



Total Lifetime Tax

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29 August 2016

For many years, politicians have cited the high cost of living in the UK as a major challenge in need of a policy response.

However, all too often it is government policy that causes the high cost of living. For example, energy bills rise because of ineffective “green taxes” and from 2018 the cost of the weekly shop will increase because of the Soft Drinks Industry Levy.

All told, tax is a big contributor to the high cost of living.

This research note provides an estimate of the total amount of tax paid by different types of households over their lifetimes. The figure includes both direct and indirect taxes and is calculated on the basis of the current level of taxes applying over a working lifetime of 44 years (21 to 65 years of age) and 15 years of retirement. The findings are also broken down by income quintiles (household incomes broken down into five groups ranging from least to most income).

Key findings

- Over a lifetime, an **average household will pay £826,030 in direct and indirect taxes** (in 2014-15 prices).
 - This figure represents a 2.7 per cent increase on the lifetime tax calculation for an average UK household last year (£804,323).
 - In 2014-15, an average UK household had a gross income of £41,027.
 - At this level of income it would take more than 20 years just to pay their lifetime tax bill.
- Over a lifetime, an **average household in the bottom 20 per cent by income will pay £319,732 in direct and indirect taxes**.
 - The figure represents a 2.2 per cent increase on the lifetime tax calculation for this group last year (£312,973).
 - In 2014-15, an average household within this group had a gross income of £13,841.
 - At this level of income it would take just over 23 years to pay their lifetime tax bill.

- Over a lifetime, an **average household in the top 20 per cent by income will pay £1,686,970 in direct and indirect taxes.**
 - This represents a 4.3 per cent increase on the lifetime tax calculation for this group last year (£1,617,970).
 - In 2014-15, an average household within this group had a gross income of £86,768.
 - At this level of income it would take more than 19 years to pay their lifetime tax bill.
- Over a lifetime, **an average household will pay £287,963 in income tax** (net of tax credits).
- Over a lifetime, **an average household will pay £169,371 of VAT.**
- Over a lifetime, **an average household will pay £107,045 of Employee’s National Insurance Contributions.**
- Over a lifetime, an **average household will pay £65,068 of Council Tax** (net of council tax rebates).

Sources and Methodology

- All data is from the ONS’s Effects of Taxes and Benefits on Household Income, 1977 to Financial Year Ending 2015.¹
- Total lifetime tax is calculated as a non-retired (working) household’s total direct and indirect taxes for 2014-15 multiplied by 44 years plus a retired household’s total direct and indirect taxes for 2014-15 multiplied by 15 years.
- Lifetime tax is based on the current level of direct and indirect taxation applying throughout the lifetime and nominal prices are used throughout.
- Calculations do not take into account planned tax changes in tax rates or thresholds.
- Income quintiles are for equalised disposable income.²
- Gross income refers to income from employment, investment, pension and other income plus cash benefits.
- Years of income required to pay tax is calculated by dividing a household’s lifetime tax by its gross income for 2014-15.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2015>

² http://www.ons.gov.uk/ons/dcp171766_285295.pdf

Table 1: Lifetime Tax at 2014-15 rates of expenditure

Working Life (44 years)						
Tax	Bottom Quintile	2 nd Quintile	3 rd Quintile	4 th Quintile	Top Quintile	All households
Annual Direct Taxes & Employee's NICs (£)	1,845	3,774	7,518	11,489	22,944	9,514
Annual Indirect Taxes (£)	4,013	5,124	6,568	7,811	10,691	6,841
Total Annual Tax (£)	5,858	8,898	14,086	19,300	33,635	16,355
Total Working Life Tax (£)	257,752	391,468	619,784	849,200	1,479,940	719,620
Retired Life (15 years)						
Tax	Bottom Quintile	2 nd Quintile	3 rd Quintile	4 th Quintile	Top Quintile	All households
Annual Direct Taxes & Employee's NICs (£)	1,123	1,284	1,897	2,991	6,526	2,764
Annual Indirect Taxes (£)	3,009	3,077	3,652	4,636	7,276	4,330
Total Annual Tax (£)	4,132	4,361	5,549	7,627	13,802	7,094
Total Retired Life Tax (£)	61,980	65,415	83,235	114,405	207,030	106,410
Total Lifetime Tax (£)	319,732	456,927	703,019	963,605	1,686,970	826,030

Table 2: Lifetime tax compared to gross income across all UK households

2014-2015	Bottom Quintile	2 nd Quintile	3 rd Quintile	4 th Quintile	Top Quintile	All Households
Gross Income 2014-2015 (£)	13,841	22,337	33,758	48,430	86,768	41,027
Total Lifetime Tax (£)	319,732	456,927	703,019	963,605	1,686,970	826,030
Years to pay lifetime tax bill	23.1	20.5	20.8	19.9	19.4	20.1

Table 3: Lifetime Tax for the years 1994-95 to 2014-15

Total lifetime tax (£)						
Year	Bottom Quintile	2 nd Quintile	3 rd Quintile	4th Quintile	Top Quintile	All households
1994-95	158,881	260,459	377,254	499,661	843,527	427,980
1995-96	173,813	277,791	401,538	520,412	865,687	447,860
1996-97	165,998	279,834	412,689	552,048	897,663	461,617
1997-98	167,674	297,339	424,542	594,096	966,310	490,013
1998-99	190,311	327,630	465,450	624,777	1,067,099	535,059
1999-00	192,434	334,697	487,107	649,561	1,080,179	548,819
2000-01	217,288	367,761	516,839	688,125	1,126,042	583,211
2001-02	229,811	368,903	525,741	709,949	1,209,640	608,806
2002-03	222,848	364,326	526,470	715,219	1,202,863	606,410
2003-04	231,011	402,302	560,433	763,555	1,269,525	645,383
2004-05	259,604	438,431	586,616	784,158	1,335,285	680,813
2005-06	244,740	427,346	598,474	796,383	1,406,947	694,769
2006-07	277,704	447,862	636,882	850,292	1,464,806	735,574
2007-08	270,192	474,537	650,594	870,674	1,431,352	739,461
2008-09	262,632	432,747	617,656	853,768	1,416,016	716,558
2009-10	262,169	441,596	621,998	828,498	1,462,765	723,426
2010-11	300,717	448,454	636,062	895,311	1,562,496	768,611
2011-12	300,494	457,632	651,959	885,290	1,606,293	780,319
2012-13	299,532	431,984	637,821	893,119	1,627,641	778,049
2013-14	312,973	463,683	672,163	955,759	1,617,051	804,323
2014-15	319,732	456,927	703,019	963,605	1,686,970	826,030