

The tax burden on households

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Introduction:

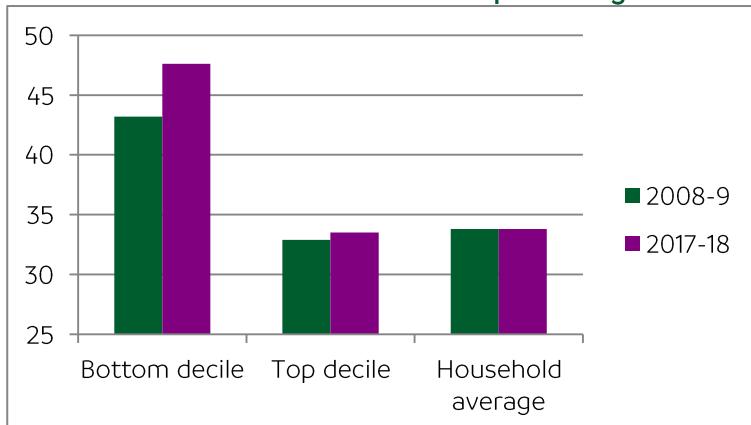
The tax burden in the UK is now at a 50-year high: taxes reached 34.6 per cent as a proportion of GDP in 2018-19, the highest level since 1969-70.¹ Whilst efforts have been made to lower the amount of direct taxes that are paid by the poorest, such as by increasing the personal allowance, the burden of taxes falls disproportionately on those who can least afford it.

New data out today shows this alarming trend in fuller detail. In real terms, the bottom 10 per cent of households paid £5,471 in direct and indirect taxes in 2017-18, or 47.6 per cent of their gross income. Whilst there have been fluctuations over the last 10 years, this represents a 10.2 per cent increase as a proportion of gross income from 2008-9.

Key findings:

- The bottom 10 per cent of households lost 43.2 per cent of their gross income to taxes in 2008-9. In 2017-18, that had risen to 47.6 per cent.
- In real terms, the poorest 10 per cent of households paid £4,409 in direct and indirect taxes in 2008-9. In 2017-18, this had risen to £5,471.²
- The top 10 per cent of households lost 32.9 of their gross income to taxes in 2008-9. In 2017-18, that had risen to 33.5 per cent.
- Between 2008-9 and 2017-18, the poorest tenth of households on average lost 45.6 per cent of their gross income through taxes. The richest 10 per cent had 33.9 per cent of their gross income taken through the tax system over the same period.
- Across all households, 33.8 of gross income was lost to taxes in 2008-9. In 2017-18, this was at exactly the same level.
- On council tax, the bottom 10 per cent of households have seen the amount paid rise from £852 to £914 in real terms, an increase of 7.3 per cent. For the top 10 per cent, the change has been 4 per cent less in real terms.

Chart 1: direct and indirect taxes as a percentage of households' gross income, 2008-9 and 2017-18



¹ TaxPayers' Alliance, *Briefing: five more years of historic-high tax burden*, 5 December 2018, https://www.taxpayersalliance.com/tax_burden_at_a_50_year_high_finds_taxpayers_alliance, (accessed 22 May 2019).

² OBR, *Public finances databank*, <https://obr.uk/download/public-finances-databank/>, 25 March 2019, (accessed 21 May 2019). 2019-20 figures derived from adjusting years 2008-9 through to 2017-18 by the GDP deflator.

Sources and methodology:

Data comparing the tax burden on households has been taken from an annual Office for National Statistics publication *Effects of taxes and benefits on UK household income: historical datasets*.

Direct taxes are those on income. This includes income tax, employees' national insurance and net council tax. Indirect taxes are those on final goods and services, such as VAT, and intermediate taxes, which includes employers' national insurance. Gross income includes original income, such as wages, salaries, pensions and investment income, as well as direct benefits in cash.

OBR, *Public finances databank*, <https://obr.uk/download/public-finances-databank/>, 25 March 2019, (accessed 21 May 2019).

ONS, *Effects of taxes and benefits on household income: historical datasets*, 20 June 2018, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/theeffectsoftaxesandbenefitsonhouseholdincomehistoricaldatasets>, (accessed 21 May 2019).

ONS, *Effects of taxes and benefits on UK household income: financial year ending 2018*, 30 May 2019, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2018>, (accessed 30 May 2019).