payment of their July 2020 Payment on Account until 31 January 2021. Taxpayers who deferred payments were expected to make payment at the start of 2021.

Employment-related securities- Enterprise Management Incentive: Those participating in an Enterprise Management Incentive scheme are required to meet the 'working time requirement'. This means that the employee's time committed to the company must be equal to or exceed the statutory threshold of 25 hours per week or if less, 75% of their working time. This measure introduces a time-limited exception to the disqualifying event rules, whereby, if an employee would otherwise have met the scheme requirements but did not do so for reasons connected to the COVID-19 pandemic, the time that they would have spent on the business of the company will count towards their working time.

Time to Pay - Income Tax Self-Assessment: Enhanced Time to Pay: Time to Pay is an existing service that supports businesses and individuals in financial difficulty to pay back outstanding tax liabilities using payment plans. HM Revenue & Customs announced a helpline to promote and improve access to the scheme for businesses affected by COVID-19. On 25 September 2020, the government announced the eligibility criteria for self-serve Time to Pay arrangements would be extended to allow taxpayers with outstanding Self-Assessment tax bills of up to GBP 30 000 (previously GBP 10 000) to arrange a Time to Pay of up to 12 months online. This built on the Self-Assessment deferral policy, allowing taxpayers who deferred their liabilities until January 2021 the option to pay back outstanding tax bills in instalments.

Income tax exemptions for COVID-19 tests: The government will legislate in the Finance Bill 2021 to introduce a retrospective income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen test for the tax year 2020-21.

Self-assessment- Penalty easement: Self-assessment customers were not issued a late-filing penalty for the 31 January 2021 deadline for 2019-20 returns, provided they did file by the 28 February 2021. From the 1 March 2021, late filing penalties will be administered for those who are still yet to submit their return.

## **4.2 Other changes**

Universal Credit taper: From December 2021, the UC taper was reduced by 8 percentage points, from 63 pence for each GBP of net earnings, to 55 pence. Work allowances, the levels above which the taper is applied, were also increased by GBP 500 per year (GBP 41.67 per month). This results in UC claimants keeping more of their Universal Credit when their earnings rise.

Health and Social Care Levy: There was a temporary 1.25 percentage point increase in all existing social security contributions, the National Insurance Contributions rates for employees and employers, from 6 April 2022 to 5 November 2022 following the introduction and subsequent reversal of the Health and Social Care Levy. From 6 November 2022 onwards, SSC rates decreased back to 2021-22 tax year levels.

The tax rates on Dividend Income were increased in line with the Health and Social Care Levy from 2022-23 by 1.25 percentage points. These increased from 7.5% at the basic rate, 32.5% above the basic rate

limit and 38.1% above the higher rate limit to 8.75%, 33.75% and 39.35% respectively. These have remained at their increased rates following the reversal of the Health and Social Care Levy.

## 5. Memorandum Items

### **5.1. Identification of AW and valuation of earnings**

A new Annual Survey of Hours and Earnings (ASHE) has been developed to replace the New Earnings Survey (NES) (results of which are published in Labour Market Trends) and shows the average weekly earnings of full-time employees in April each year. It covers men and women at adult rates in the United Kingdom (excluding Northern Ireland). The annual figure used for the gross earnings of the AW in the United Kingdom is the annual equivalent of the arithmetic average of the weekly earnings figures for April at the beginning and end of the fiscal year, as published in Labour Market Trends.

The earnings figures exclude the earnings of those whose pay was affected by absence (due to sickness etc.). They include overtime, payment by results and shift payments. But they do not include benefits in kind (which could in some circumstances be included in the employee's taxable income in the United Kingdom).

### **5.2. Employers' contributions to private pension, health etc. schemes**

In 2008, there were 9.0 million active members of occupational pension schemes with two or more members in the UK, of whom 3.6 million were in the private sector and 5.4 million in the public sector.



## 2022 Parameter values

| Average earnings/yr                           | Ave_earn           | 44 300   | Secretariat's estimate |
|---|--------------------|----------|------------------------|
| Allowances                                    | Basic_al           | 12570    |                        |
|   | PA taper start     | 100000   |                        |
|   | Married_al         | 1260     |                        |
|   | Married_rate       | 0        |                        |
| Income tax                                    | Tax_sch            | 0.2      | 37700                  |
|   |                    | 0.4      | 150000                 |
|   |                    | 0.45     |                        |
| Employees SSC                                 |                    |          |                        |
| Primary threshold                             | SSC_sch            | 0        | 11908                  |
| Upper earnings limit                          |                    | 0.1325   | 50270                  |
|   |                    | 0.0325   |                        |
| Employers SSC                                 | SSC_rate2          | 0.1505   |                        |
|   | ST                 | 9100     |                        |
| Child benefit (first)                         | CB_first           | 21.80    |                        |
| Child benefit (others)                        | CB_others          | 14.45    |                        |
|   | CB_1st_thres       | 50000.00 |                        |
|   | CB_2nd_thres       | 60000.00 |                        |
|   | CB_taper1          | 0.01     |                        |
|   | CB_taper2          | 100.00   |                        |
| UNIVERSAL CREDIT                              |                    |          |                        |
| Monthly rates                                 |                    |          |                        |
| Standard allowance (single over 25)           | UC_standard_single | 334.91   |                        |
| Standard allowance (couple over 25)           | UC_standard_couple | 525.72   |                        |
| Child element (first child born < 6 Apr 2017) | UC_child_1         | 290.00   |                        |
| Child element                                 | UC_child           | 244.58   |                        |
| Work allowance (no housing costs)             | UC_WA              | 573.00   |                        |
| Taper rate                                    | UC_taper           | 0.55     |                        |
| Number of days in year                        | numdays            | 365.00   |                        |

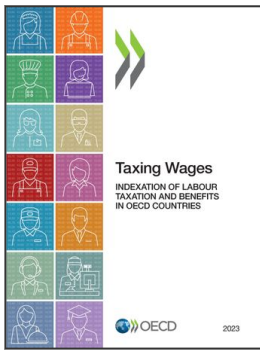
## 2022 Tax equations

The equations for the UK system are mostly on an individual basis. But Universal Credit is calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “\_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “\_princ” and “\_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “\_spouse” values taken as 0.

|     | Line in country table and intermediate steps | Variable name | Range | Equation  |
|-----|--|---------------|-------|---|
| 1.  | Earnings                                     | Earn          |       |   |
| 2.  | Allowances:                                  | tax_al        | B     | Tax_al<br>IF(earn<PA_taper,IF(AND(earn<(BRL+Basic_al),earn_spouse<Basic_al,Married='1'),IF(earn>earn_spouse,Basic_al+Married_al,Basic_al-Married_al),Basic_al),IF(earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-(earn-PA_taper)/2))))))  |
| 3.  | Credits in taxable income                    | taxbl_cr      | B     | 0   |
| 4.  | CG taxable income                            | tax_inc       | B     | Positive(earn-tax_al)   |
| 5.  | CG tax before credits                        | CG_tax_excl   | B     | Tax(tax_inc, tax_sch)   |
| 6.  | Tax credits                                  | tax_cr        | J     | 0   |
| 7.  | CG tax                                       | CG_tax        | B     | CG_tax_excl-tax_cr  |
| 8.  | State and local taxes                        | local_tax     | B     | 0   |
| 9.  | Employees' soc security                      | SSC           | B     | Tax(earn, SSC_sch)  |
| 11. | Cash transfers                               | cash_trans    | J     | =(IF(princ_earn>CB_1st_thres,IF(princ_earn>CB_2nd_thres,0,((1-(AA7-CB_1st_thres)/(CB_taper2/CB_taper1))))*(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1))),((numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1))))+(SINGLE(IF(Children>0,IF(Married=0,Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_single),(monthly_net_earnings),UC_WA,UC_taper),Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_couple),(monthly_net_earnings),UC_WA,UC_taper)),IF(Married=0,Taper(sum(UC_standard_single),(monthly_net_earnings),0,UC_taper),Taper(sum(UC_standard_couple),(monthly_net_earnings),0,UC_taper)))))))*12 |
| 13. | Employer's soc security                      | SSC_empr      | B     | (earn>ST)*(earn-ST)*SSC_rate2   |
|     | Memorandum item: Non-wastable tax credit     |               |       |   |
|     | tax expenditure component                    | Taxexp        | J     | Tax_cr-transfer   |
|     | cash transfer component                      | Transfer      | J     | IF(CG_tax_excl<0, -CG_tax_excl, 0)  |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.



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