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One pound in five earned in London subsidises the rest of the UK – Northern Ireland, Wales and North East receive more than a fifth of their income as subsidies from outside the region



Making Business Sense

Cebr produces an annual calculation that shows public spending in the UK by region as a share of regional GDP. The most recent calculation, which was released last May, shows how different the dependence on public spending is between the different parts of the country.

Because transfers between different regions are on the European agenda and I had to give evidence to the European Scrutiny Committee of the House of Commons, I have looked at the other side of the equation for the year 2010/11 and examined both the differences in tax generated by region within the UK and the net subsidies between regions.

In the UK there is considerable variance in tax receipts as a share of GDP between regions – from Northern Ireland where tax is only 27.7% of GDP to London where tax is 45.2% of GDP. These differences are about half the variances in public spending as shares of GDP. But for some taxes the regional differences are huge. The bulk of Stamp Duty Land Tax is paid in London and the South East. The 50p income tax rate is also largely a London and South East tax.

But the taxes and public spending reinforce each other. So whereas in London tax exceeds spending by 10.3% of its GDP, in Northern Ireland spending exceeds tax by 39.3% of its GDP.

To standardise this, you need to subtract the total deficit which on this definition (a few small items are excluded so it is not completely comparable with normal PSNB numbers) is 10.0%.

So London provides a net subsidy of 20.3% of GDP. Northern Ireland receives a net subsidy of 29.4%, while Wales receives a subsidy of 26.0% and the North East 22.2%.

Interestingly in the light of the independence debate, Scotland receives no net subsidy. Using the Aberdeen University split of the oil and gas revenues (which gives Scotland 83%) the oil and gas revenues exactly cancel out the fiscal transfers from the non oil sector.

Douglas McWilliams *chief executive*
Centre for Economics and Business Research Ltd
dmcwilliams@cebr.com 0207 324 2860; 07525 287 112

The scale of subsidy between different regions/countries in the UK 2010/11 (% GDP)

Region/country	Total receipts	Expenditure	Deficit	Deficit compared with UK
North East	29.7%	61.9%	-32.2%	-22.2%
North West	37.5%	55.9%	-18.4%	-8.5%
Yorkshire and Humberside	35.0%	53.7%	-18.7%	-8.8%
East Midlands	34.1%	49.0%	-14.9%	-4.9%
West Midlands	35.4%	53.8%	-18.4%	-8.4%
East	36.7%	45.1%	-8.4%	1.5%
London	45.2%	34.9%	10.3%	20.3%
South East	41.1%	40.3%	0.7%	10.7%
South West	35.7%	47.4%	-11.7%	-1.7%
Scotland	43.0%	53.0%	-10.0%	0.0%
Wales	30.3%	66.3%	-35.9%	-26.0%
Northern Ireland	27.7%	67.0%	-39.3%	-29.4%
UK	37.9%	47.9%	-10.0%	0.0%

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