

The tax on Christmas 2019

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Introduction

With rising inflation and the highest tax burden in 50 years, many households in the UK are struggling with the cost of living.¹ Unfortunately, the joys of the festive season also bring additional pressures on household finances. Research from Deloitte shows that the average UK consumer intends to spend £567 this Christmas, which is an increase of 1.3 per cent in actual spending from last year, and 39 per cent more than the European average.² Consumers in the UK are the most active online in Europe – spending £250 – compared to the European average of £134.

Key findings

- This Christmas, a UK household will pay an average of **£212** in tax on their festive spending, enough to buy 18 luxury Lidl Christmas puddings.³
- The total Christmas tax bill will come to **£5.9 billion**, the equivalent of building two aircraft carriers.
- The average household will spend **£1,344** on Christmas gifts, travel, socialising and alcohol.

The table below gives a few examples of typical Christmas spending and aren't reflected in the figures above.

Table 1: tax charged on popular Christmas gifts and seasonal luxuries

Item	List price (£)	VAT charged (£)
Apple MacBook Air	1,099	183
Samsung Galaxy S10	899	150
Apple Watch Series 5 GPS	429	71.50
Sony PlayStation 4 Pro Bundle	300	50
Chanel No 5 Parfum 15ml	160	27
Lego NASA Apollo Saturn V	110	18
John Lewis Fireside Unlit Christmas Tree, 6ft	100	17
Paw Patrol Lookout Tower	80	13
Santa Suit	65	11
John Lewis Luxury Christmas Crackers	50	8
Moët & Chandon Champagne	38	6
Christmas Wreath	30	5
Nerf N-Strike Elite Surgefire	26	4
Harveys Bristol Cream Sherry	16	3
Baileys The Original Irish Cream	11.50	2
Hotel Chocolat Marbled Gemstones	6	1

¹ Simpson, D, *The tax burden on households*, TaxPayers' Alliance, 2019, p. 2.

² Deloitte, *Deloitte Christmas Survey 2019*, <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/deloitte-christmas-survey-2019.html>, (accessed 27 November 2019).

³ Lidl, *Deluxe Luxury 24 Month Matured Christmas Pudding*, 2019, <https://www.lidl.co.uk/en/p/desserts/deluxe-luxury-24-month-matured-christmas-pudding-with-courvoisier-vs-cognac/p26954>, (accessed 29 November 2019).

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 children's clothing. Taking this into account, £1,077 of the £1,197 (or 90 per cent) of household spending on socialising, gifts and food would be subject to VAT. As a result, the TaxPayers' Alliance calculates that the average household will be paying **£179.53** VAT this Christmas, or **£5 billion** nationally. Including VAT on fuel for Christmas car journeys, this rises to **£5.1 billion** or **£182.80** for each household.

Alcohol duty

Alcohol duty is forecast to raise £12.6 billion this year.⁴ Alcohol consumption is 30 per cent higher in December than the typical month.⁵ This means additional December alcohol duty revenues of **£315 million**. This equates to an extra **£11.32** 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.⁶ The government levies a tax of £0.58 per litre on (petrol and diesel) which is high by international standards. The TaxPayers' Alliance calculates that 302 miles would incur **£17.74** in fuel duty over the festive period. This would total **£247 million**, assuming half of households use a car at Christmas.

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.⁷ The fuel usage for the average journey of 302 miles was taken from the Department for Transport average new car fuel consumption.⁸ 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 at Christmas in 2017.⁹

Sugar tax

In 2019-20, the soft drinks industry levy is forecast to raise £300 million.¹⁰ 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 **£7.5 million**.

⁴ Office for Budget Responsibility, *Public finances databank*, 3 December 2019, <https://obr.uk/data/>, (accessed 27 November 2019).

⁵ 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 4 December 2019).

⁶ Independent, *Christmas: British families will travel an average of 302 miles over the festive period*, 8 December 2017, <https://www.independent.co.uk/life-style/christmas/christmas-2017-british-families-festive-driving-relatives-travel-stress-shopping-pantomime-a8099016.html>, (accessed on 28 November 2019).

⁷ Department for Business, Energy & Industrial Strategy, *Weekly road fuel prices*, 25 November 2019, <https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics> (accessed on 28 November 2019).

⁸ 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 2019).

⁹ The AA, *Christmas getaway*, 15 December 2017, <https://www.theaa.com/about-us/newsroom/christmas-travel-advice-2017>, (accessed on 28 November 2019).

¹⁰ Office for Budget Responsibility, *Economic and fiscal outlook*, March 2019, p. 76.

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 **£212.13** for Christmas 2019. This is **15.8 per cent** of the total amount spent by households on Christmas (**£1,344**).

Total Christmas tax bill

The total estimated tax bill is **£5.9 billion**.

Sources

The AA, *Christmas getaway*, 2017.

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