



Research Note 140 | 22 December 2014

## Distribution of tax burdens and benefit receipts

The debate around taxation in recent years has often focused on whether or not different individuals and groups in society pay their “fair share”.

But this emotive debate is rarely based on evidence. New figures show that the top 3,000 earners in the UK pay more Income Tax than the bottom 9 million earners.<sup>1</sup> The Institute for Fiscal Studies has voiced concerns that the Exchequer is increasingly reliant on a very small group of taxpayers for a very large proportion of tax revenues<sup>2</sup> and has said that taxing them more is not a sustainable long-term strategy.<sup>3</sup>

But high taxes aren't just an issue for those at the top of the income spectrum. This year, Value Added Tax will be the government's second biggest revenue raiser<sup>4</sup> and as a share of income it hits lowest income households hardest.

This research looks at how much households across the income spectrum and regions of the UK pay in taxes and how much they receive in benefits and services such as education and the NHS.

**The Key findings of this research are** (all figures relate to 2012-13):

Net effects of taxes and benefits:

- The top 10 per cent of households pay an average of **£30,023 more in tax than they receive** in cash benefits and benefits in kind such as education and the NHS.
- Before taxes and benefits, the top 10 per cent of households had an **average income 27 times higher** than the bottom 10 per cent of households.
- After taxes, cash benefits and benefits in kind, the top 10 per cent of households had an **average income 5.8 times higher** than the bottom 10 per cent of households.

---

<sup>1</sup> <http://www.telegraph.co.uk/finance/personalfinance/tax/11233686/How-top-3000-earners-pay-more-tax-than-bottom-9-million.html>

<sup>2</sup> <http://www.ifs.org.uk/publications/7066>

<sup>3</sup> <http://www.telegraph.co.uk/finance/personalfinance/tax/10620555/UK-tax-system-is-punishing-success-says-Institute-for-Fiscal-Studies.html>

<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/382327/44695\\_Accessible.pdf#page=98](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf#page=98)



- The second lowest income 10 per cent of households receive an average of **£11,164 more in benefits than they do in taxes** – the most of any group
- The average household paid **£274 more in taxes than they received in benefits** and benefits in kind.

## Taxes

- The bottom 10 per cent of households paid an average of **47 per cent of their gross income in taxes** - by far the highest percentage of any income group.
- The top 10 per cent of households paid an average **35 per cent of their gross income in taxes** - £37,287
- The bottom 10 per cent of households paid an average of **47 per cent of their income in taxes**. 45 per cent of their tax bill comes from VAT and Council Tax (net of benefits).

## Benefits

- The bottom 10 per cent of households received an average of £7,691 in “benefits in kind” whilst the top 10 per cent of households received an average of £4,980.
- The third lowest 10 per cent of households received an average of £4,912 in non-contributory benefits – more than the bottom and second bottom 10 per cent of households.
- The top 10 per cent of households received an average of **£422 in non-contributory benefits**.
- The bottom 40 per cent of households received an average of **more than £1,000 in Housing Benefit**.

## Regionally:

- The average household in **London, the South East, East of England, South West and East Midlands paid more in taxes than they received in benefits and benefits in kind**. All other regions received more in benefits and benefits in kind than they paid in taxes.
- Households in the North East of England received an average of **£3,175 more in benefits than they paid in taxes**.
- London households paid an average of **£4,119 more in taxes than they received in benefits**.



- Households in London received an average of **£3,696 in non-contributory benefits** – the highest of any region.
- Households in the East of England received an average of **£2,267 in non-contributory benefits** – the lowest of any region.

To arrange broadcast interviews, please contact:

**Andy Silvester**

Campaign Manager, TaxPayers' Alliance  
andy.silvester@taxpayersalliance.com  
07795 084 113

To discuss the research, please contact:

**Alex Wild**

Research Director, TaxPayers' Alliance  
alex.wild@taxpayersalliance.com

## Guide to charts and tables

1. Net benefits and taxes by household income decile – chart. Page 5
2. Net benefits and taxes by household income decile – data. Page 6
3. Ratio of incomes of top and bottom deciles at different stages of government intervention – data. Page 7
4. Taxes by percentage of gross income (original income plus cash benefits) – chart. Page 8
5. Taxes by percentage of gross income (original income plus cash benefits) – data. Page 9
6. Average expenditure and asset related taxes – chart. Page 10
7. Average expenditure and asset related taxes – data. Page 11
8. Non-contributory benefits by income decile – chart. Page 12
9. Non-contributory benefits by income decile – data. Page 13
10. Non-contributory benefits by region – chart. Page 14
11. Non-contributory benefits by region – data. Page 15
12. Net benefits and taxes by region – chart. Page 16
13. Net benefits and taxes by region – data. Page 17

## Sources, methodology and glossary

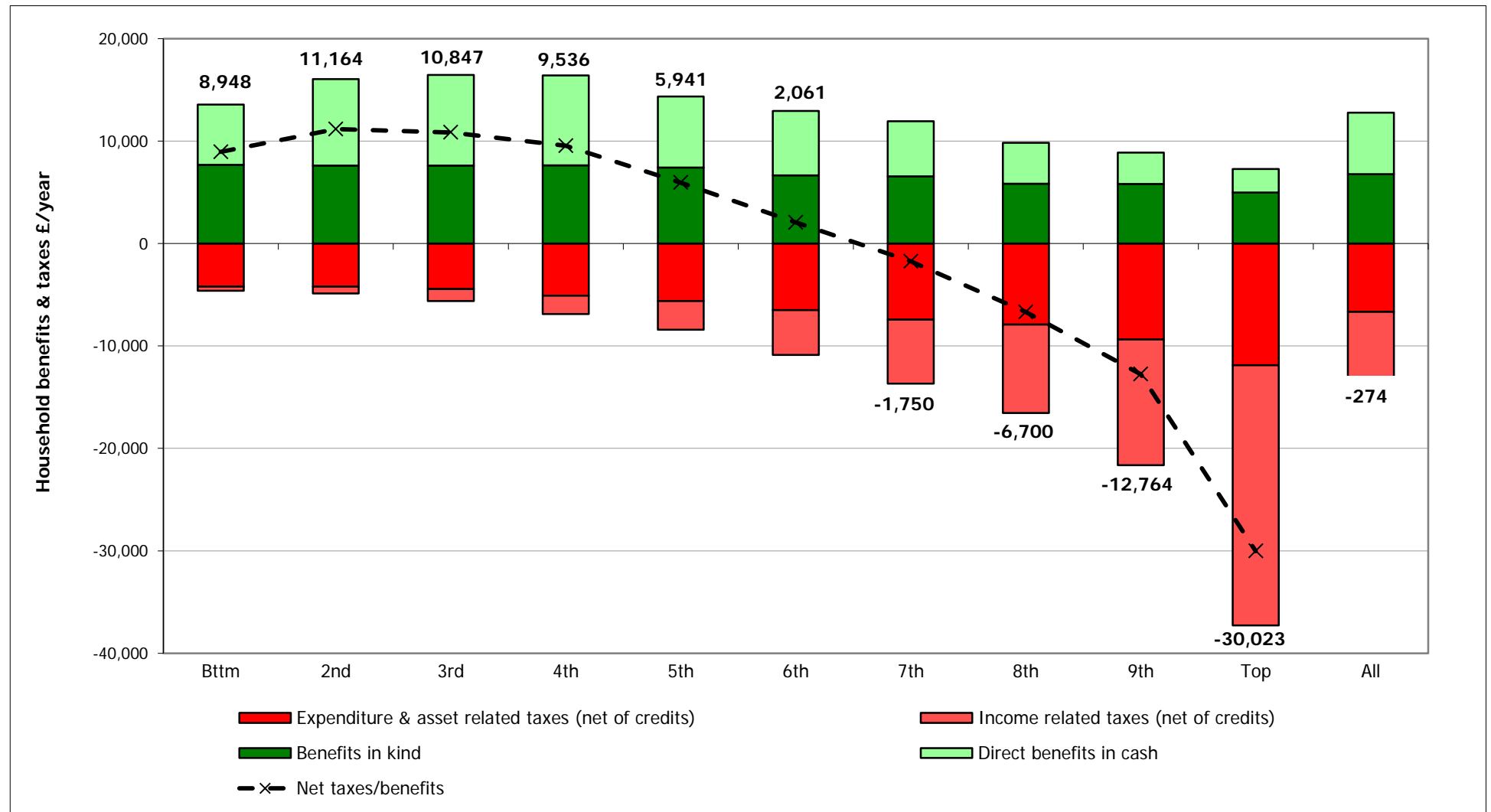
All Data was taken from *The Office for National Statistics: The Effects of Taxes and Benefits on Household Income, 2012/13*. The following tables were used:

TABLE 14: Average incomes, taxes and benefits by decile groups of ALL households, 2012/13

TABLE 30: Average incomes, taxes and benefits by Country and Region of ALL households, 2010/11 - 2012/13

Financial support for this research paper was provided by the Politics and Economics Research Trust (charity number 1121849). Any views expressed in this paper are those of the author and not those of the research trust or of its trustees.

## 1. Net benefits and taxes by household income decile





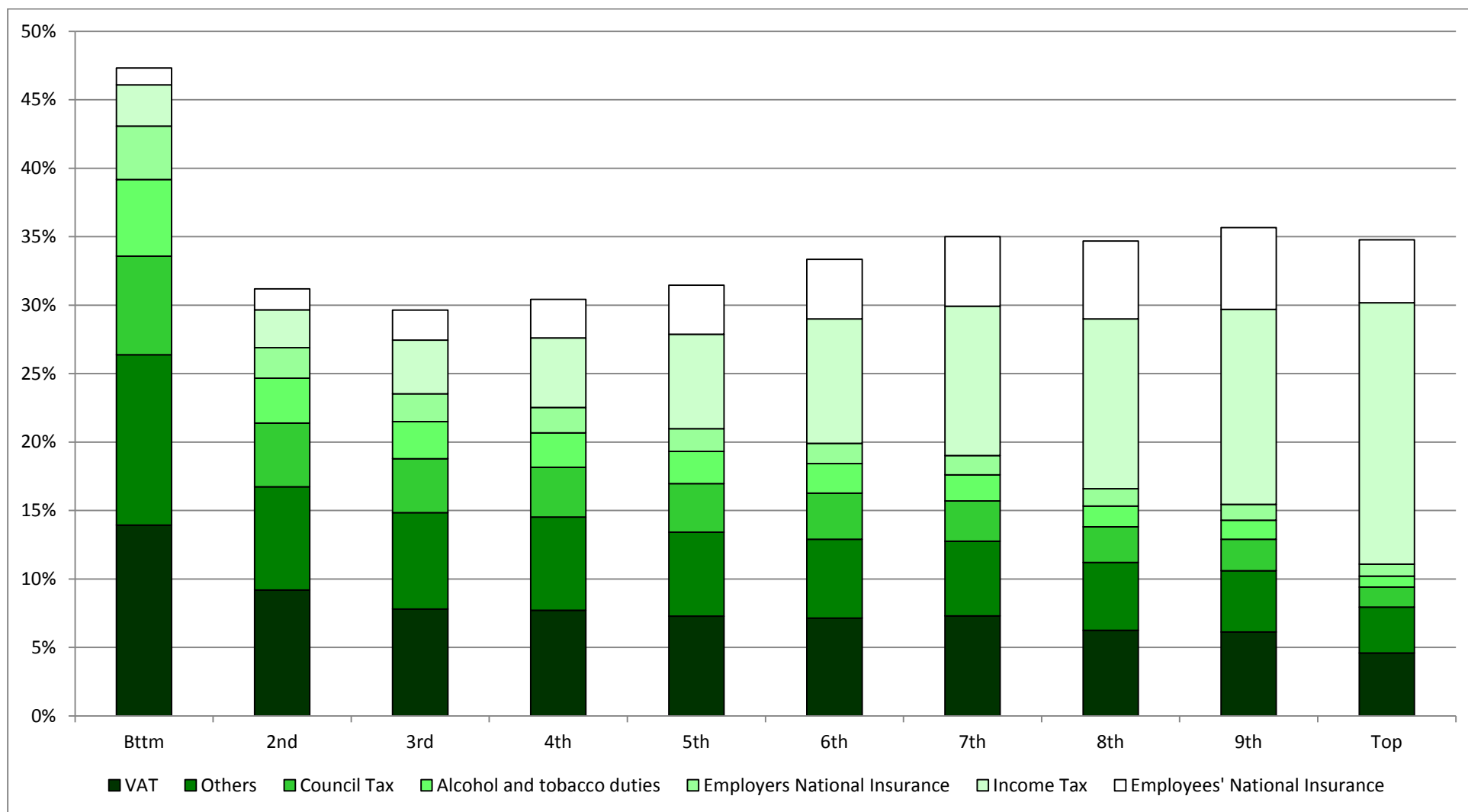
## 2. Net benefits and taxes by household income decile - data

Benefit/Tax	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	All
Total cash benefits	£5,868	£8,440	£8,846	£8,789	£6,945	£6,300	£5,382	£4,000	£3,048	£2,284	£5,990
Income related taxes (net of credits)	-£415	-£671	-£1,158	-£1,786	-£2,803	-£4,390	-£6,247	-£8,626	-£12,266	-£25,409	-£6,377
Expenditure & asset related taxes (net of credits)	-£4,196	-£4,206	-£4,450	-£5,092	-£5,608	-£6,494	-£7,433	-£7,912	-£9,371	-£11,878	-£6,664
Benefits in kind	£7,691	£7,601	£7,609	£7,625	£7,407	£6,645	£6,548	£5,838	£5,825	£4,980	£6,777
<b>Net benefits - taxes</b>	<b>£8,948</b>	<b>£11,164</b>	<b>£10,847</b>	<b>£9,536</b>	<b>£5,941</b>	<b>£2,061</b>	<b>-£1,750</b>	<b>-£6,700</b>	<b>-£12,764</b>	<b>-£30,023</b>	<b>-£274</b>

### 3. Ratio of incomes of top and bottom deciles at different stages of government intervention

	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	All	Top/Bot tom ratio
<b>Original income</b>	£3,875	£7,198	£10,082	£13,822	£19,794	£26,345	£33,712	£43,682	£57,628	£104,940	£32,108	<b>27.1</b>
<i>Plus cash benefits</i>	<i>£5,868</i>	<i>£8,440</i>	<i>£8,846</i>	<i>£8,789</i>	<i>£6,945</i>	<i>£6,300</i>	<i>£5,382</i>	<i>£4,000</i>	<i>£3,048</i>	<i>£2,284</i>	<i>£5,990</i>	<i>0.4</i>
Gross income	£9,743	£15,638	£18,928	£22,611	£26,739	£32,645	£39,094	£47,682	£60,676	£107,224	£38,098	11
<i>Less direct taxes and employee's NIC</i>	<i>£1,116</i>	<i>£1,397</i>	<i>£1,906</i>	<i>£2,609</i>	<i>£3,751</i>	<i>£5,488</i>	<i>£7,400</i>	<i>£9,871</i>	<i>£13,659</i>	<i>£26,984</i>	<i>£7,418</i>	<i>24.2</i>
Disposable income	£8,627	£14,241	£17,022	£20,002	£22,988	£27,157	£31,694	£37,811	£47,017	£80,240	£30,680	9.3
<i>Less indirect taxes</i>	<i>£3,495</i>	<i>£3,480</i>	<i>£3,702</i>	<i>£4,269</i>	<i>£4,660</i>	<i>£5,397</i>	<i>£6,280</i>	<i>£6,667</i>	<i>£7,978</i>	<i>£10,303</i>	<i>£5,623</i>	<i>2.9</i>
Post-tax income	£5,132	£10,761	£13,320	£15,733	£18,328	£21,760	£25,414	£31,144	£39,039	£69,937	£25,057	13.6
<i>Plus benefits-in-kind</i>	<i>£7,691</i>	<i>£7,601</i>	<i>£7,609</i>	<i>£7,625</i>	<i>£7,407</i>	<i>£6,645</i>	<i>£6,548</i>	<i>£5,838</i>	<i>£5,825</i>	<i>£4,980</i>	<i>£6,777</i>	<i>0.6</i>
<b>Final income</b>	<b>£12,823</b>	<b>£18,362</b>	<b>£20,929</b>	<b>£23,358</b>	<b>£25,735</b>	<b>£28,405</b>	<b>£31,962</b>	<b>£36,982</b>	<b>£44,864</b>	<b>£74,917</b>	<b>£31,834</b>	<b>5.8</b>

#### 4. Taxes by percentage of gross income (original income plus cash benefits)





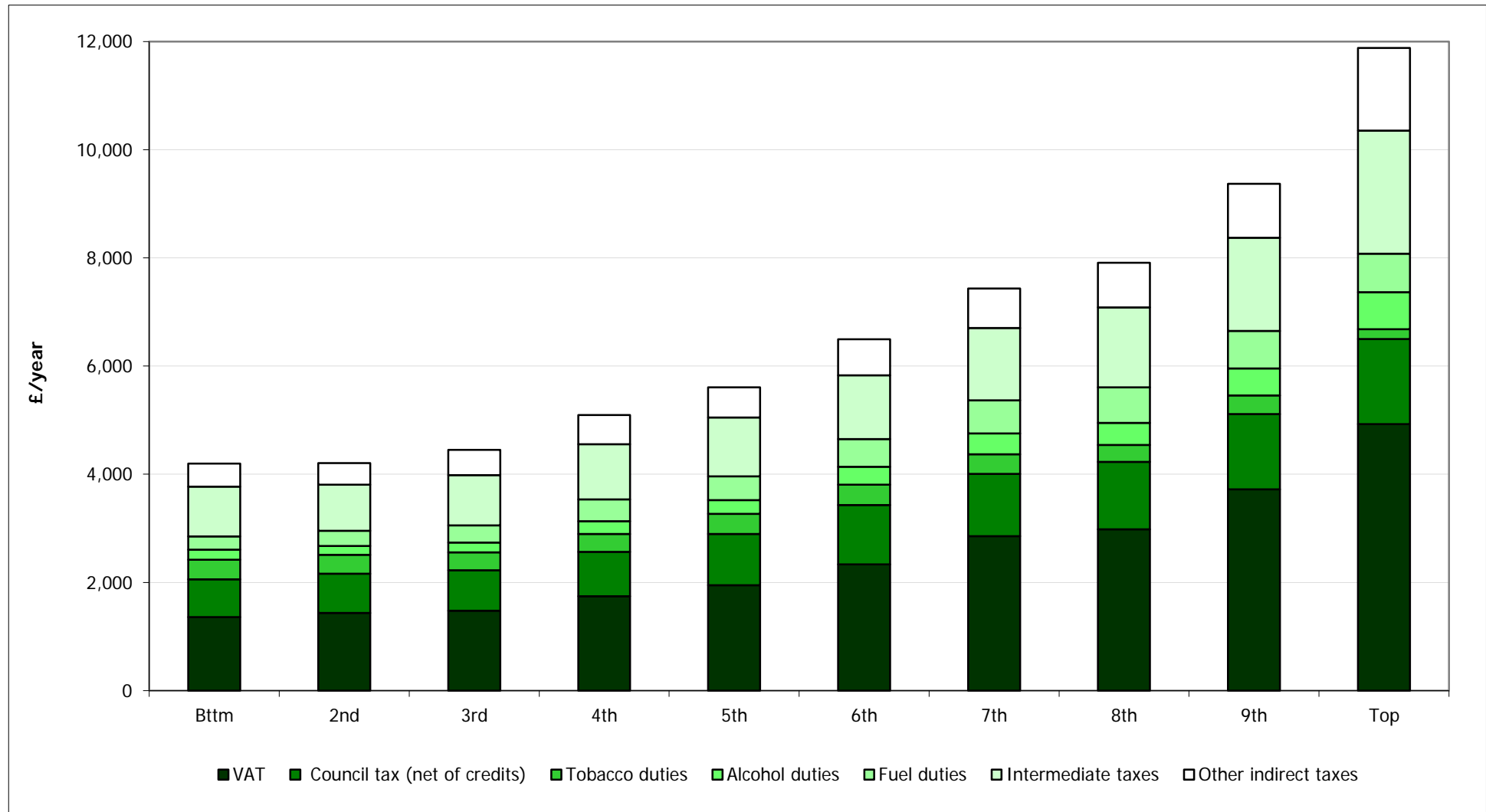


## 5. Taxes by percentage of gross income (original income plus cash benefits) - data

Tax	Bttm	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
VAT	<b>13.9%</b>	<b>9.2%</b>	<b>7.8%</b>	<b>7.7%</b>	<b>7.3%</b>	7.1%	7.3%	6.3%	6.1%	4.6%
Others	12.4%	7.6%	7.0%	6.8%	6.1%	5.8%	5.5%	4.9%	4.5%	3.3%
Council Tax	7.2%	4.6%	4.0%	3.6%	3.5%	3.4%	2.9%	2.6%	2.3%	1.5%
Alcohol and tobacco duties	5.6%	3.3%	2.7%	2.5%	2.4%	2.2%	1.9%	1.5%	1.4%	0.8%
Employers National Insurance	3.9%	2.2%	2.0%	1.9%	1.7%	1.5%	1.4%	1.3%	1.2%	0.9%
Income Tax	3.0%	2.8%	3.9%	5.1%	6.9%	9.1%	10.9%	12.4%	14.2%	19.1%
Employees' National Insurance	1.2%	1.5%	2.2%	2.8%	3.6%	4.4%	5.1%	5.7%	6.0%	4.6%
<b>Total</b>	<b>47.3%</b>	<b>31.2%</b>	<b>29.6%</b>	<b>30.4%</b>	<b>31.5%</b>	<b>33.3%</b>	<b>35.0%</b>	<b>34.7%</b>	<b>35.7%</b>	<b>34.8%</b>

- The bottom 10 per cent of households pay by far the largest proportion of their gross income in taxes
- This is mostly due to indirect taxes such as VAT, Council Tax, fuel duties and duties on alcohol and tobacco
- VAT is the most biggest tax for the bottom half of households by income, while Income Tax is the biggest for the top half

## 6. Average expenditure and asset related taxes

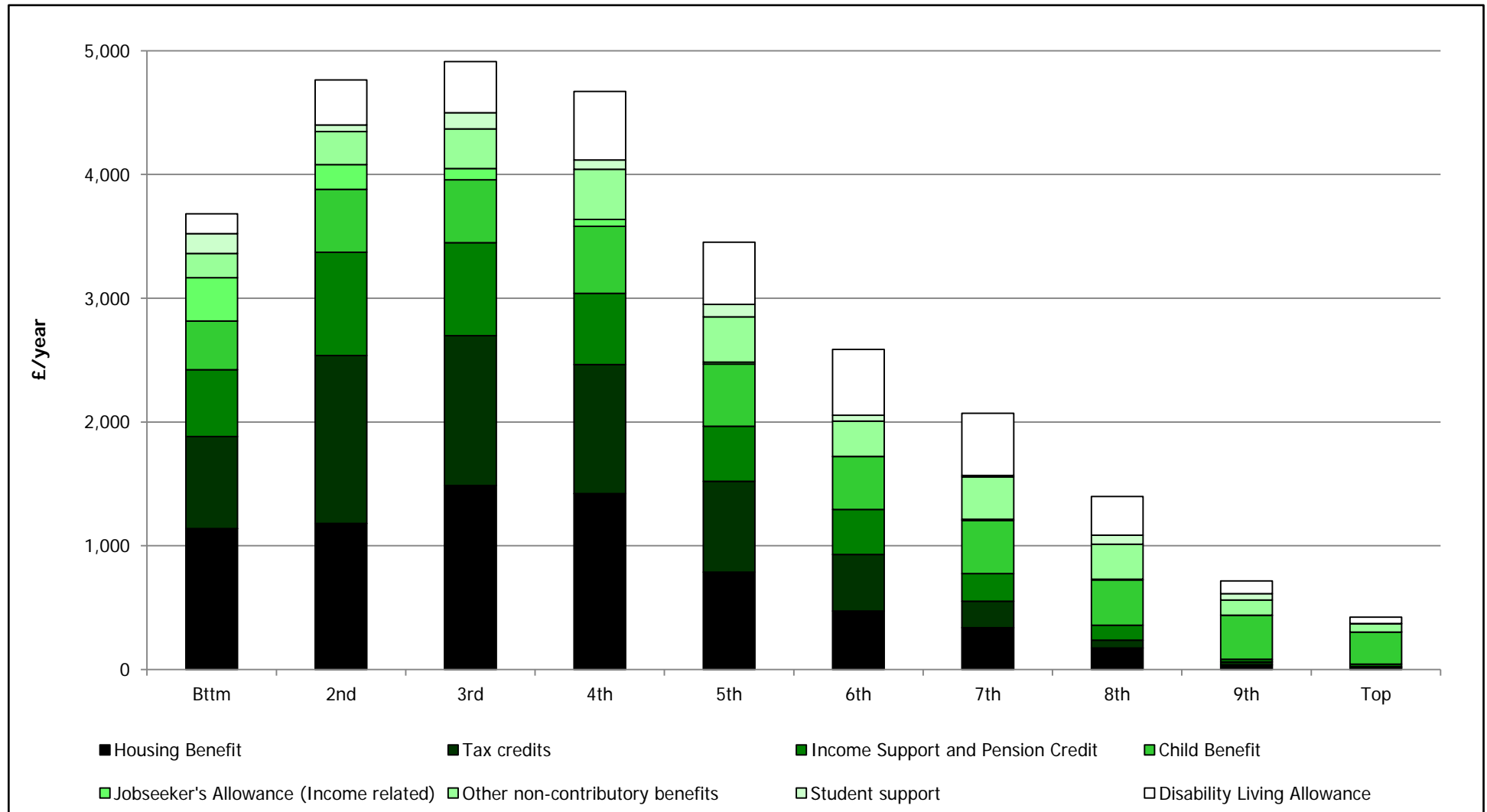




## 7. Average expenditure and asset related taxes - data

Tax	Bttm	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
VAT	£1,358	£1,436	£1,475	£1,742	£1,946	£2,334	£2,854	£2,981	£3,720	£4,926
Tobacco duties	£362	£349	£332	£331	£371	£377	£362	£317	£344	£179
Beer and cider duties	£74	£60	£75	£92	£102	£134	£166	£144	£186	£217
Wines & spirits duties	£110	£104	£106	£144	£156	£194	£217	£261	£311	£470
Fuel duties	£243	£281	£319	£403	£439	£516	£612	£658	£695	£710
Vehicle Excise Duty	£84	£89	£109	£118	£140	£161	£180	£198	£223	£261
Television licences	£109	£106	£109	£108	£114	£121	£124	£129	£132	£136
Stamp Duty Land Tax	£69	£49	£42	£47	£82	£102	£103	£168	£225	£500
Customs duties	£24	£22	£24	£26	£28	£30	£34	£38	£44	£58
Betting taxes	£22	£28	£38	£73	£40	£49	£56	£44	£44	£44
Insurance Premium Tax	£32	£30	£37	£49	£49	£57	£69	£79	£89	£123
Air Passenger Duty	£27	£15	£37	£34	£34	£60	£56	£80	£137	£242
Camelot National Lottery Fund	£38	£53	£62	£75	£61	£75	£84	£80	£67	£53
Others	£21	£8	£9	£7	£13	£12	£22	£13	£37	£108
<b>Intermediate taxes</b>										
Commercial and industrial rates	£221	£203	£222	£244	£259	£281	£320	£351	£410	£540
Employers' NI contributions	£379	£349	£382	£419	£445	£482	£549	£603	£704	£927
Fuel duties	£120	£111	£121	£133	£141	£153	£174	£192	£224	£294
Vehicle Excise Duty	£10	£9	£10	£11	£12	£12	£14	£16	£18	£24
Others	£192	£177	£194	£214	£228	£249	£284	£314	£368	£492
<b>Total</b>	<b>£3,495</b>	<b>£3,480</b>	<b>£3,702</b>	<b>£4,269</b>	<b>£4,660</b>	<b>£5,397</b>	<b>£6,280</b>	<b>£6,667</b>	<b>£7,978</b>	<b>£10,303</b>

## 8. Non-contributory benefits by income decile

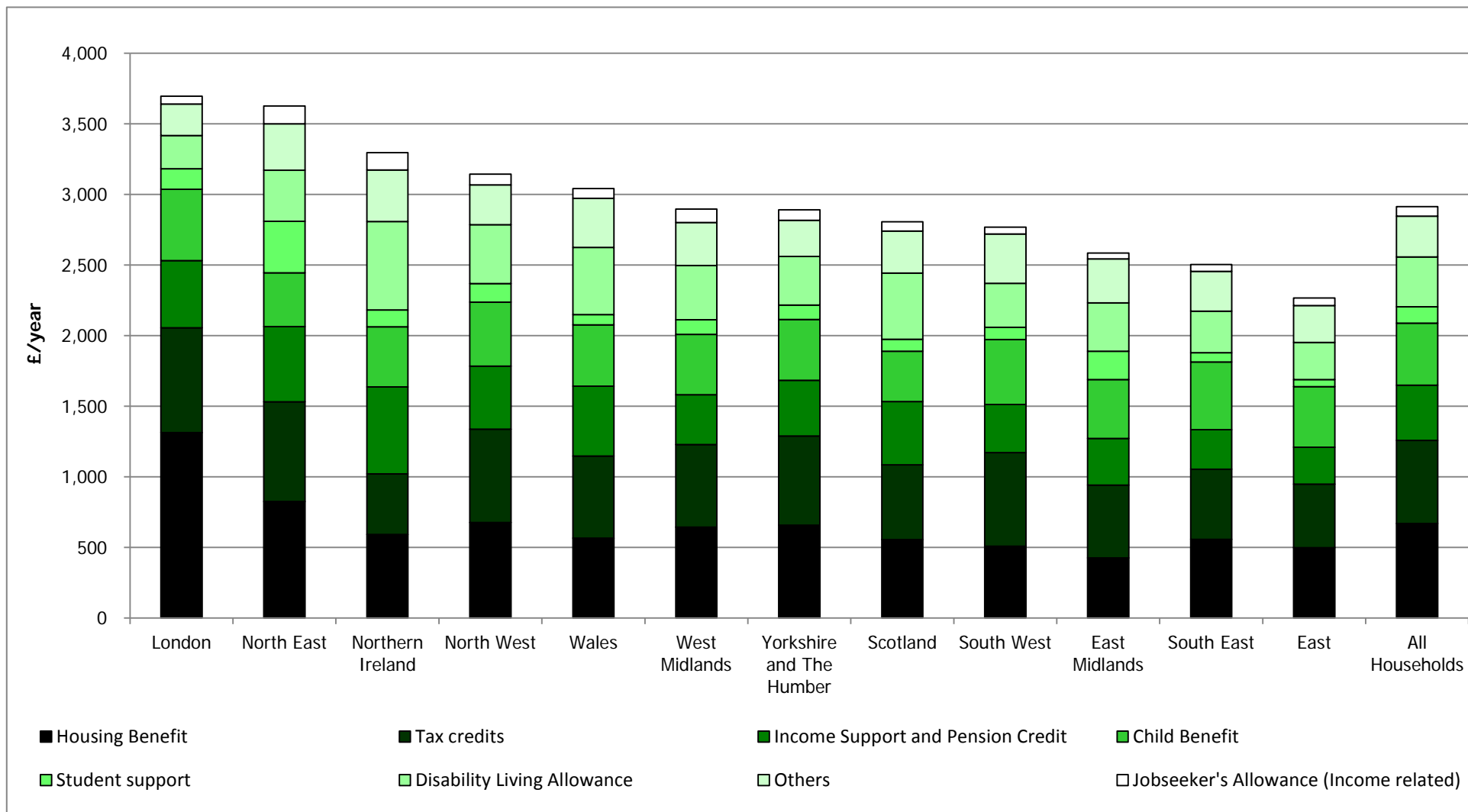


## 9. Non-contributory benefits by income decile - data

Benefit	Bttm	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Housing Benefit	£1,139	£1,180	£1,487	£1,421	£787	£472	£337	£173	£36	£14
Tax credits	£744	£1,358	£1,211	£1,042	£734	£458	£214	£64	£25	£10
Income Support and Pension Credit	£539	£833	£751	£576	£445	£363	£223	£121	£22	£18
Child Benefit	£394	£509	£508	£542	£502	£427	£430	£366	£354	£260
Jobseeker's Allowance (Income related)	£351	£200	£92	£55	£16	£2	£10	£5	£1	£1
Other non-contributory benefits	£194	£267	£319	£406	£366	£286	£342	£284	£123	£66
Student support	£162	£53	£132	£76	£100	£46	£12	£72	£51	£2
Disability Living Allowance	£159	£365	£412	£553	£502	£532	£503	£313	£104	£51
<b>Total</b>	<b>£3,682</b>	<b>£4,765</b>	<b>£4,912</b>	<b>£4,671</b>	<b>£3,452</b>	<b>£2,586</b>	<b>£2,071</b>	<b>£1,398</b>	<b>£716</b>	<b>£422</b>

- The average household in the bottom decile received less in benefits than the average household in 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> deciles, mostly because they received less in tax credits and Housing Benefit

## 10. Non-contributory benefits by region



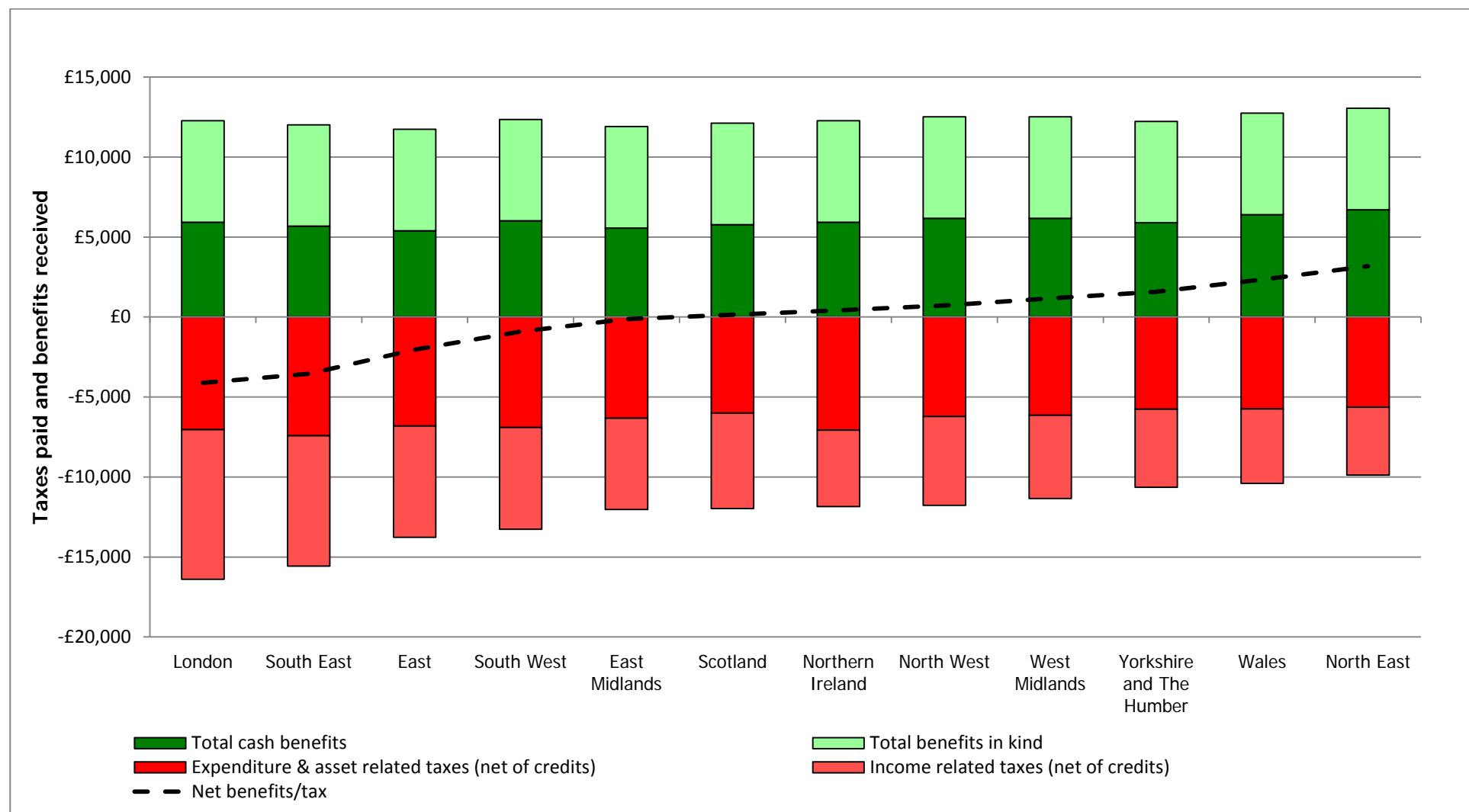


## 11. Non-contributory benefits by region - data

Benefit	London	North East	Northern Ireland	North West	Wales	West Midlands	Yorkshire and Humber	Scotland	South West	East Midlands	South East	East
Housing Benefit	£1,314	£826	£591	£677	£566	£643	£658	£556	£509	£425	£557	£498
Tax credits	£741	£706	£429	£661	£581	£586	£631	£529	£663	£516	£496	£450
Income Support and Pension Credit	£476	£532	£616	£446	£495	£352	£394	£448	£341	£330	£281	£262
Child Benefit	£505	£381	£426	£453	£434	£427	£431	£356	£459	£418	£479	£429
Student support	£146	£365	£119	£132	£73	£104	£103	£85	£87	£200	£66	£49
Disability Living Allowance	£235	£362	£628	£417	£475	£384	£343	£469	£311	£343	£294	£264
Others	£223	£329	£364	£281	£349	£305	£257	£297	£350	£311	£283	£261
Jobseeker's Allowance (Income related)	£56	£126	£123	£76	£69	£95	£74	£66	£49	£42	£47	£54
<b>Total</b>	<b>£3,696</b>	<b>£3,627</b>	<b>£3,296</b>	<b>£3,143</b>	<b>£3,042</b>	<b>£2,896</b>	<b>£2,891</b>	<b>£2,806</b>	<b>£2,769</b>	<b>£2,585</b>	<b>£2,503</b>	<b>£2,267</b>

- The average London household received the most in benefits, largely due to high Housing Benefit receipts. They also received the most in Child Benefit and tax credits.
- The average household in the North East received slightly less in non-contributory benefits and the most in Jobseeker's Allowance and Student support.

## 12. Net benefits and taxes by region







### 13. Net benefits and taxes by region - data

	London	South East	East	South West	East Midlands	Scotland	Northern Ireland	North West	West Midlands	Yorkshire and the Humber	Wales	North East
Total cash benefits	£5,930	£5,673	£5,396	£6,009	£5,553	£5,766	£5,929	£6,163	£6,167	£5,886	£6,391	£6,707
Total benefits in kind	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344	£6,344
Expenditure & asset related taxes (net of credits)	-£7,037	-£7,417	-£6,814	-£6,900	-£6,333	-£6,011	-£7,070	-£6,212	-£6,138	-£5,766	-£5,748	-£5,640
Income related taxes (net of credits)	-£9,356	-£8,151	-£6,960	-£6,367	-£5,695	-£5,954	-£4,783	-£5,567	-£5,206	-£4,882	-£4,650	-£4,236
<b>Total</b>	<b>-£4,119</b>	<b>-£3,551</b>	<b>-£2,034</b>	<b>-£914</b>	<b>-£131</b>	<b>£145</b>	<b>£420</b>	<b>£728</b>	<b>£1,167</b>	<b>£1,582</b>	<b>£2,337</b>	<b>£3,175</b>



## Glossary

### **Original Income**

This is the annualised income in cash of all members of the household before the deduction of taxes or the addition of any state benefits. It includes income from employment, self-employment, investment income, private pensions and annuities which include all workplace pensions, individual personal pensions and annuities

### **Asset Taxes**

Taxes on owned assets. Eg Council Tax

### **Benefits in Kind**

Benefits received in services. Eg education, NHS, school meals

### **Cash Benefits**

A benefit which directly provides cash to the claimant

### **Contributory Benefits**

State Pension, contribution-based Jobseeker's Allowance and contribution-based Employment and Support Allowance), widows' benefits, and Statutory Maternity Pay.

### **Direct Taxes**

This includes Income Tax, Council Tax, Northern Ireland Rates, Employed and Self-Employed National Insurance contributions

### **Disposable Income**

Gross income minus all direct taxes

### **Equivalised Disposable income**

Equivalisation is a process that makes adjustments to incomes, so that households with different compositions can be analysed in a sensible way. This reflects the common sense notion that, in order to enjoy a comparable standard of living, a household of, for example, three adults will need a higher level of income than a household of one person.

### **Expenditure taxes**

Tax and duties paid on purchases

### **Final Income**

Benefits in kind plus post-tax income is referred to as 'final income'.

### **Gross Income**



The sum of cash benefits and original income is referred to as 'gross income'.

### **Income related Taxes**

Income tax, Employee's National Insurance contributions and Employers' National Insurance Contributions

### **Indirect Taxes**

Alcohol Duties, Tobacco Duties, Petrol Duties, Oil Duties, Betting Duties, Customs duties Motor Vehicle Duties, Air Passenger Duties, Stamp Duties, VAT, Insurance Premium Tax, Driving Licences, Television Licences and Camelot: Payment to the national Lottery Distribution Fund.

### **Intermediate Taxes**

Taxes levied on intermediate goods where the cost is assumed to be passed on to the end consumer

### **Non-contributory benefits**

Income Support, income-based Jobseeker's Allowance and Employment and Support Allowance, Child Benefit, Housing Benefit (Council Tax benefit and rates rebates are treated as deductions from Council Tax and Northern Ireland rates), Statutory Sick Pay, Carer's Allowance, Attendance Allowance, Disability Living Allowance, war pensions, Severe Disablement Allowance, Industrial Injury Disablement Benefits, Child Tax Credit and Working Tax Credit, Pension Credit, over 80 pension, Christmas bonus for pensioners, Government Training Scheme allowances, student support, and Winter Fuel Payments.

### **Post-Tax Income**

Disposable income minus indirect taxes