



14 August 2015

Distribution of tax burdens and benefit receipts

The often emotive debates concerning the cost of living and what constitutes a “fair share” of someone’s income that is paid in tax 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 earners¹. 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 revenues² and has said that taxing them more is not a sustainable long-term approach³.

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 and as a share of income it hits lowest income households hardest.

It is important to remember that households lower down the income spectrum receive a far greater proportion of their income from benefits rather than say, employment or investment returns. Thus the proportion of income paid in tax is not fully illustrative of the extent of redistribution in the tax and benefit systems.

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.

Key findings:

- The bottom 10 per cent of households paid an average of 45.1 per cent of their gross income in taxes – by far the most of any income group.
 - A reduction from 47 per cent last year.⁴
- The top 10 per cent of households pay an average of £28,685 more in tax than they receive in benefits.

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

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

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

⁴ TaxPayers’ Alliance, Distribution of Taxes and Benefit Receipts, December 2014,

- Before taxes and benefits the income ratio between the top and bottom 10 per cent of households is 27.4 times.
 - After taxes and benefits the income ratio is 6.1 times.
- The second lowest income decile receives, on average, £11,653 more in benefits than they pay in tax – the most of any group.
- The average household paid £462 more than they received in cash benefits and benefits in kind
 - An increase from £274 in 2012-13

Taxes

- The top 10 per cent of households paid an average of 34 per cent of their gross income in taxes.
 - A reduction from 35 per cent in 2012-13.⁵
- 46 per cent of the bottom 10 per cent's total tax are made up of VAT and Council Tax (net of credits).

Benefits

- The third lowest 10 per cent of households received £8,176 of benefits in kind – the most of any group.
 - The bottom 10 per cent of households received £6,816 of benefits in kind.
 - The top 10 per cent received an average of £5,150 of benefits in kind.
- The top 10 per cent of households received an average of £391 in non-contributory benefits.
- The bottom 40 per cent of households received an average of more than £1,000 in Housing Benefit.

Regionally

- An average household in the East of England, London, South East of England and South West of England paid more in taxes than they received in benefits.
 - All other regions received more in benefits than they paid in taxes

⁵ Ibid

- An average household in the North East of England received £2,934 more in benefits than they paid in taxes - the most of any region.
 - This is a reduction from net receipts of £3,175 in 2012-13.⁶
- An average household in the South East of England paid £3,662 more in taxes than they received in benefits – the most of any region.
 - In 2012-13, an average household in London paid £4,119 more tax than they received in benefits - the greatest net contribution of any region.
- An average household in the North West of England received £3,706 in non-contributory benefits – the most of any region.
- An average household in the South East of England received £2,215 in non-contributory benefits – the lowest of any region.

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Guide to charts and tables

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⁶ Ibid

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Glossary of terms

Asset Taxes

Taxes on owned assets. E.g. Council Tax.

Benefits in kind

Benefits received in services. E.g. 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

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.

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.

Post-tax income

Disposable income minus indirect taxes.

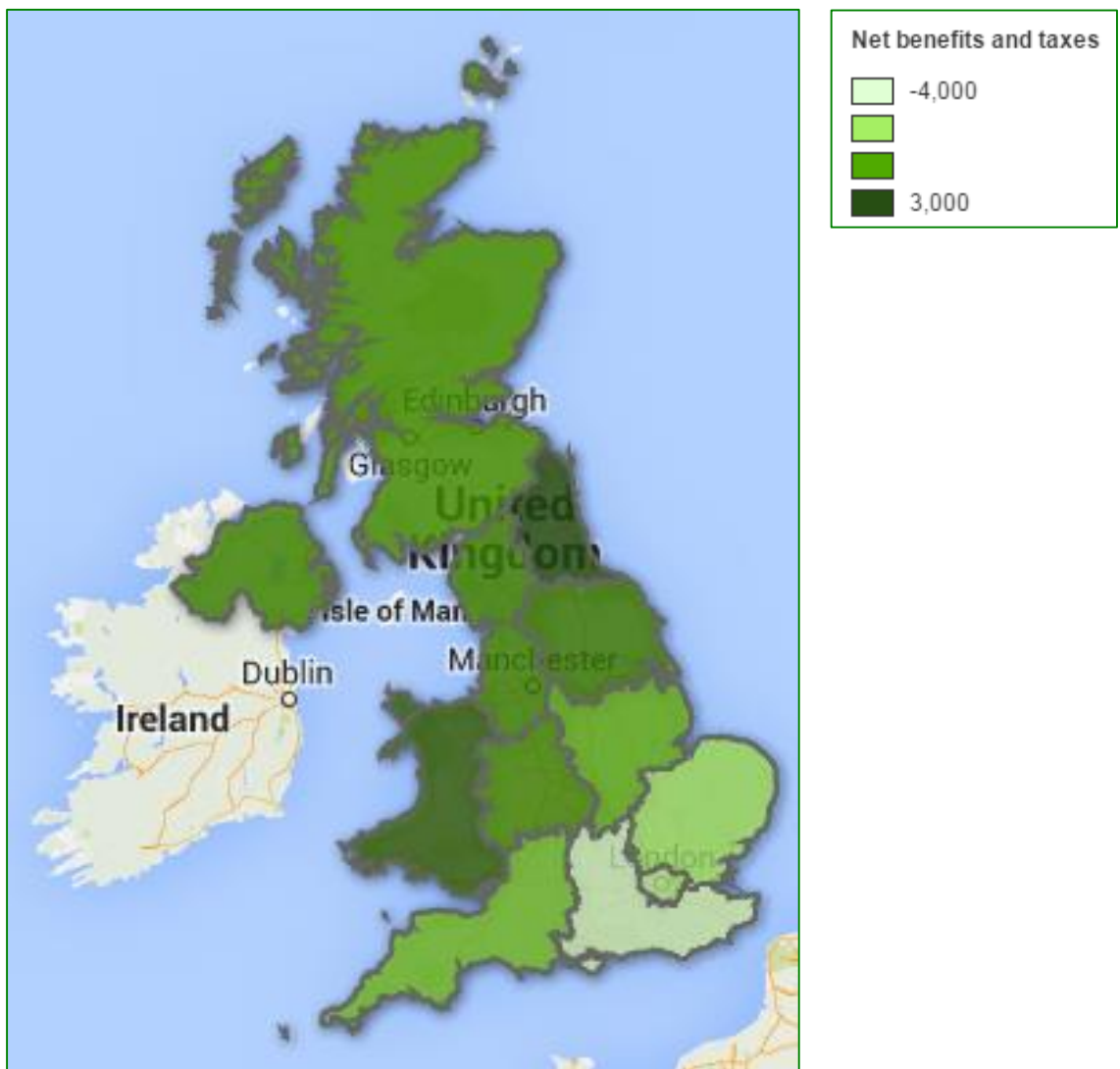
Sources and Methodology

All data was taken from *The Office for National Statistics: The Effects of Taxes and Benefits on Household Income, 2013-14*. The following tables were used:

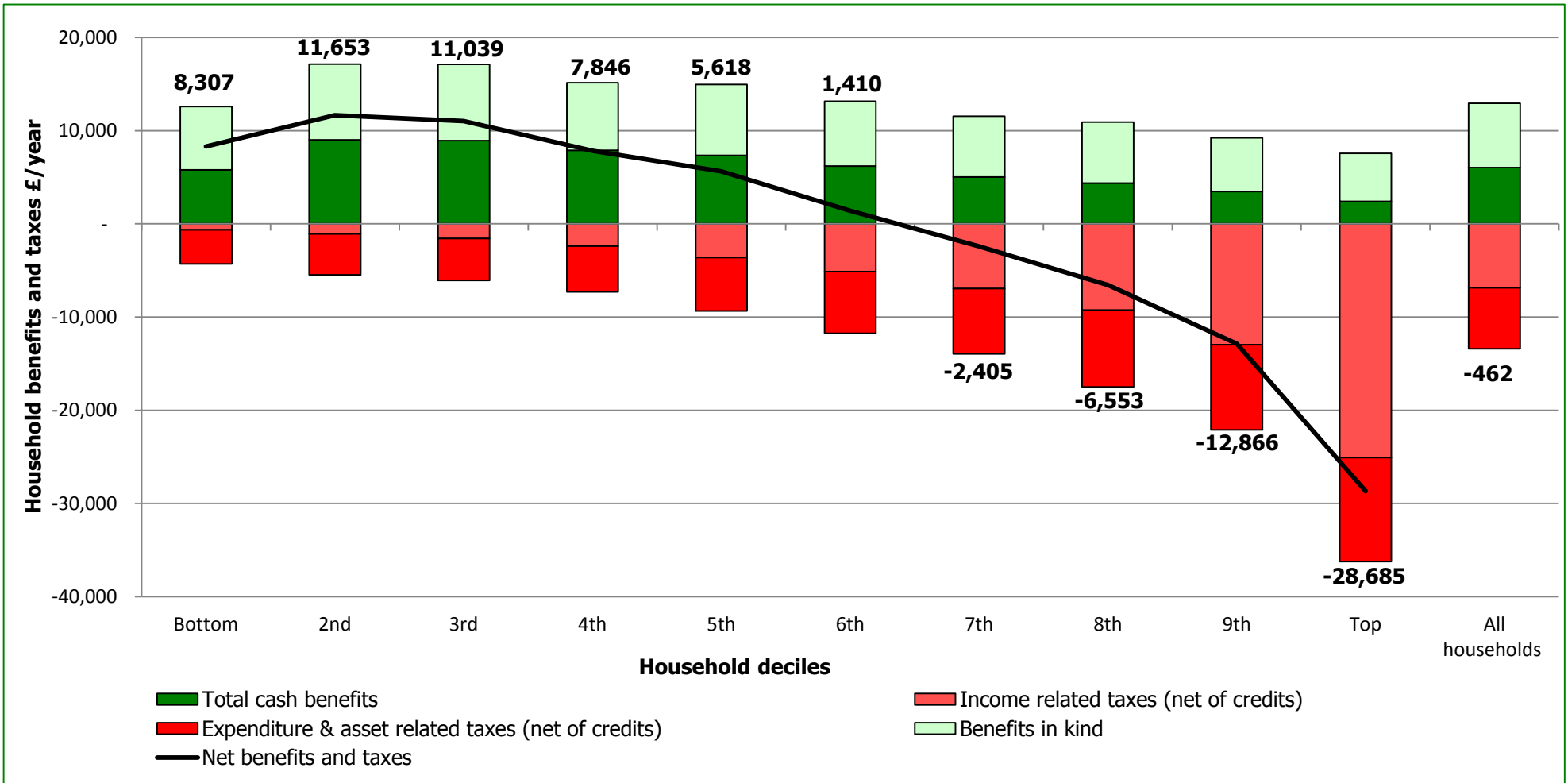
TABLE 14: Average incomes, taxes and benefits by decile groups of ALL households, 2013/14

TABLE 30: Average incomes, taxes and benefits by Country and Region of ALL households, 2011/12 - 2013/14

Net receipt of benefits and payment of tax across UK regions (£/Year)



1. Net benefits and taxes by household income decile – chart



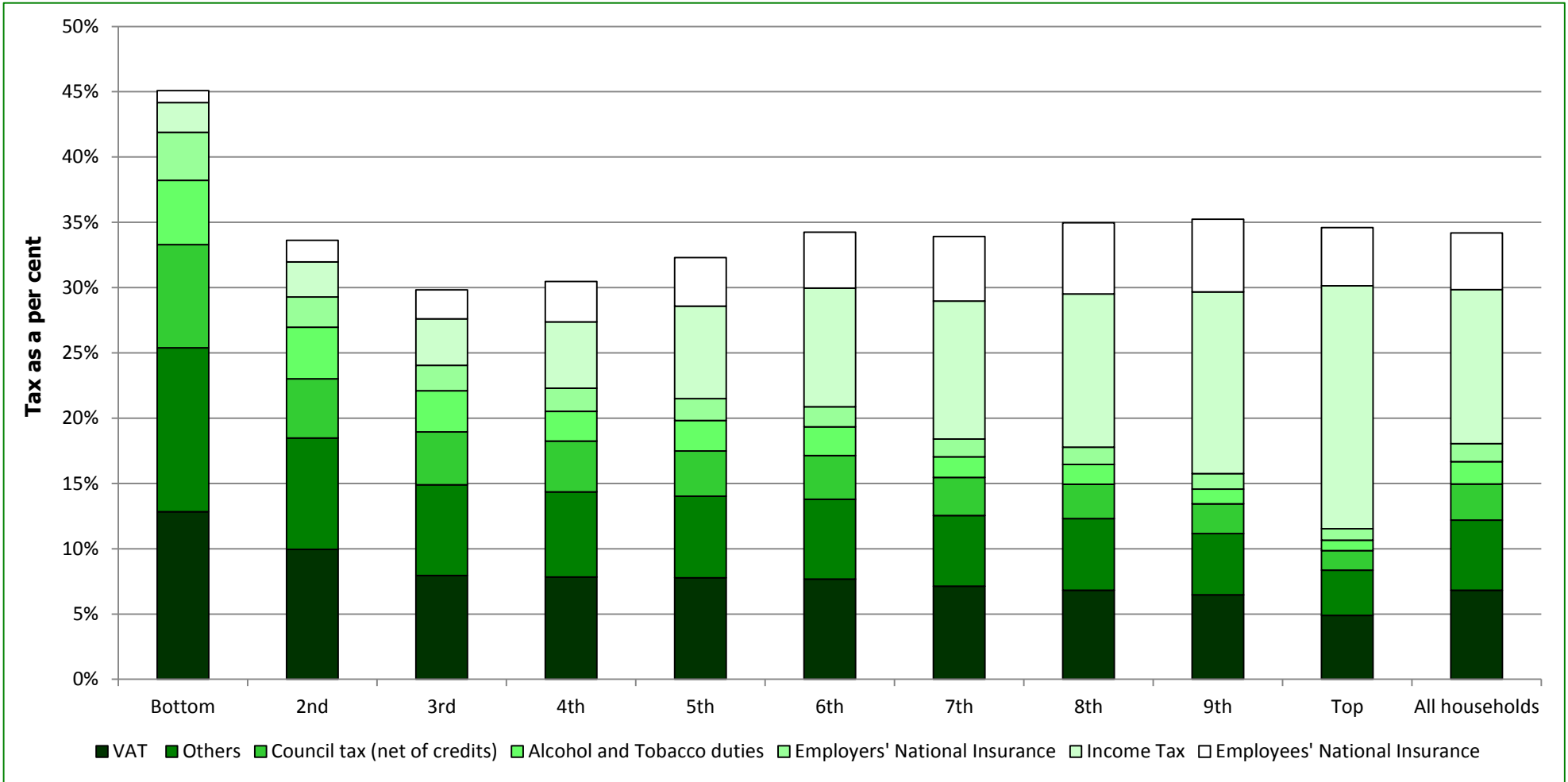
2. Net benefits and taxes by household income decile – table

| Benefit/Tax (£) | Bottom | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Top | All |
|---|--------------|---------------|---------------|--------------|--------------|--------------|----------------|----------------|-----------------|-----------------|--------------|
| Total cash benefits | 5,785 | 9,003 | 8,930 | 7,896 | 7,347 | 6,202 | 5,018 | 4,372 | 3,482 | 2,413 | 6,045 |
| Income related taxes (net of credits) | - 654 | - 1,085 | -1,570 | - 2,385 | - 3,613 | - 5,114 | - 6,943 | - 9,256 | - 12,971 | - 25,090 | - 6,868 |
| Expenditure & asset related taxes (net of credits) | - 3,640 | - 4,397 | - 4,497 | - 4,913 | - 5,738 | - 6,625 | - 7,004 | - 8,234 | - 9,134 | - 11,158 | - 6,533 |
| Benefits in kind | 6,816 | 8,132 | 8,176 | 7,248 | 7,622 | 6,947 | 6,524 | 6,565 | 5,757 | 5,150 | 6,894 |
| Net benefits and taxes | 8,307 | 11,653 | 11,039 | 7,846 | 5,618 | 1,410 | - 2,405 | - 6,553 | - 12,866 | - 28,685 | - 462 |

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

| Income stage (£) | Bottom | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Top | All | Top/bottom ratio |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| Original income | 3,738 | 7,304 | 11,411 | 16,051 | 21,609 | 28,074 | 36,105 | 45,654 | 59,239 | 102,366 | 33,155 | 27.4 |
| <i>Plus cash benefits</i> | 5,785 | 9,003 | 8,930 | 7,896 | 7,347 | 6,202 | 5,018 | 4,372 | 3,482 | 2,413 | 6,045 | 0.4 |
| Gross income | 9,524 | 16,307 | 20,341 | 23,947 | 28,957 | 34,277 | 41,123 | 50,026 | 62,721 | 104,779 | 39,200 | 11.0 |
| <i>less direct taxes and Employees' NIC</i> | 1,056 | 1,450 | 2,000 | 2,892 | 4,130 | 5,732 | 7,578 | 9,916 | 13,655 | 25,737 | 7,415 | 24.4 |
| Disposable income | 8,468 | 14,857 | 18,342 | 21,055 | 24,826 | 28,544 | 33,545 | 40,110 | 49,066 | 79,042 | 31,786 | 9.3 |
| <i>Less indirect taxes</i> | 3,234 | 4,032 | 4,067 | 4,408 | 5,219 | 6,005 | 6,369 | 7,573 | 8,451 | 10,510 | 5,987 | 3.2 |
| Post-tax income | 5,234 | 10,826 | 14,275 | 16,647 | 19,607 | 22,539 | 27,176 | 32,537 | 40,615 | 68,532 | 25,799 | 13.1 |
| <i>Plus benefits in kind</i> | 6,816 | 8,132 | 8,176 | 7,248 | 7,622 | 6,947 | 6,524 | 6,565 | 5,757 | 5,150 | 6,894 | 0.8 |
| Final income | 12,050 | 18,958 | 22,450 | 23,895 | 27,230 | 29,486 | 33,700 | 39,102 | 46,372 | 73,682 | 32,692 | 6.1 |

4. Taxes by percentage of gross income – chart

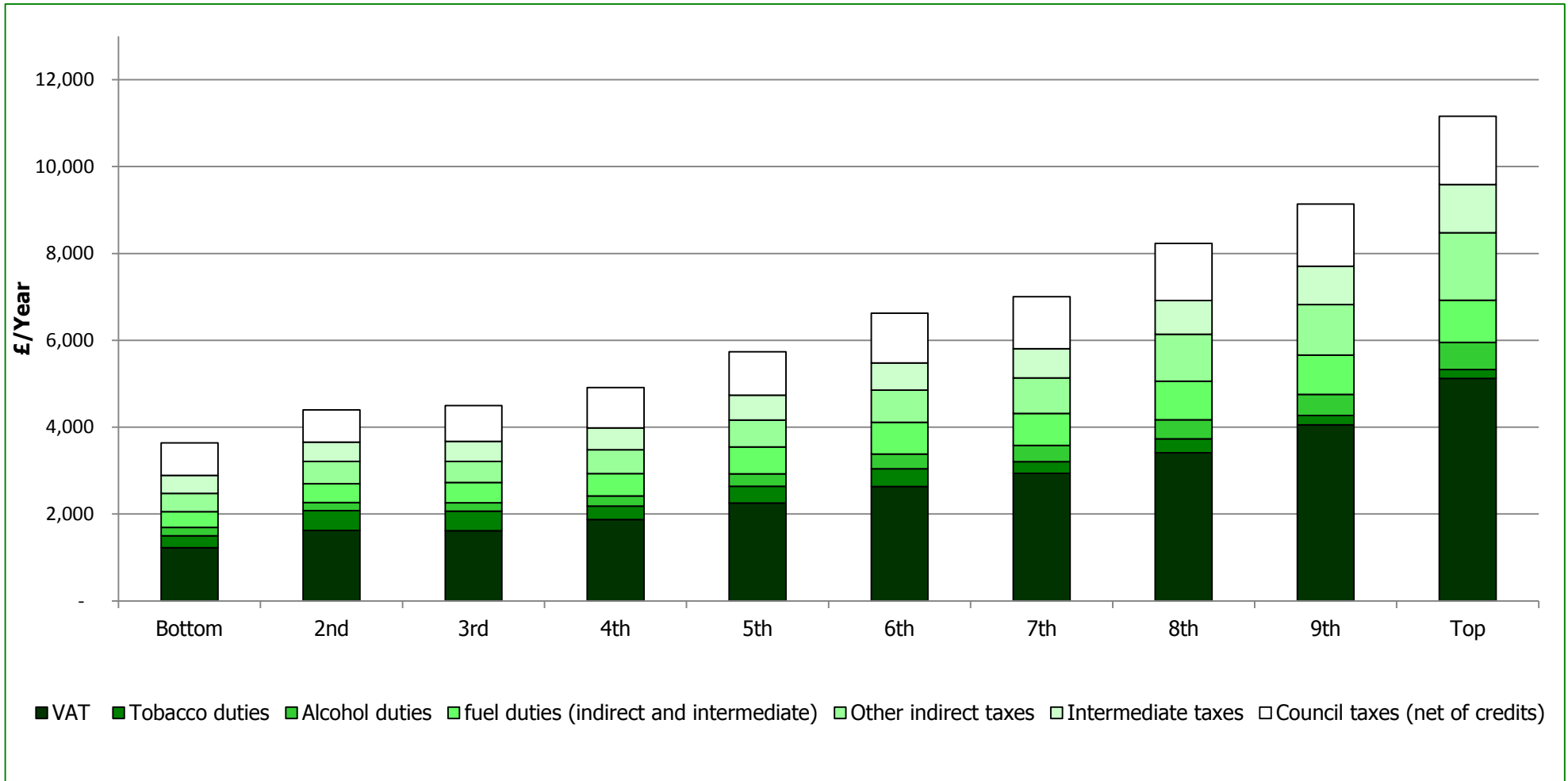


5. Taxes by percentage of gross income – table

| Tax (%) | Bottom | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Top | All |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| VAT | 12.8 | 10.0 | 7.9 | 7.8 | 7.8 | 7.7 | 7.1 | 6.8 | 6.5 | 4.9 | 6.8 |
| Others | 12.6 | 8.5 | 7.0 | 6.5 | 6.2 | 6.1 | 5.4 | 5.5 | 4.7 | 3.5 | 5.4 |
| Council tax (net of credits) | 7.9 | 4.6 | 4.0 | 3.9 | 3.5 | 3.3 | 2.9 | 2.6 | 2.3 | 1.5 | 2.8 |
| Alcohol and Tobacco duties | 4.9 | 3.9 | 3.2 | 2.3 | 2.3 | 2.2 | 1.6 | 1.5 | 1.1 | 0.8 | 1.7 |
| Employers' National Insurance | 3.7 | 2.3 | 1.9 | 1.8 | 1.7 | 1.5 | 1.4 | 1.3 | 1.2 | 0.9 | 1.4 |
| Income Tax | 2.3 | 2.7 | 3.6 | 5.1 | 7.1 | 9.1 | 10.6 | 11.7 | 13.9 | 18.6 | 11.8 |
| Employees' National Insurance | 0.9 | 1.7 | 2.2 | 3.1 | 3.7 | 4.3 | 4.9 | 5.5 | 5.6 | 4.4 | 4.3 |
| Total | 45.1 | 33.6 | 29.8 | 30.5 | 32.3 | 34.2 | 33.9 | 35.0 | 35.2 | 34.6 | 34.2 |

- The bottom 10 per cent of households pay by far the highest proportion of their gross income in taxes.
- This is mostly due to indirect taxes such as VAT, Council Tax, Fuel Duties and Alcohol and Tobacco duties
- VAT is the biggest tax as a proportion of income for the bottom half of households and income tax is the biggest for the top half
 - The top ten per cent pay 18.6 per cent of their gross income in Income Tax
 - The bottom ten per cent pay 12.8 per cent in VAT

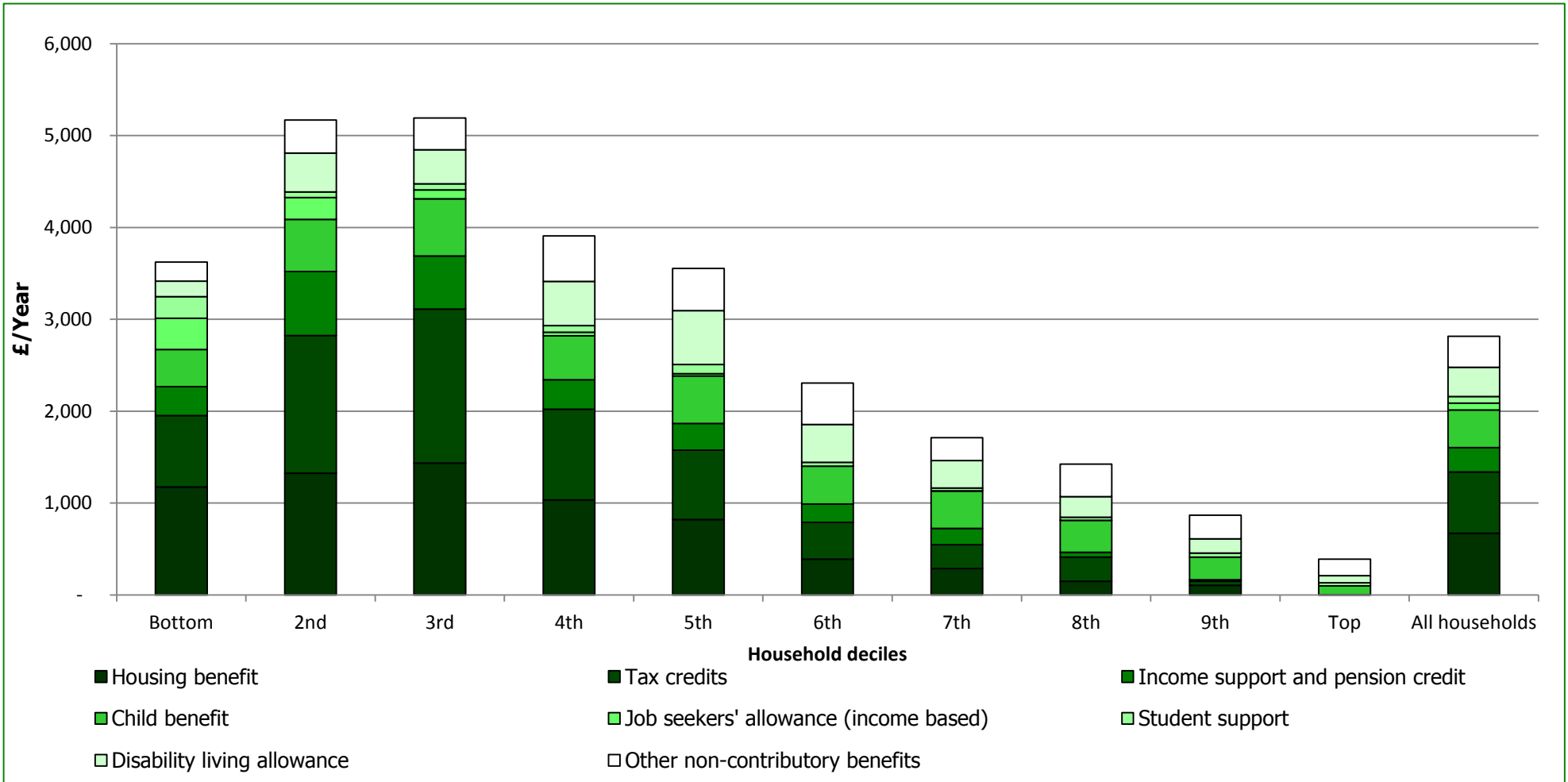
6. Average expenditure and asset related taxes – chart



7. Average expenditure and asset related taxes – table

| 2013-14 (£) | Bottom | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Top | All |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| VAT | 1,223 | 1,624 | 1,617 | 1,874 | 2,253 | 2,634 | 2,936 | 3,413 | 4,053 | 5,123 | 2,675 |
| Duty on tobacco | 275 | 456 | 448 | 311 | 387 | 411 | 272 | 318 | 214 | 205 | 330 |
| Duty on beer and cider | 64 | 69 | 82 | 93 | 109 | 129 | 156 | 170 | 179 | 194 | 124 |
| Duty on wines & spirits | 130 | 118 | 113 | 140 | 177 | 210 | 218 | 270 | 311 | 428 | 212 |
| Duty on hydrocarbon oils | 251 | 311 | 346 | 380 | 469 | 563 | 558 | 682 | 669 | 679 | 491 |
| Vehicle Excise Duty | 89 | 96 | 110 | 128 | 134 | 178 | 193 | 209 | 222 | 241 | 160 |
| Television licences | 110 | 103 | 112 | 113 | 113 | 117 | 122 | 125 | 133 | 137 | 118 |
| Stamp Duty on house purchase | 78 | 68 | 61 | 63 | 96 | 106 | 155 | 232 | 353 | 600 | 181 |
| Customs duties | 22 | 23 | 24 | 26 | 30 | 33 | 35 | 41 | 46 | 57 | 34 |
| Betting taxes | 30 | 39 | 37 | 54 | 51 | 94 | 85 | 59 | 62 | 71 | 58 |
| Insurance Premium Tax | 30 | 36 | 37 | 43 | 52 | 59 | 76 | 77 | 91 | 123 | 62 |
| Air Passenger Duty | 18 | 28 | 24 | 47 | 45 | 59 | 60 | 115 | 156 | 233 | 79 |
| Camelot National Lottery Fund | 42 | 55 | 55 | 63 | 67 | 87 | 68 | 67 | 67 | 57 | 63 |
| Other | 6 | 68 | 21 | 11 | 27 | 9 | 22 | 154 | 32 | 35 | 38 |
| Commercial and industrial | 203 | 219 | 229 | 247 | 282 | 307 | 329 | 381 | 431 | 538 | 317 |
| Duty on hydrocarbon oils | 110 | 118 | 124 | 134 | 152 | 166 | 178 | 206 | 233 | 291 | 171 |
| Vehicle Excise Duty | 9 | 10 | 10 | 11 | 13 | 14 | 15 | 17 | 19 | 24 | 14 |
| Other | 198 | 214 | 224 | 243 | 278 | 303 | 326 | 381 | 436 | 550 | 315 |
| Council Tax (net of credits) | 752 | 742 | 823 | 932 | 1,003 | 1,146 | 1,200 | 1,317 | 1,427 | 1,572 | 1,091 |
| Total expenditure and asset taxes | 3,640 | 4,397 | 4,497 | 4,913 | 5,738 | 6,625 | 7,004 | 8,234 | 9,134 | 11,158 | 6,533 |

8. Non-contributory benefits by income decile – chart

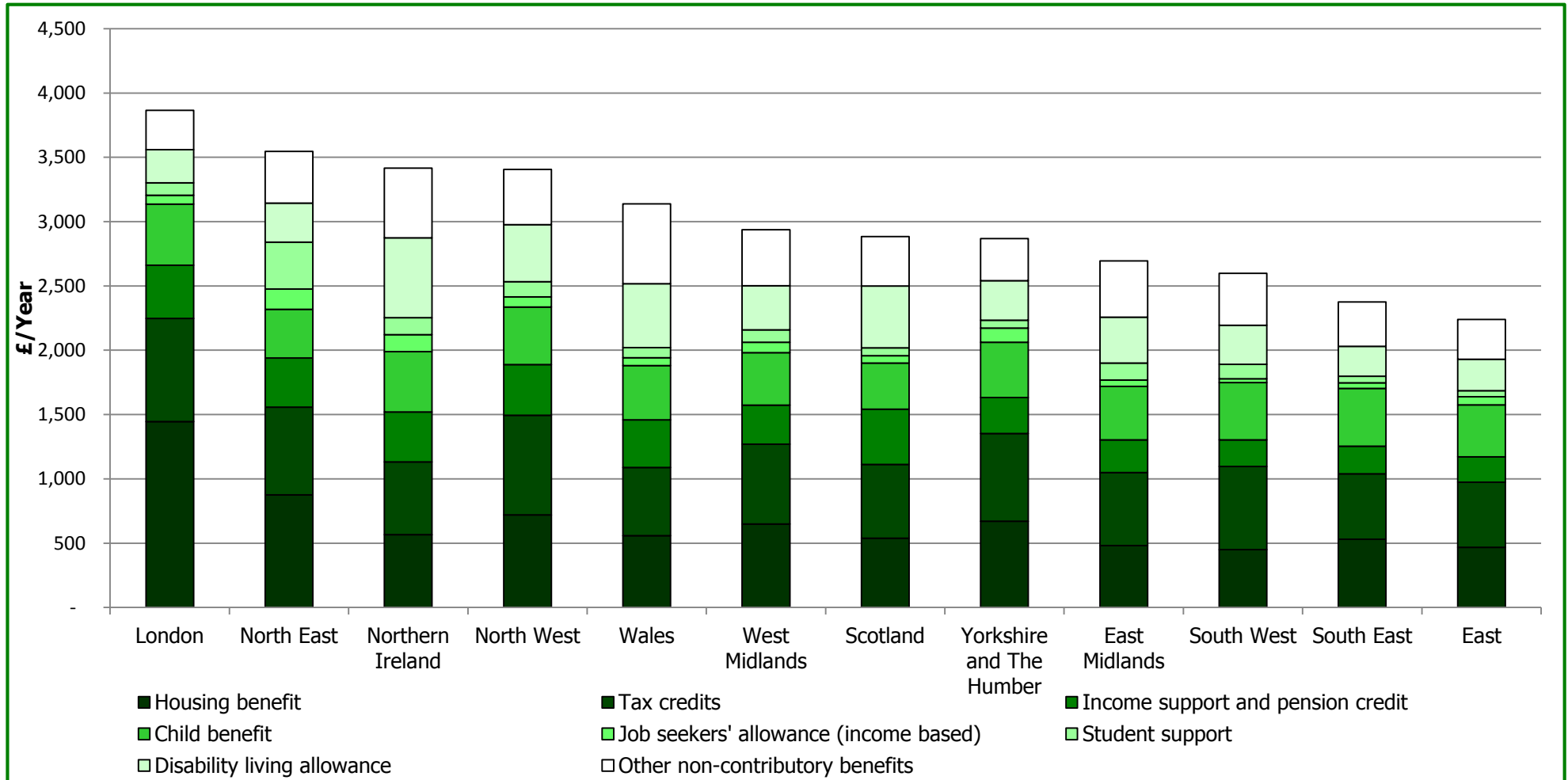


9. Non-contributory benefits by income decile – Table

| Benefit (£) | Bottom | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Top | All |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|--------------|
| Housing benefit | 1,176 | 1,325 | 1,435 | 1,034 | 821 | 391 | 288 | 149 | 104 | - | 672 |
| Tax credits | 777 | 1,499 | 1,677 | 988 | 756 | 401 | 260 | 263 | 46 | 2 | 667 |
| Income support and pension credit | 314 | 696 | 578 | 321 | 291 | 199 | 177 | 52 | 15 | 1 | 264 |
| Child benefit | 405 | 568 | 621 | 478 | 515 | 411 | 406 | 349 | 247 | 98 | 410 |
| Job seekers' allowance (income based) | 341 | 239 | 97 | 40 | 26 | 1 | 2 | 1 | - | - | 75 |
| Student support | 235 | 60 | 67 | 72 | 100 | 41 | 31 | 32 | 45 | 33 | 72 |
| Disability living allowance | 169 | 423 | 370 | 479 | 585 | 412 | 299 | 224 | 155 | 77 | 319 |
| Other non-contributory benefits | 206 | 360 | 346 | 495 | 461 | 450 | 250 | 355 | 257 | 180 | 337 |
| Total | 3,623 | 5,170 | 5,191 | 3,907 | 3,555 | 2,306 | 1,713 | 1,425 | 869 | 391 | 2,816 |

- The average household in the bottom 10 per cent received less in non-contributory benefits than those in the 2nd, 3rd and 4th deciles, mostly because they receive less in tax credits and housing benefit.
 - However these households do receive by far the most of Student Support.

10. Non-contributory benefits by region

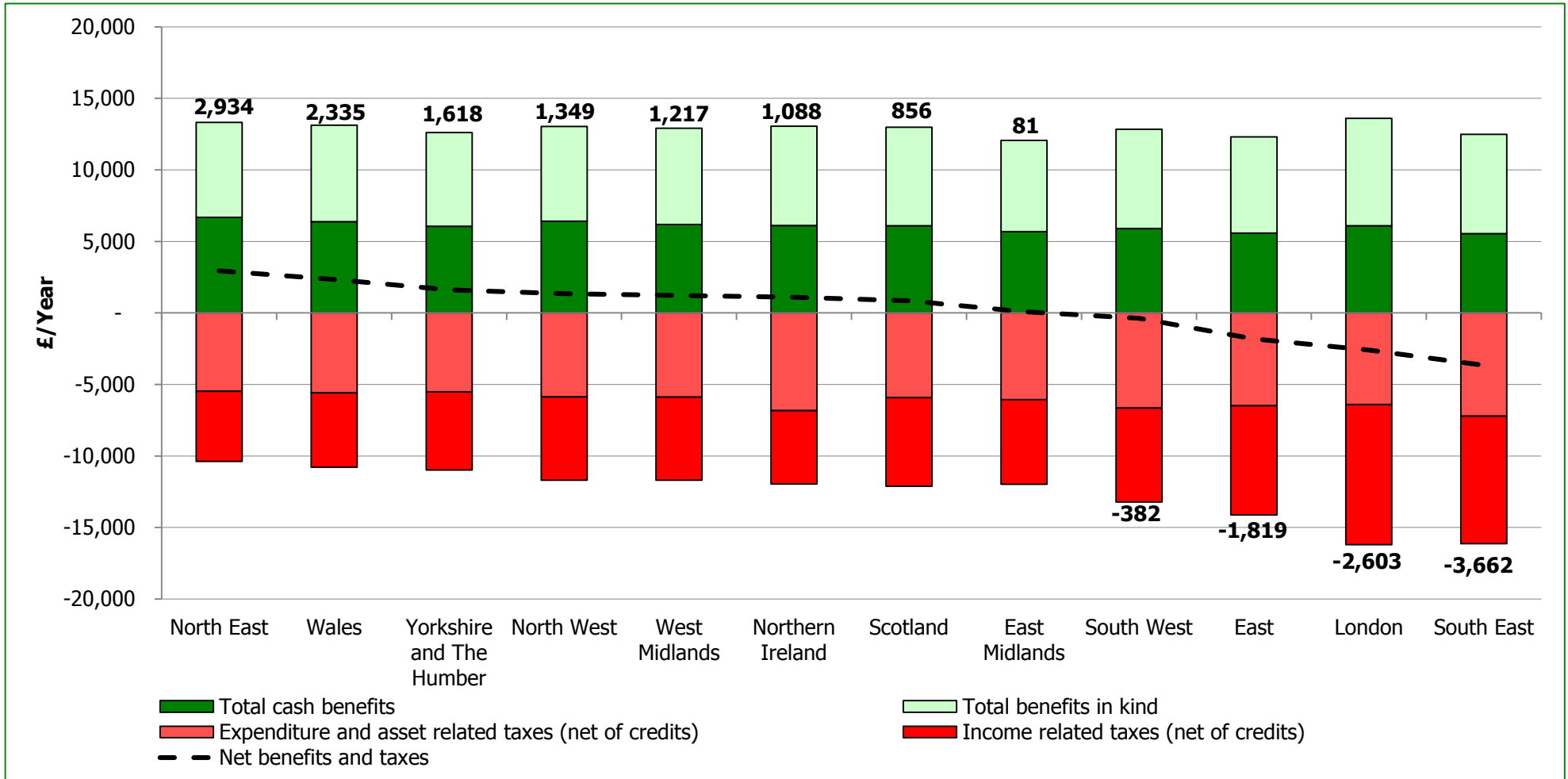


11. Non-contributory benefits by region – table

| Non-contributory benefits by region | London | North East | Northern Ireland | North West | Wales | West Midlands | Scotland | Yorkshire and Humber | East Midlands | South West | South East | East |
|--|--------------|--------------|------------------|--------------|--------------|---------------|--------------|----------------------|---------------|--------------|--------------|--------------|
| Housing benefit | 1,445 | 876 | 566 | 719 | 559 | 649 | 539 | 671 | 481 | 449 | 531 | 467 |
| Tax credits | 803 | 682 | 565 | 775 | 530 | 620 | 573 | 682 | 568 | 647 | 509 | 507 |
| Income support and pension credit | 414 | 382 | 389 | 395 | 370 | 304 | 429 | 279 | 255 | 207 | 213 | 197 |
| Child benefit | 474 | 379 | 469 | 446 | 421 | 409 | 360 | 430 | 415 | 445 | 450 | 404 |
| Job seekers' allowance (income based) | 68 | 156 | 132 | 80 | 62 | 80 | 56 | 110 | 50 | 31 | 43 | 63 |
| Student support | 97 | 366 | 133 | 118 | 79 | 97 | 62 | 61 | 132 | 111 | 51 | 48 |
| Disability living allowance | 258 | 303 | 619 | 444 | 496 | 342 | 481 | 308 | 356 | 304 | 233 | 243 |
| Other non-contributory benefits | 307 | 402 | 542 | 428 | 620 | 435 | 384 | 327 | 438 | 403 | 346 | 310 |
| Total | 3,866 | 3,546 | 3,415 | 3,405 | 3,137 | 2,936 | 2,884 | 2,868 | 2,695 | 2,597 | 2,376 | 2,239 |

- The average London household received the most in benefits, largely due to high housing benefit receipts.
 - They also received the most in tax credits and child benefit.
- Average households in the North East received by far the most student support and the most in Jobseekers' allowance as well as the second most Tax Credits.

12. Net benefits and taxes by region – table



13. Net benefits and taxes by region - table

| Net benefits and taxes by region | North East | Wales | Yorkshire and Humber | North West | West Midlands | Northern Ireland | Scotland | East Midlands | South West | East | London | South East |
|---|--------------|--------------|----------------------|--------------|---------------|------------------|------------|---------------|--------------|----------------|----------------|----------------|
| Total cash benefits | 6,671 | 6,382 | 6,054 | 6,420 | 6,179 | 6,112 | 6,096 | 5,683 | 5,899 | 5,571 | 6,102 | 5,545 |
| Total benefits in kind | 6,650 | 6,745 | 6,547 | 6,617 | 6,739 | 6,935 | 6,881 | 6,376 | 6,934 | 6,729 | 7,496 | 6,931 |
| Expenditure and asset related taxes (net of credits) | - 5,485 | - 5,594 | - 5,514 | - 5,879 | - 5,892 | - 6,827 | - 5,922 | - 6,074 | - 6,651 | - 6,498 | - 6,410 | - 7,217 |
| Income related taxes (net of credits) | - 4,902 | - 5,198 | - 5,469 | - 5,809 | - 5,809 | - 5,132 | - 6,199 | - 5,904 | - 6,564 | - 7,621 | - 9,791 | - 8,921 |
| Net benefits and taxes | 2,934 | 2,335 | 1,618 | 1,349 | 1,217 | 1,088 | 856 | 81 | - 382 | - 1,819 | - 2,603 | - 3,662 |

