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Christmas Tax 2010

With money tight, many families are going to struggle this Christmas. But the taxman will still demand his share, racking up the cost of Christmas with taxes on everything from Christmas trees to granny's sherry. New calculations by the TaxPayers' Alliance reveal that the tax on Christmas is higher than ever:

- This Christmas, **British families will pay an average £283 tax** on their festive spending.
- The **total Christmas tax bill will come to £7.2 billion**, an astonishing increase of over 40 per cent since 2008 when we last did the calculation and it came to £5.1 billion.
- That tax will be even higher next year if the Government implements a hike in VAT. With a **VAT rate of 20 per cent the Christmas tax bill this year would be £8 billion**.

Examples of the tax on Christmas goods

Table 1: Tax charged on examples of Christmas essentials

Item	Price	Tax charged
Apple iPad 3G with 64GB	£699.00	£104.10
Nintendo Wii Console bundle	£159.00	£23.68
"Old Time" plush Santa Suit	£159.00	£23.68
Visit to Santa's Magical Kingdom, Kent (family of 4)	£140.00	£20.85
Chanel No 5 Parfum 15ml	£114.00	£17.28
Lego Harry Potter Hogwarts Express	£79.72	£11.87
Journey to see family (average 120 miles)	-	£11.86
Remy Martin cognac	£30.00	£11.13
Moët & Chandon champagne	£29.99	£6.63
6ft Nordman xmas tree	£45.00	£6.70
Toy Story Ultimate Space Ranger Buzz Lightyear	£39.99	£5.96
Harveys Bristol Cream Sherry	£8.00	£3.44
John Lewis Luxury Crackers	£25.00	£3.72
Zhu Zhu Pets Deluxe Funhouse Set	£19.99	£2.98
Quality Street family tin	£10.00	£1.49
"Passion Pack" mistletoe	£7.75	£1.15

In fact, just about the only festive spending that escapes tax is the turkey and brussels sprouts.

Sources and methodology

Tax	Amount, 2008	Amount, 2010	Amount, 2010, with 20% VAT
Value Added Tax	£3.70 billion	£5.7 billion	£6.5 billion
Excise duties	£1.30 billion	£1.35 billion	£1.35 billion
Fuel tax	£0.14 billion	£0.16 billion	£0.16 billion
Total	£5.14 billion	£7.21 billion	£8.01 billion

- The cost of Christmas:** According to Deloitte's long-running *Christmas Retail Survey*¹ the total cost of Christmas this year will be £37 billion. According to TaxPayers' Alliance calculations that works out at £1,460 per UK household, of which £365 will go on food and drink, £803 on gifts, and £292 on socialising.
- VAT:** The Christmas tax principally comprises VAT and excise duties. VAT is charged at 17.5 per cent on virtually all Christmas goods and services except basic foodstuffs and children's clothing. We estimate that only about £180 of the average £1,460 household spend will be non-chargeable, giving an average VAT bill of £224. That is a total VAT bill of £5.7 billion.
- Excise duties:** On excise duties, figures from the Office for National Statistics² show that spending on alcohol was £11.7 billion in the final quarter of last year. We estimate that half of that was Christmas spending, which we assume will remain unchanged this year. With the average effective duty rate on alcohol currently around 23 per cent, that implies a duty bill of £1.35 billion.
- Fuel tax:** On fuel tax, a survey for Travelodge³ showed almost 60 per cent of British adults travel to visit relatives between Christmas Eve and Boxing Day, with an average round-trip journey of 121 miles. That totals 3.3 billion miles, and since there are few trains running, most of it will be by car. Assuming an average 35 mpg (the overall fuel consumption of a mid-range Ford Mondeo), and an average 2 adults per car, the journeys will require 47 million gallons of fuel. And with fuel tax (duty plus VAT) now at £3.46 per gallon, that means a tax bill of £163 million.
- Total tax:** The total estimated tax bill is therefore £7.2 billion.
- Increase on 2008:** We last calculated the tax on Christmas back in 2008, when it came out at £5.1 billion. So there has been a huge increase of 40 per cent over just two

¹ Deloitte *Christmas Retail Survey 2010*, summary here

http://www.deloitte.com/view/en_GB/uk/industries/consumer-business/433402da27b2c210VgnVCM3000001c56f00aRCRD.htm

² Office for National Statistics, *Consumer Trends, No 57*, Table ALC.CN, downloadable here:

http://www.statistics.gov.uk/downloads/theme_economy/CT2010Q2.pdf

³ Christmas travel survey, Dec 2006, Travelodge, available here:

http://www.travelodge.co.uk/press_releases/press_release.php?id=197



years. Of that, just under half reflects a 19 per cent increase in Christmas spending. The rest reflects higher tax rates, including the increase in VAT from 15 per cent back to 17.5 per cent, and an increase in duties on alcohol and fuel.

- **Higher VAT.** An increase in VAT to 20 per cent from 17.5 per cent implies a 14.3 per cent rise in the VAT bill. That increases VAT from £5.7 billion to £6.5 billion.

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