

Briefing: sustained tax burden at highest level since 1951

January 2021

- In 2021-22 the share of GDP extracted in tax, the 'tax burden', will reach its **highest level in 52 years** at 34.2 per cent of GDP.
- The previous high was a one-year spike in 1969-70. Smoothing out volatility with five-year averages shows **the tax burden is now at its highest sustained level since 1951, the highest level in 70 years.**
- HM Treasury plans raise Britain's historic-high sustained tax burden even higher over the next five years.
- **Next year, total receipts will hit a 36-year high** at 38 per cent of GDP. The **five-year average of total receipts is this year at a 35-year high**, at 38 per cent of GDP.
- The tax burden under **prime minister Boris Johnson** is likely to be higher than it has been since **Clement Attlee**.

This year, the government expects to raise £771 billion in total tax receipts, equivalent to approximately £24,500 per household.¹ These receipts will partly finance its £1,165 billion of spending (£41,500 per household), leaving a deficit of £394 billion (£14,000 per household). Some of the receipts are interest payments, dividends and profits from trading activities, but most are taxes.

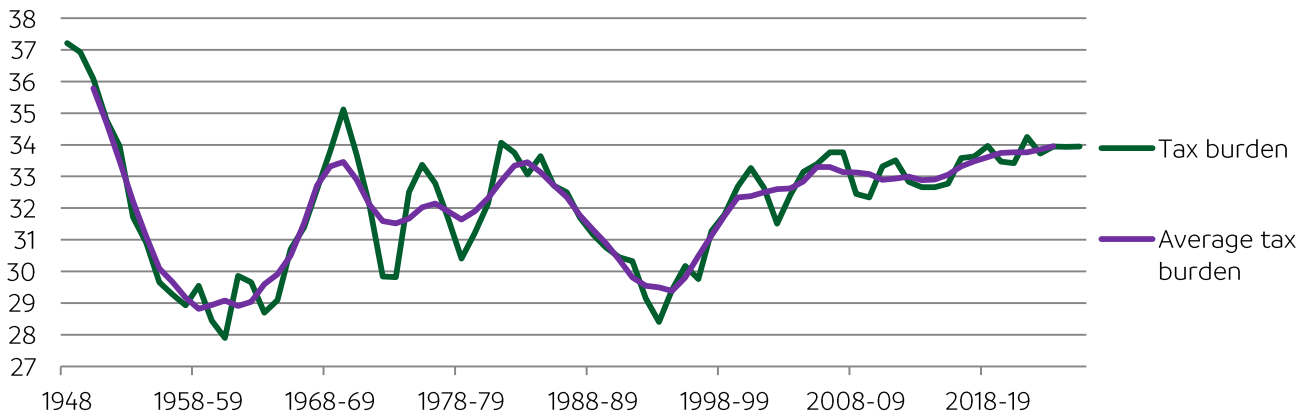
In December 2018, the TaxPayers' Alliance published a briefing which revealed that the tax burden then was the highest since 1969-70 (a 49-year high), at 34.6 per cent of GDP. The most recent estimates by the OBR suggest the tax burden in 2018-19 was 34.0 per cent of GDP, the highest since 1981-82, when it was 34.1 per cent. But they also reveal that next year, on current tax plans, the burden will rise to 34.2 per cent, the highest since 1969-70, 52 years previously.

Sustained tax burden

The high tax burden in 1969-70, however, was a one-off spike in the last full year of the second Wilson ministry, when consumption taxes were raised to discourage imports during foreign exchange difficulties at a time when exchange rates were fixed. Looking at the five-year average of the statistics gives a more reliable picture of the *sustained* burden taxation is placing on the economy. Winston Churchill best explained the relevance of this to a post-pandemic Britain trying to restore growth and prosperity when he said "for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle". During his postwar government, the average tax burden was lower than it has been under each of the last three Conservative prime ministers.

¹ Receipts, total managed expenditure and public sector net borrowing figures from OBR, Public finances databank, 25 November 2020, obr.uk/data, (accessed 7 December 2020). Per household figures derived by dividing by 2019 household statistics, adjusted by growth between 2018 and 2019 to achieve a 2020 estimate of 28,074,000. Household statistics from ONS, Families and households in the UK: 2019, 15 November 2019, www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2019, (accessed 7 December 2020).

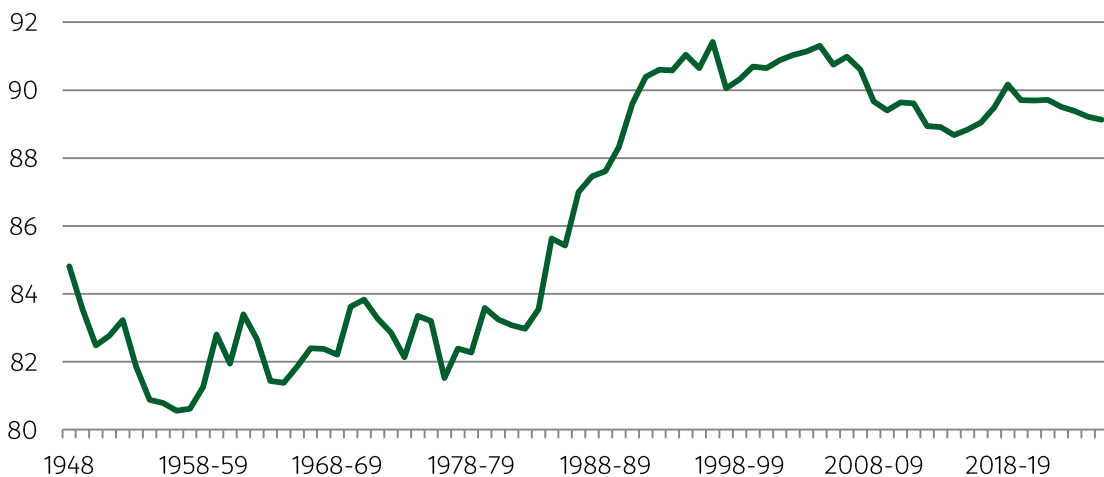
Chart 1: national account taxes, 1948 to 2025-26 (per cent of GDP)



Using a centred average is useful because it reflects expectations of how light or onerous taxes will be in the next two years as well as the previous two. Economic activity can be influenced by announcements relating to future changes in taxation and behavioural changes do not necessarily fully take effect in the first year of implementation.

The sustained tax burden (the five-year average) will be 33.8 per cent this year, higher than at any time since 1951, when it was 34.7 per cent and the UK was demilitarising after world war two. It is then scheduled to stay at 33.8 per cent next year before rising to 33.9 and then 34.0 per cent in 2022-23 and 2023-24.

Chart 2: taxes as a share of current receipts, 1948 to 2025-26 (per cent)



This year, current receipts will account for 37.3 per cent of GDP. But not all receipts are taxes. This year, taxes will account for 33.4 per cent of GDP, rising to 34.2 per cent of GDP next year, the highest since 1969-70 when the figure was 35.1 per cent. Privatisations have reduced non-tax receipts since the 1970s and 1980s, which explains why current receipts were higher in the 1970s than now, and also why the tax burden is now higher.

Chart 3: receipts, taxes, spending and borrowing, 1955-56 to 2025-26 (£ billion in 2018-19 prices)

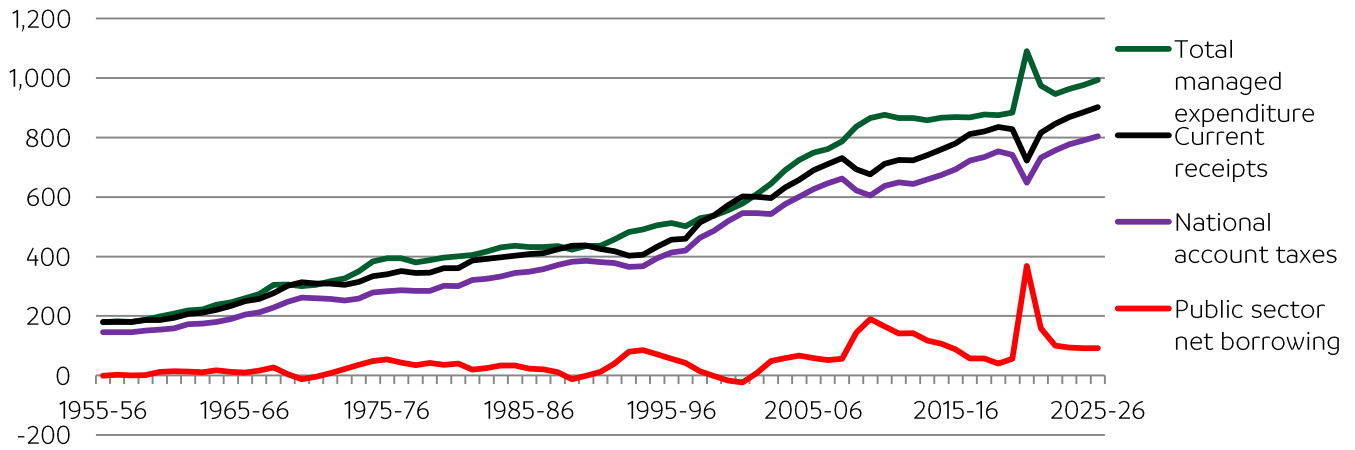


Table 1: average tax burdens by administration, 1948 to 2025-26 (per cent of GDP)²

	Appointed	Resigned	Tax burden (% of GDP)			
			Average over term	Compared to predecessor	End of term of office	Change over term of office
Boris Johnson	24-Jul-19	05-Apr-26	33.8	0.1	33.9	0.5
Boris Johnson so far	24-Jul-19	31-Jan-21	33.4	-0.3	33.4	0.0
Theresa May	13-Jul-16	24-Jul-19	33.7	0.7	33.4	-0.2
David Cameron	11-May-10	13-Jul-16	33.0	0.2	33.6	0.3
Gordon Brown	27-Jun-07	11-May-10	32.8	0.2	33.3	-0.5
Tony Blair	02-May-97	27-Jun-07	32.6	3.0	33.8	2.5
John Major	28-Nov-90	02-May-97	29.6	-2.7	31.3	0.8
Margaret Thatcher	04-May-79	28-Nov-90	32.3	0.7	30.4	-0.8
James Callaghan	05-Apr-76	04-May-79	31.6	-1.2	31.2	-2.1
Harold Wilson	04-Mar-74	05-Apr-76	32.8	1.5	33.4	3.6
Edward Heath	19-Jun-70	04-Mar-74	31.3	-1.2	29.8	-3.9
Harold Wilson	16-Oct-64	19-Jun-70	32.5	3.6	33.7	4.6
Alec Douglas-Home	19-Oct-63	16-Oct-64	28.9	-0.1	29.1	0.4
Harold Macmillan	10-Jan-57	18-Oct-63	29.0	-0.5	28.7	-0.6
Anthony Eden	06-Apr-55	09-Jan-57	29.5	-2.7	29.3	-1.0
Winston Churchill	26-Oct-51	05-Apr-55	32.2	-4.1	30.3	-4.5
Clement Atlee	26-Jul-45	26-Oct-51	36.3	-	34.8	-

² Tax burden refers to national account taxes, from OBR, Public finances databank, 23 December 2020, obr.uk/data, (accessed 17 January 2021). Average tax burden over term refers to the simple average of the tax burdens in a prime minister's administration, calculated pro-rata for financial years only partly within a term in office. The current prime minister's calculation assumes he will remain in office for the length of the OBR's forecast period.

Table 2: national account taxes, 1948 to 2025-26 (per cent of GDP)³

Year	Tax burden	Average tax burden
1948	37.2	-
1949	36.9	-
1950	36.1	35.8
1951	34.8	34.7
1952	34.0	33.5
1953	31.7	32.2
1954	30.9	31.1
1955-56	29.7	30.1
1956-57	29.3	29.7
1957-58	28.9	29.2
1958-59	29.5	28.8
1959-60	28.4	28.9
1960-61	27.9	29.1
1961-62	29.9	28.9
1962-63	29.7	29.0
1963-64	28.7	29.6
1964-65	29.1	29.9
1965-66	30.7	30.5
1966-67	31.4	31.5
1967-68	32.6	32.7
1968-69	33.8	33.3
1969-70	35.1	33.5
1970-71	33.7	32.9
1971-72	32.1	32.1
1972-73	29.8	31.6
1973-74	29.8	31.5
1974-75	32.5	31.7
1975-76	33.4	32.0
1976-77	32.8	32.1
1977-78	31.6	31.9
1978-79	30.4	31.6
1979-80	31.2	31.9
1980-81	32.1	32.3
1981-82	34.1	32.9
1982-83	33.8	33.3
1983-84	33.1	33.4
1984-85	33.6	33.1
1985-86	32.7	32.7
1986-87	32.5	32.3

Year	Tax burden	Average tax burden
1987-88	31.7	31.8
1988-89	31.2	31.3
1989-90	30.8	30.9
1990-91	30.4	30.4
1991-92	30.3	29.8
1992-93	29.1	29.5
1993-94	28.4	29.5
1994-95	29.4	29.4
1995-96	30.2	29.8
1996-97	29.8	30.5
1997-98	31.3	31.1
1998-99	31.8	31.8
1999-00	32.7	32.3
2000-01	33.3	32.4
2001-02	32.6	32.5
2002-03	31.5	32.6
2003-04	32.4	32.6
2004-05	33.1	32.8
2005-06	33.4	33.3
2006-07	33.8	33.3
2007-08	33.8	33.1
2008-09	32.4	33.1
2009-10	32.3	33.1
2010-11	33.3	32.9
2011-12	33.5	32.9
2012-13	32.8	33.0
2013-14	32.7	32.9
2014-15	32.7	32.9
2015-16	32.8	33.1
2016-17	33.6	33.3
2017-18	33.6	33.5
2018-19	34.0	33.6
2019-20	33.5	33.7
2020-21	33.4	33.8
2021-22	34.2	33.8
2022-23	33.7	33.9
2023-24	33.9	34.0
2024-25	33.9	
2025-26	33.9	

³ Tax burden refers to national account taxes, from OBR, Public finances databank, 25 November 2020, obr.uk/data, (accessed 7 December 2020). Average tax burden refers to the five-year centred average of the tax burden.