

THE TAX ON CHRISTMAS

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With rising inflation and the first interest rate rise in more than 10 years, many households in the UK are struggling with the cost of living. Despite this pressure on finances, households in the UK still intend to enjoy the festive season. Research from Deloitte reveals that the average UK consumer intends to spend £544 this Christmas which is an increase of 1.8 per cent from last year and 38 per cent more than the European average.¹ Consumers in the UK spend the second highest amount in Europe, with only Spanish consumers spending more on Christmas.

Key findings

- This Christmas, a UK household will pay an average of **£241** in tax for their festive spending. This is enough to buy 20 luxury Lidl Christmas puddings.²
- The total Christmas tax bill will come to **£6.3 billion**.
- The average household will spend **£1,355** on Christmas gifts, travel, socialising and alcohol.

The table below gives a few examples of typical Christmas spending. The TaxPayers' Alliance calculations of the total tax bill for Christmas are based on our own research and that of Deloitte, not the items that are listed below.

Table 1: tax charged on popular Christmas gifts and essentials

Item	Price (£)	Tax charged (£)
iPhone X	999	199.8
PlayStation 4 bundle	229.99	45.99
Chanel No 5 Parfum 15ml	142.2	28.44
Lego Star Wars: BB-8	130	26
John Lewis Fireside Christmas Tree, 6ft & tree decorations	120	24
FurReal Roarin' Tyler	99.99	19.99
Hatchimals Surprise	67.98	13.6
Paw Patrol Sea Patroller	61.98	12.4
Santa Suit	49.99	9.99
Laser X – 2 player pack	45	9
John Lewis Luxury Christmas Crackers	40	8
Travel (average 302 miles)	37.62	24.14
Moët & Chandon Champagne	35	9.29
Courvoisier V.S. Cognac	35	18.08
Enchantimals Playframe Panda Set	29.99	5.99
Christmas Wreath	28	5.6
Nerf Nitro Longshot Smash	19.99	3.99
Astrolabe Awatere Valley Sauvignon Blanc	14.99	4.97
Taylor's Port	10	5.59
Harvey's Bristol Cream Sherry	9.5	5.03
Mistletoe	9.45	1.89
Las Cometas Shiraz Reserva	8.5	3.68

¹ Deloitte Christmas Survey 2017, Deloitte, 2017, <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/deloitte-christmas-survey-2017.html#> (accessed 13 December 2017)

² Deluxe 24 Month Matured Christmas Pudding, Lidl, 2017, <https://www.lidl.co.uk/en/Non-Food-Offers.htm?articleId=8002> (accessed 13 December 2017).

Sources and methodology

VAT

VAT comprises a considerable proportion of the tax on Christmas. VAT is levied on virtually all Christmas goods and services except basic foodstuffs and children's clothing. Taking this into account, £1,054 of the £1,172.20 (or 90 per cent) of household spending on socialising, gifts and food would be subject to VAT. As a result, the TaxPayers' Alliance calculates that the average household will be paying **£175.68** VAT this Christmas, or **£4.783 billion** nationally. Including the VAT on fuel for Christmas car journeys, this rises to **£4.858 billion** or **£178.42** for each household.

Alcohol duty

Another major contributor to the tax on Christmas is alcohol duty. Alcohol consumption is 30 per cent higher in December than the typical month.³

ONS data reveals that the average household spends 2.9 per cent of their disposable income on alcoholic drinks with 52 per cent of that spending on alcohol brought home.⁴ ONS consumer trends data also shows that £19.4 billion was spent on alcoholic drinks purchased for consumption at home.⁵ This implies total spending on alcoholic drinks of £37.4 billion.

Alcohol duties are forecast to raise £11.5 billion this year. This implies an effective duty rate of 30.7 per cent. This means December spending on alcohol of £4 billion and December alcohol duty revenues of **£1.2 billion**. This equals **£44.65** for each household in alcohol duty.

Fuel duty

The final contributor to the tax on Christmas is fuel duty. Research commissioned by the Accident Advice Helpline shows that the average household will clock up 302 miles in their car during the festive season to visit friends and family, and to buy gifts and food and drink for Christmas.⁶ The government levies a tax on fuel such as petrol and diesel which is high by international standards. Analysis by the TaxPayers' Alliance reveals that the average household will pay **£17.87** in fuel duty over the festive period, or **£214 million** in total.

The price of petrol and diesel and the current rate of fuel duty was derived from the Department for Business, Energy and Industrial Strategy weekly updates.⁷ The fuel usage for the average journey of 302 miles was taken from the Department for Transport average new car fuel consumption.⁸ The average age of cars on the road in 2016 was accounted for as part of this.⁹ The AA's estimate of car journeys from last Christmas was used for the total number of car journeys.¹⁰

³ *How much do we spend at Christmas?*, Bank of England, 2017, <http://edu.bankofengland.co.uk/knowledgebank/how-much-do-we-spend-at-christmas/>, (accessed 13 December 2017).

⁴ *Detailed household expenditure as a percentage of total expenditure by disposable income decile group, UK: Table 3.2*, Office for National Statistics, 16 February 2017,

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⁵ *Consumer trends, UK: Quarter 2 (Apr to June) 2017*, Office for National Statistics, 29 September 2017,

<https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/quarter2aprttojune2017> (accessed on 12 December 2017).

⁶ *Families Will Travel A Huge 302 Miles During The Festive Period*, Accident Advice Helpline, 2017,

<https://www.accidentadvicehelpline.co.uk/blog/families-travel-huge-miles-festive-period/> (accessed on 12 December 2017).

⁷ *Weekly road fuel prices*, Department for Business, Energy & Industrial Strategy, 12 December 2017,

<https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics> (accessed on 13 December 2017).

⁸ *Average new car fuel consumption: Great Britain, Table ENV0103*, Department for Transport, 23 November 2017,

<https://www.gov.uk/government/statistical-data-sets/env01-fuel-consumption> (accessed 12 December 2017).

⁹ *Average age of cars on the road in the United Kingdom (UK) between 2000 and 2016*, Statista, 2015,

<https://www.statista.com/statistics/299951/average-age-of-cars-on-the-road-in-the-united-kingdom/> (accessed on 12 December 2017).

¹⁰ *Christmas getaway*, The AA, 22 December 2016, <https://www.theaa.com/about-us/newsroom/christmas-2016-travel-advice> (accessed on 12 December 2017).

Christmas tax

As a result of VAT, alcohol duty, and fuel duty, the tax on Christmas for the average household in the UK stands at **£240.94** for Christmas 2017. This is **17.78 per cent** of the total amount spent by households on Christmas, of **£1,355.08**.

Total Christmas Tax Bill

The total estimated tax bill is therefore **£6.3 billion**.

Sources

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