



HM TREASURY

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27 April 2010

M James

Information Rights Unit

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www.hm-treasury.gov.uk
FOI.responses@hmtreasury.gsi.gov.uk

Ref: 10/330

Re: Freedom of Information Act 2000: Income Tax revenues

Thank you for your enquiry dated 19 April requesting information under the Freedom of Information Act 2000.

2. You asked –

- *whether income tax payments are used to pay the government's loans/public debt to the Bank of England*
- *what percentage of debt payments income tax revenues account for.*

3. Information that answers your questions is published in the Budget.

http://www.hm-treasury.gov.uk/budget2010_documents.htm

Charts 1.1 and 1.2 on page 11 there analyse projected government spending and receipts.

- Debt interest at £43bn is 6% of total spending commitments (£704bn).
- Income tax, projected at £146bn, accounts for some 27% of total projected receipts.
- Total projected receipts, at £541bn, are short of total projected spending, £704bn, by £163bn or 23%.

4. The £163bn shortfall is the amount the government has to borrow to make ends meet and is reflected accordingly in the table of fiscal aggregates on page 24 (Table 2.2).

5. I hope the following points are also helpful to provide context to this information.

- Particular revenue streams are not generally allocated to specific purposes.
- Government borrowing requirements have to be met on the open market, mainly by selling government gilts; whereas the Bank of England is actually owned by the Treasury.
- There is an important distinction between servicing our debt - paying interest as it falls due - as against repaying our debt. So long as the government has to continue to borrow, we are not paying off the debt.
- The public debt needs to be viewed in relation to the size of the economy and is therefore generally presented as a percentage of Gross Domestic Product (GDP) as in Table 2.3. Public sector net debt is currently estimated there at 63.6% of GCP rising to 74.9% by 2014-15. The Chancellor has committed to reducing borrowing by half over the next four years, as a percentage of GDP.



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6. If you have any queries about this letter, please contact me. It will be helpful to us if you remember to quote the reference number above in any future communications.



Paul Morran
Information Rights Unit

Your right to complain under the Freedom of Information Act 2000

If you are not happy with this reply, you may request a review by writing to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ.

Email FOI.responses@hmtreasury.gsi.gov.uk

Any review request must be made within 2 months of the date of this letter.

It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.

