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RESEARCH NOTE 20 **TOTAL LIFETIME TAX ESTIMATE**

Total tax paid over a lifetime

This note provides an estimate of the total amount of tax paid by average and poor households over their lifetimes. The figure includes both direct and indirect taxes and is calculated on the basis of a working lifetime of 40 years and 15 years of retirement. The result is quite shocking:

- Over a lifetime, an average household pays over **£630,000**, in today's prices, in direct and indirect taxes.
- A poor household pays over **£230,000** in direct and indirect taxes.

The most onerous taxes

The four most burdensome individual taxes over a lifetime are income tax, VAT, employee national insurance contributions and council tax.

Table 1: The most burdensome taxes over a lifetime

£ paid to the government over a lifetime	Income tax	VAT	National insurance contributions	Council tax
Lowest quintile	21,000	65,000	13,000	31,000
2 nd	89,000	87,000	46,000	42,000
3 rd	170,000	105,000	79,000	46,000
4 th	271,000	119,000	109,000	53,000
Highest quintile	661,000	187,000	150,000	68,000
Average	243,000	113,000	79,000	48,000

For average households, income tax and VAT are the most burdensome taxes. An average household pays £243,000 in income tax and £113,000 in VAT over a lifetime.

For poor households, VAT and council tax are the most onerous. A poor household pays £65,000 in VAT and £31,000 in council tax over a lifetime.



Source and method of calculation

The calculation is based on Office for National Statistics data taken from Tables 6, 12, 16A and 18A in the ONS's latest annual paper, *The Effect of Taxes and Benefits on Household Income 2005-06*.

Total taxes are assessed on the basis of a non-retired household's total direct and indirect taxes per year multiplied by 40 years, plus a retired household's total direct and indirect taxes per year multiplied by 15 years.

A poor household is taken to be a lowest quintile household, measured by equivalised disposable income. Households are assumed not to move up or down quintiles.

The calculation is based on the current level of direct and indirect taxes applying throughout the lifetime and current prices are used throughout. This does not take into account changes in taxation in the past or in the future, but has the advantage of providing an illustration of the sheer magnitude of the current level of taxation.

An excel spreadsheet with full details is available on request.

Comment from the TaxPayers' Alliance

Corin Taylor, Research Director at the TaxPayers' Alliance, said:

"These figures are quite shocking. The Government is taxing people until the pips squeak. The OECD has warned Gordon Brown to be more transparent about stealth tax rises. We hope that these figures will make people aware of how much tax they truly pay."

"The high tax burden facing families has not yet been addressed in the Party Conference season. We look forward to the Conservative Party highlighting this crucial issue at their Conference in Blackpool."

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APPENDIX FULL TABLES

Table A1: Total taxes paid over a lifetime

£ paid to the government	Working (40 years)				Retired (15 years)				Overall lifetime total
	Total direct taxes per year	Total indirect taxes per year	Total taxes per year	Total taxes over working life	Total direct taxes per year	Total indirect taxes per year	Total taxes per year	Total taxes over retirement	Total direct and indirect taxes paid over lifetime
Lowest quintile	1,290	3,400	4,690	187,600	900	2,100	3,000	45,000	232,600
2 nd	4,050	4,420	8,470	338,800	990	2,440	3,430	51,450	390,250
3 rd	6,950	5,380	12,330	493,200	1,120	2,310	3,430	51,450	544,650
4 th	10,120	5,970	16,090	643,600	1,880	2,690	4,570	68,550	712,150
Highest quintile	19,880	8,030	27,910	1,116,400	5,520	5,050	10,570	158,550	1,274,950
Average	8,460	5,440	13,900	556,000	2,070	2,920	4,990	74,850	630,850

Table A2: The four most burdensome individual taxes over a lifetime

	Working (40 years)		Retired (15 years)		Overall lifetime total
	£ paid to the government	Total per year	Total over working life	Total per year	Total over retirement
Income tax (less tax credits)					
Lowest quintile	472	18,880	172	2,580	21,460
2 nd	2,117	84,680	316	4,740	89,420
3 rd	4,052	162,080	508	7,620	169,700
4 th	6,364	254,560	1,111	16,665	271,225
Highest quintile	14,923	596,920	4,248	63,720	660,640
Average	5,586	223,440	1,271	19,065	242,505
VAT					
Lowest quintile	1,311	52,440	857	12,855	65,295
2 nd	1,780	71,200	1,036	15,540	86,740
3 rd	2,263	90,520	959	14,385	104,905
4 th	2,561	102,440	1,136	17,040	119,480
Highest quintile	3,767	150,680	2,431	36,465	187,145
Average	2,336	93,440	1,284	19,260	112,700
Employee national insurance contributions					
Lowest quintile	323	12,920	9	135	13,055
2 nd	1,138	45,520	11	165	45,685
3 rd	1,965	78,600	5	75	78,675
4 th	2,706	108,240	30	450	108,690
Highest quintile	3,696	147,840	117	1,755	149,595
Average	1,965	78,600	34	510	79,110
Council tax (less council tax rebate)					
Lowest quintile	498	19,920	716	10,740	30,660
2 nd	798	31,920	662	9,930	41,850
3 rd	935	37,400	599	8,985	46,385
4 th	1,054	42,160	745	11,175	53,335
Highest quintile	1,257	50,280	1,148	17,220	67,500
Average	908	36,320	774	11,610	47,930