

15 December 2022

Supplementary forecast information release

November 2022 forecasts of income streams subject to self-assessment income tax

1.1 The OBR is releasing this information following a request for further detail in respect of our November 2022 *Economic and fiscal outlook (EFO)* concerning the income streams subject to self-assessment income tax. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.

Background

1.2 We forecast self-assessment (SA) income tax in four main parts related to income from:

- **Self-employment** (termed 'mixed income' in the National Accounts, for which we forecast growth in self-employment numbers and average earnings).
- **Dividends** (which we typically assume grow in line with profits).
- **Property** (with our forecast linked to the private rents component of CPI inflation and an assumption on the growth in the stock of private rental properties).
- **Savings** (based on forecasts of the stock of bank deposits and the deposit rate).

1.3 Our November 2022 forecast reflected evidence from self-assessment returns in respect of 2020-21 incomes that differed markedly from ONS estimates, falling profits during the pandemic, and the influence of pandemic-related fiscal support for different groups.

1.4 The dramatic near-term growth in savings income reported in Table 1.1 is largely the result of the sharp rise in deposit rates in the first two years of our forecast. We expect deposit rates to average 1.0 per cent in 2022-23 and 2.8 per cent in 2023-24, up from just 0.2 per cent in 2021-22. That helps to push savings income up from £5.0 billion in 2021-22 to £13.4 billion in 2022-23 and then to £25.2 billion in 2023-24.

1.5 Table 1.1 contains two rows for growth in dividend income. The first is the forecast that drives our models, which does *not* include the effect of income shifting due to the Autumn Budget 2021 measure to increase all dividend rates by 1.25 percentage points from April 2022, as this effect is captured separately via a policy costing. The memo line includes an estimate of dividend income shifting consistent with that costing.

Table 1.1: Self-employed income streams: November 2022 EFO growth rates

	Percentage change on a year earlier							
	Forecast							
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Self-employed income	6.0	1.5	2.1	3.0	2.2	3.8	4.4	5.2
Dividend income	-7.6	10.2	11.8	-3.8	3.2	4.0	5.3	4.4
Income from property	-3.8	7.8	11.5	7.2	6.3	6.4	6.5	7.6
Savings income	-17.3	-11.1	167.4	87.9	11.8	1.2	0.8	0.1
<i>Memo: Dividend income with forestalling</i>	-5.9	12.6	9.2	-3.2	3.4	4.1	5.3	4.4