

The tax on Christmas 2018

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Introduction

With rising inflation and the highest tax burden in 49 years, many in the UK are struggling with the cost of living.¹ Despite this pressure on finances, households across the country still intend to enjoy the festive season. Research from Deloitte shows that the average UK consumer intends to spend £567 this Christmas, which is an increase of 1 per cent in real terms from last year, and 42 per cent more than the European average.² Consumers in the UK spend the most in Europe, followed by the Spanish with an average spend of £526.

Key findings

- This Christmas, a UK household will pay an average of **£211** in tax on their festive spending, enough to buy 17 luxury Lidl Christmas puddings.³
- The total Christmas tax bill will come to **£5.7 billion**.
- The average household will spend **£1,355** on Christmas gifts, travel, socialising and alcohol.
- The meat tax, if introduced, could cost households at least **£7 million** just for Christmas food.

The table below gives a few examples of typical Christmas spending. The TaxPayers' Alliance calculations of the total tax bill for Christmas are based on our own research and that of Deloitte, not the items that are listed below.

Table 1: tax charged on popular Christmas gifts and essentials

| Item | List price (£) | VAT charged (£) |
|--|----------------|-----------------|
| iPhone XS | 999 | 167 |
| Sony PlayStation 4 Pro | 350 | 58 |
| Chanel No 5 Parfum 15ml | 160 | 27 |
| Lego Harry Potter Hogwarts Express | 75 | 13 |
| Jurassic World Jurassic Rex | 120 | 20 |
| Paw Patrol Ultimate Rescue Fire Tuck Playset | 65 | 11 |
| Hatchimals Mystery Egg | 50 | 8 |
| Debenhams Green Canada Spruce Christmas Tree (6ft) | 70 | 12 |
| Santa Suit | 50 | 8 |
| Christmas Wreath | 30 | 5 |
| John Lewis Emerald Pavone Christmas Crackers | 12 | 2 |

¹ Meakin, R., *Briefing: five more years of historic high tax burden*, TaxPayers' Alliance, 2018.

² Deloitte, *Deloitte Christmas Survey 2018*, <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/deloitte-christmas-survey-2018.html>, (accessed 26 November 2018).

³ Lidl, *Deluxe Luxury 24 Month Matured Christmas Pudding*, 2018, <https://www.lidl.co.uk/en/MiddleofLidl.htm?articleId=17300>, (accessed 28 November 2018).

Table 2: potential impact of the meat tax^{4 5}

| Item | Current cost (£) | Meat tax (£) | New cost (£) |
|---|------------------|--------------|--------------|
| Tesco Finest 4 Cheddar And Bacon Sausage Rolls (188g) | 2.60 | 2.05 | 4.65 |
| Tesco Finest Honey Gammon Joint (750g) | 7.50 | 1.05 | 8.55 |
| Tesco Lamb Whole Leg Joint (2.2kg) | 24.20 | 3.39 | 27.59 |
| Tesco 12 Pigs In Blankets (240g) | 2.00 | 1.58 | 3.58 |
| Tesco Large Beef Roasting Joint | 18.70 | 2.62 | 21.32 |

Sources and methodology

VAT

VAT comprises a considerable proportion of the tax on Christmas. VAT is levied on virtually all Christmas goods and services except most foodstuffs and childrens' clothing. Taking this into account, and also including VAT on fuel for Christmas car journeys, the TaxPayers' Alliance calculates that the average household will be paying **£190.41**, or **£5.2 billion in total**.

Alcohol duty

Alcohol duties are forecast to raise £12.3 billion this year.⁶ Alcohol consumption is 30 per cent higher in December than the typical month.⁷ This means additional December alcohol duty revenues of **£301 million**. This equates to an extra **£11.04** for each household in alcohol duty.

Fuel duty

Fuel duty is a further tax on Christmas. Research commissioned by the Accident Advice Helpline shows that the average household will clock up 302 miles in their car during the festive season to visit friends and family, and to buy gifts, food and drink for Christmas.⁸ The government levies a tax on (petrol and diesel) which is high by international standards. The TaxPayers' Alliance shows that 302 miles would incur **£17.87** in fuel duty over the festive period. This would total **£243 million**, since our approximation is that half of households would use a car.

⁴ BBC, *Should there be a tax on red meat?*, 7 November 2018, <https://www.bbc.co.uk/news/uk-46122227>, (accessed 27 November 2018).

⁵ Note: the meat tax rates are proposals from an [Oxford University study](#) published in November 2018. It suggests a tax of 14 per cent on red meat and 79 per cent on processed meat.

⁶ Office for Budget Responsibility, *Public finances databank*, 29 October 2018, <https://obr.uk/data/>, (accessed 28 November 2018).

⁷ Bank of England, *How much do we spend at Christmas?*, 2017, <http://edu.bankofengland.co.uk/knowledgebank/how-much-do-we-spend-at-christmas/>, (accessed 13 December 2017).

⁸ Accident Advice Helpline, *Families Will Travel A Huge 302 Miles During The Festive Period*, 2017, <https://www.accidentadvicehelpline.co.uk/blog/families-travel-huge-miles-festive-period/>, (accessed on 28 November 2018).

The price of petrol and diesel and the current rate of fuel duty was derived from the Department for Business, Energy and Industrial Strategy weekly updates.⁹ The fuel usage for the average journey of 302 miles was taken from the Department for Transport average new car fuel consumption.¹⁰ The average age of cars on the road in 2017 was accounted for as part of this.¹¹ Our approximation is that half of UK households will travel an average of 302 miles for the Christmas period, since this is slightly higher than the AA's estimate of car journeys from last Christmas.¹²

Sugar tax

In 2018-19, the soft drinks industry levy is forecast to raise £300 million. Based on the same higher intake of alcohol during the festive period (30 per cent), this would mean the additional tax on some soft drinks rises to **£7.3 million**.

Meat tax

Research into the viability of a meat tax was released by Oxford University academics in November 2018. Though the government has not committed to its introduction, the Oxford study indicated that its introduction could create healthcare savings of £700 million.¹³ We assume that the levy would equal that per year, and that consumption is 30 per cent higher over Christmas. Therefore, we estimate that the meat tax levied on households would be a further **£17.1 million** over the Christmas period.

Christmas tax

As a result of VAT, alcohol and fuel duty and the sugar tax, the tax on Christmas for the average household in the UK stands at **£210.65** for Christmas 2018. This is **15.54 per cent** of the total amount spent by households on Christmas (**£1,355**).

Total Christmas Tax Bill

The total estimated tax bill is **£5.7 billion**.

⁹ Department for Business, Energy & Industrial Strategy, *Weekly road fuel prices*, 27 November 2018, <https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics> (accessed on 28 November 2018).

¹⁰ Department for Transport, *Average new car fuel consumption: Great Britain, Table ENV0103*, 23 November 2017, <https://www.gov.uk/government/statistical-data-sets/env01-fuel-consumption> (accessed 28 November 2018).

¹¹ Statista, *Average age of cars on the road in the United Kingdom (UK) between 2000 and 2016*, 2015, <https://www.statista.com/statistics/299951/average-age-of-cars-on-the-road-in-the-united-kingdom/> (accessed on 12 December 2017).

¹² The AA, *Christmas getaway*, 15 December 2017, <https://www.theaa.com/about-us/newsroom/christmas-travel-advice-2017>, (accessed on 28 November 2017).

¹³ Sky News, *Meat tax could save thousands of lives and slash healthcare costs*, 7 November 2018, <https://news.sky.com/story/meat-tax-could-save-thousands-of-lives-and-slash-healthcare-costs-11547012>, (accessed 28 November 2018).

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