



RESEARCH PAPER 05/68
26 OCTOBER 2005

The Burden of Taxation 2005

The 'burden of taxation' is a representation of the share of income – national, household or individual – that is paid in tax. It can be measured in a number of ways, and this paper looks at a variety of datasets that provide different perspectives.

This paper updates Research Paper 03/74 published in September 2003.

Bryn Morgan

ECONOMIC POLICY & STATISTICS SECTION

HOUSE OF COMMONS LIBRARY

Recent Library Research Papers include:

05/53	Economic Indicators, June 2005	01.07.05
05/54	Unemployment by Constituency, June 2005	13.07.05
05/55	The <i>London Olympics Bill</i> [Bill 45 of 2005-06]	14.07.05
05/56	<i>Armed Forces (Parliamentary Approval for Participation in Armed Conflict) Bill</i> [Bill 16 of 2005-06]	08.08.05
05/57	Unemployment by Constituency, July 2005	17.08.05
05/58	Zimbabwe after the 2005 parliamentary election	18.08.05
05/59	<i>Employment tribunals (Representation and Assistance in Discrimination Proceedings) Bill</i> [Bill 14 of 2005-06]	26.08.05
05/60	Unemployment by Constituency, August 2005	14.09.05
05/61	Employment & Training programmes for the unemployed Vol. 1: Recent developments and the New Deal programmes	30.09.05
05/62	Employment & Training programmes for the unemployed Vol. 2: Other programmes and pilots	30.09.05
05/63	Social Indicators [includes articles: MRSA Statistics: Frequently Asked Questions; Domestic electricity and heating costs]	11.10.05
05/64	Unemployment by Constituency, September 2005	12.10.05
05/65	The <i>Electoral Administration Bill 2005-06</i> [Bill 50 of 2005-06]	19.10.05
05/66	The <i>Terrorism Bill</i> [Bill 55 of 2005-06]	20.10.05
05/67	The <i>National Insurance Contributions Bill</i> [Bill 53 of 2005-06]	25.10.05

Research Papers are available as PDF files:

- to members of the general public on the Parliamentary web site,
URL: <http://www.parliament.uk>
- within Parliament to users of the Parliamentary Intranet,
URL: <http://hcl1.hclibrary.parliament.uk>

Library Research Papers are compiled for the benefit of Members of Parliament and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public. Any comments on Research Papers should be sent to the Research Publications Officer, Room 407, 1 Derby Gate, London, SW1A 2DG or e-mailed to PAPERS@parliament.uk

Summary of main points

- The burden of taxation expresses the proportion of either national or individual income paid in taxes. There are a number of different definitions of the tax burden, and this research paper summarises information from a range of sources.
- Treasury projections suggest that, on unchanged policies, the burden of taxation (defined as net taxes and social security contributions) will be 38.5% of GDP by 2009/10. This compares with a recent low of 32.8% in 1993/94 and is just below the highest recorded figure of 38.9% in 1984/85 (see section II for details).
- As measured using the national accounts, the tax burden in 2004/05 was 36.4% of GDP. At the start of the twentieth century the ratio was around 10% (see section III for details).
- In 2003 the aggregate tax burden in the United Kingdom was below the average for the EU15. However, it was higher than that in several non-European OECD countries including Australia, Japan and the United States (see section IV for details).
- Households with the top fifth of disposable incomes now pay a higher proportion of all household taxes than in 1979. However, as the share of gross income received by this group has also increased, the burden of tax they face has fallen.
- Taxes (direct and indirect) paid by the fifth of households with the lowest disposable incomes now represent a higher proportion of their gross income than in 1979. The opposite is true for all other households (see section V for details).
- Section VI presents data showing the tax and benefit situation of hypothetical working households. The figures suggest increases in real take home pay over the period from 1996/97 to 2004/05. Lower-paid households with children have benefited significantly from the Working Families' Tax Credit and, from 2003/04, Working Tax Credit and Child Tax Credit.
- Most of the hypothetical households considered will see their burden of direct taxes lower at the end of this period than at the beginning, although this is not true at all income levels for married couples without children (see section VI for details).

CONTENTS

The Burden of Taxation 2005	1
I Introduction	7
A. Tax changes since 1997/98	7
II The UK tax burden: public finances basis	10
III The UK tax burden: national accounts basis	13
A. Historical perspective	13
B. Breakdown by tax category	14
IV National tax burdens: international comparisons	15
A. OECD figures	15
B. Eurostat figures	18
V Tax burden on UK households	19
VI Tax burden for ‘hypothetical households’	24
A. Background	24
B. Methodology	25
C. Results for hypothetical households	26
VII Hypothetical households: international comparisons	28
Appendix 1: Supplementary Tables	30
Appendix 2: Bibliography & links	41

List of Charts

Chart 1: Net taxes & social security contributions, 1978/79 to 2009/10 (as % of GDP)	11
Chart 2: Taxes & Social Security Contributions, 1900 to 2004 (% of GDP)	13
Chart 3: Tax revenue as % of GDP: OECD countries: 2002	15
Chart 4: Tax revenues as % of GDP: 1965-2002: selected OECD countries	18
Chart 5: Direct and indirect taxes as % of gross income: by quintile: 2003/04	20
Chart 6: Taxes less cash benefits as % of gross wages: 2004: for average production worker	28

List of main tables

Table 1: Taxes by Category: 1989/90-2007/08 (national accounts measure)	14
Table 2: Tax burden in OECD countries: 1980-2003	16
Table 3: Direct and Indirect taxes as % of gross income by quintile	21
Table 4: Percentage of total direct and indirect taxes (combined) paid by each quintile	22
Table 5: Direct tax burden & real take home pay: 1996/97-2005/06	27

Supplementary tables are listed in [Appendix 1](#).

I Introduction

The 'burden of taxation' is an expression of the proportion of income which is paid in taxes. A tax burden is simply a ratio of tax paid to income received. Such a calculation can be made at the national level, using an aggregate measure of tax receipts compared with total national income within a given time period, or at the micro level for individuals or families, i.e. the amount of personal/household income paid as tax.

Over time, this ratio may change because of variations in the numerator – the tax take – or the denominator – gross domestic product (GDP) or individual/household income. However, these are not independent of each other. Tax take depends on discretionary tax decisions by governments (e.g. rates and/or thresholds, tax enforcement procedures, changes to definitions) as well as overall macroeconomic performance, e.g. GDP growth relative to trend.

Strong growth will generally lead to higher employment levels (and therefore income tax receipts) and greater corporation tax receipts. Microeconomic factors, such as changes in consumption patterns and the distribution of income, will also have an effect. For example levels of home ownership and the performance of the housing market will influence levels of stamp duty received.

Links to sources referred to throughout this paper are given in Appendix 2.

A. Tax changes since 1997/98

Each year the Budget results in a range of discretionary tax changes which can come into effect immediately or in the future. For example, the changes to National Insurance contributions (NICs) announced at the time of the 2002 Budget did not come into effect until the 2003/04 financial year.

The *Financial Statement and Budget Report*, also known as the *Red Book*, lists discretionary changes in detail, together with estimates of revenue implications of these changes, in an appendix.¹ These are also given in the *Pre-Budget Report*.

The following table shows a selection of major tax changes for each year back to 1997/98.² Changes for previous years can be found in earlier editions of this paper.³

¹ For example, see HM Treasury, *Economic & Fiscal Strategy Report and Financial Statement & Budget Report 2004* (or *Red Book*), March 2004 [HC 301 2003-04], section A, pp185-202

² For details of current direct tax rates and allowances, see Library Research Paper 04/27 *Direct taxes: rates and allowances 2004-05*, 18 March 2004

³ available back to 1998 at http://www.parliament.uk/parliamentary_publications_and_archives/research_papers.cfm or from papers@parliament.uk

Year	Budget	Change
2005/06	Mar 2005	<ul style="list-style-type: none"> • Increase in Stamp Duty threshold; ending of commercial disadvantaged areas relief • Changes to payment structure of North Sea corporation tax • Fuel duties revalorised in September rather than April
2004/05	Mar 2004	<ul style="list-style-type: none"> • Child elements of Job Seekers Allowance/Income Support transferred to child tax credit payments for new claimants (existing claimants will transfer during 2005/06) • Increases to child tax credit (CTC) above earnings-linked commitment (PBR 2003) • Childcare provided by foster carers eligible for tax credit support • Changes to the taxation of corporations' profits
2003/04	Apr 2003	<ul style="list-style-type: none"> • Thresholds for starting & basic income tax rates frozen • Duties on spirits, cider, sparkling wines frozen • Petroleum Revenue Tax (PRT) abolished for new business
	Apr 2002	<ul style="list-style-type: none"> • Rates of national insurance contributions (NICs) increased by 1% for employees, employers & the self-employed. Earnings above upper earnings limit charged at 1% • Income tax personal allowance, national insurance primary & secondary thresholds frozen • Age-related income tax allowances increased above inflation • Working Tax Credit (WTC) & Child Tax Credit (CTC) to replace existing credits (Working Families' Tax Credit, Disabled Person's Tax Credit, Children's Tax Credit & New Deal Employment Credit for over 50s) and income-related support for children included in Income Support/Jobseeker's Allowance
2002/03	Apr 2002	<ul style="list-style-type: none"> • Increases in age-related tax allowances • Surcharges on North Sea oil profits • Petrol and alcohol duties frozen
2001/02	Mar 2001	<ul style="list-style-type: none"> • Increase in value of WFTC (from June 2001)/CTC (from April 2001) • Over-indexation of starting rate band of income tax • Cuts in some fuel duties
	Mar 1999	<ul style="list-style-type: none"> • New Children's Tax Credit • Climate change levy offset by reduction in employer NICs
2000/01	Mar 2000	<ul style="list-style-type: none"> • Duty escalators abolished, tobacco duties real terms increase of 5% • Higher rates of stamp duty on property transfers increased
	Mar 1999	<ul style="list-style-type: none"> • Mortgage interest tax relief abolished • Phased alignment of starting point for employee NICs with personal allowance and consequential increases in upper earnings limits • Basic rate of income tax reduced to 22% • Married couple's allowance abolished for those born after 1935

1999/00	Mar 1999	<ul style="list-style-type: none"> • 10p starting rate of income tax • Higher rates of stamp duty on property transfers increased • Advance timing of increases in tobacco duties • Increase in insurance premium tax from 4% to 5%
	Mar 1998	<ul style="list-style-type: none"> • Advanced corporation tax abolished and quarterly corporation tax payments introduced • Corporation tax reduced from 31% to 30% • Married couple's allowance (MCA) restricted to 10% • Working Families' Tax Credit (WFTC) to replace Family Credit • Entry fee for employee NICs abolished
1998/99	Mar 1998	<ul style="list-style-type: none"> • Higher rates of stamp duty on property transfers increased • Advance timing of increases in fuel duties
	Jul 1997	<ul style="list-style-type: none"> • Mortgage tax relief restricted to 10%
1997/98	Jul 1997	<ul style="list-style-type: none"> • VAT on domestic fuel and power reduced to 5% • Duty escalators raised to 6% for road fuels and 5% for tobacco • Windfall tax on privatised utilities • Higher rates of stamp duty on property transfers introduced • Corporation tax reduced from 33% to 31% • Payable tax credits on dividends abolished
	Nov 1996	<ul style="list-style-type: none"> • Basic rate of income tax reduced from 24% to 23% • Phased withdrawal of tax relief on profit related pay • Air passenger duty doubled • Increase in insurance premium tax from 2½% to 4% • Income tax personal allowance over-indexed
	Nov 1995	<ul style="list-style-type: none"> • Employer NICs reduced

II The UK tax burden: public finances basis

There are two main ways of expressing the UK's tax burden ratio: the public finances basis, used by the Treasury in Budget documentation, and the national accounts basis, based on data from the Office for National Statistics.⁴

For public finances purposes the Treasury presents the tax burden in terms of the aggregate measure of 'net taxes and social security contributions' (NTSSC) expressed as a proportion of GDP. NTSSC is a measure of net cash payments to UK government, and includes the majority of revenues: all Inland Revenue and Customs & Excise tax receipts, vehicle excise duties, oil royalties, business rates, council tax and some 'other taxes' and royalties. This differs from the national accounts measure of the tax burden (see page 14) in number of ways:

- it is a cash measure, whereas in the national accounts some revenues are on an accruals basis, i.e. revenues are shown against the period in which the liability arises and not when payment is actually made. NTSSC excludes accruals adjustments (on income tax, NICs and VAT) which are made for the national accounts measure;
- transfers to the EU from own resources⁵ are subtracted from the NTSSC measure in the national accounts measure;
- taxes paid by public corporations which are included in NTSSC are subtracted for the national accounts as they have no impact on overall public sector receipts;
- NTSSC excludes interest and other non-tax receipts, apart from oil royalties which are included, but treated as rent in the national accounts;
- the treatment of tax credits: in the public finances measure, receipts are measured net of certain tax credits that the national accounts measure treats as public expenditure, for example Working Families' Tax Credit and Disabled Persons Tax Credit from October 1999 until April 2003.⁶

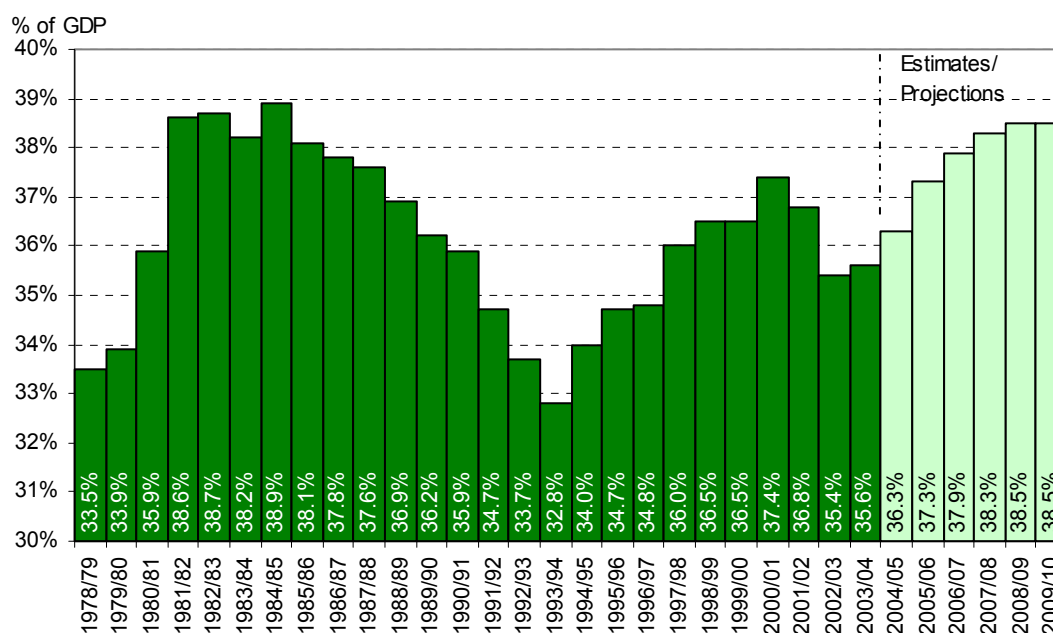
Chart 1 on page 11 shows the tax burden on the public finances basis since 1978/79. This series is revised and printed in each Budget *Red Book* and *Pre-Budget Report*. These latest figures from the 2005 Budget include an estimate for 2004/05 (based on expected receipts and GDP), while figures for 2005/06 through to 2009/10 are projections, and are subject to revision.

⁴ The official UK statistical office.

⁵ That is revenue raised by the UK Government for the EU, but retained by the UK Government for earmarked EU expenditure

⁶ Also, mortgage tax relief (1991/92 until 2000), life assurance premium relief and private medical insurance relief for the over 60s (1994/95 until 1997 Budget); note that Family Credit (for which the WFTC was a partial replacement) was not treated as a tax credit. For further details see page 11 of RP 03/74

Chart 1: Net taxes & social security contributions, 1978/79 to 2009/10 (as % of GDP)



Source: HM Treasury, *Budget 2005*, March 2005 [HC 2004-05 372], tables C9 and C24

As chart 1 shows, from 1978/79 to 1982/83 the tax burden rose sharply, reflecting recession and attempts to reduce the public sector deficit. The tax burden peaked at 38.9% of GDP in 1982/83, a period when revenues were also boosted by receipts from North Sea oil production. However, these declined rapidly after world oil prices fell sharply in 1986. The late 1980s saw a period of rapid economic growth and strong public finances which allowed the then Conservative government to announce a series of tax reductions, most notably in the 1988 Budget when the basic rate of income tax was reduced to 25% (from 27%), higher rates of income tax above 40% were abolished and allowances were increased by more than indexation. The tax burden fell steadily to just over 36.2% of GDP by the end of the decade.

The recession of the early 1990s saw real GDP in 1992/93 fall below its 1989/90 level, and the tax burden fell sharply largely due to cyclical factors (see technical note 1 below). A series of phased tax increases were announced in the two budgets of 1993 aimed at putting the public finances back on a sustainable basis. Further increases occurred before the tax burden ratio peaked at 37.4% in 2000/01, reflecting factors such as the abolition of payable tax credits on dividends and the continuing impact of the escalators for road fuel and tobacco duties.⁷

The latest figures, published in the 2005 Budget, show that the tax burden is estimated at 36.3% in 2004/05 and projections indicate an increase to 38.5% by 2009/10. These rises reflect in part the percentage point increase in employer, employee and self-employed national insurance contributions that came into effect in April 2003, and the economy returning to trend levels of growth. In historical terms, the 2009/10 figure is

⁷ Following the November 1999 Pre-Budget Report escalators (commitments to increase duties in real terms by a given percentage per annum) were withdrawn and replaced with 'appropriate' duties set at the time of the Budget.

only below that in 1981/82, 1982/83 and 1984/85. These projections of the tax burden are slightly above those made in the 2004 Pre-Budget Report.

Technical note 1: Taxation & the cycle

Revenues from some taxes, most notably income tax and corporation tax, vary disproportionately with changes in GDP. Thus economic growth above the long-term trend is associated with a rising tax burden and vice versa. Estimates published by the Treasury in 1999 suggested that the long-term effect of a 1% rise in output relative to trend could be an approximate 0.2% increase in the **ratio** of total tax receipts to GDP, with no initial impact in the first year. This compares with an estimate of 0.3% published by the Treasury in a similar study in 1995. While they can be significant, cyclical factors account for only a small proportion of the variation in the tax burden over the last 20 years.

[Source: HM Treasury, *Fiscal Policy: Public Finances and the Cycle*, March 1999, p26]

The historic series of the public finances measure of the tax burden shown in chart 1 has been revised to meet the new OECD classification of personal tax credits. This basically means that Working Tax Credit (WTC) and Child Tax Credit (CTC) are treated as negative taxation in the national accounts *unless credits exceed the tax liability of the household* in which case the credits will be treated as public expenditure.

III The UK tax burden: national accounts basis

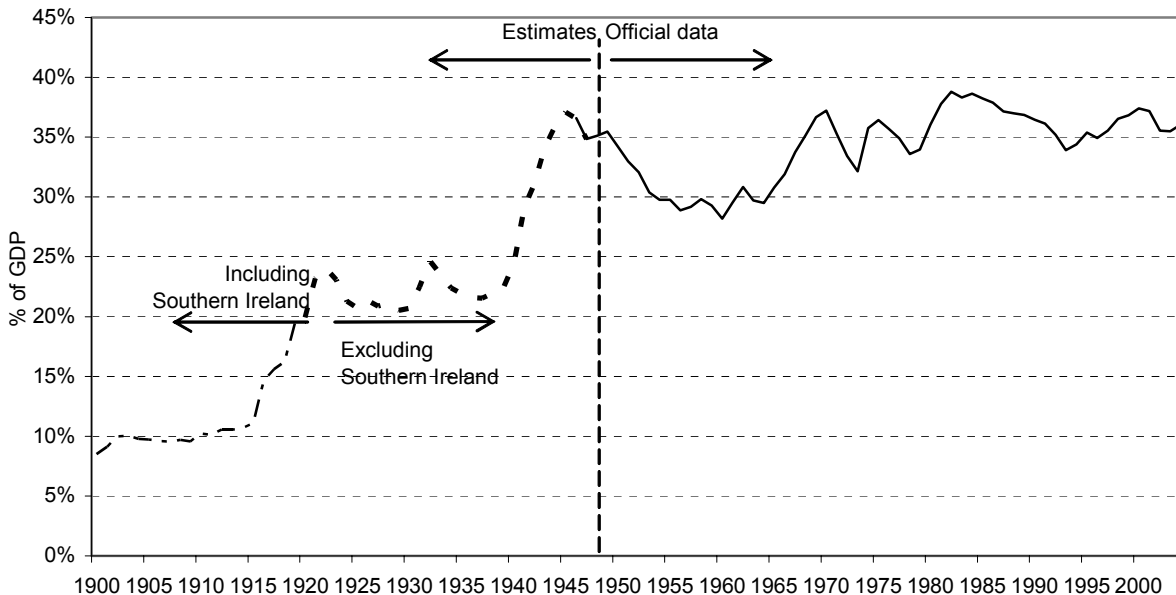
The national accounts, published by the Office for National Statistics, include details of the taxes paid by UK residents and received by government, and expressing this measure of tax as a ratio of GDP provides an alternative measure of the aggregate tax burden.

An advantage of this measure of the tax burden is that broadly consistent data are available over a longer period. Being based on data that meet internationally recognised definitions, the national accounts measure can also be used to compare tax burdens in different countries. However, the main disadvantage is that, unlike the public finances, no forecasts or projections are published.

A. Historical perspective

Chart 2 illustrates this measure of the tax burden for each calendar year since 1900. The data for 1948 onwards are derived from official figures. Figures for earlier years are either Library estimates or taken from other sources.⁸

Chart 2: Taxes & Social Security Contributions, 1900-2004 (as % of GDP)



As this shows, the tax burden has gone from around 10% in the early 1900s to ratios of between 34% and 39% over the last two decades. Allowing for shorter-term cyclical factors, a major influence on the tax burden is the overall level of public spending, and the chart clearly outlines the financial demands of the two world wars and the upward pressure on expenditure from the growth of the welfare state – education, health, social security and social housing.

⁸ For supporting data and details of sources, see appendix 2.

B. Breakdown by tax category

The national accounts measure of net taxes and social contributions includes taxes paid to central and local government and the European Union (in the form of 'own resources'). It can be broken down into four broad categories of taxation:

- taxes on production and imports – this includes most of the main indirect taxes such as VAT and excise duties;
- taxes on income, wealth, etc. – this includes most of the main direct taxes such as income tax, capital gains tax and corporation tax;
- taxes on capital – mainly inheritance tax;
- social contributions – national insurance contributions.

Table 1 shows data broken down in this way for each financial year since 1990/91. Forecast data are included for 2004/05 through to 2007/08 from the 2005 Budget Report, as these are broadly comparable with the earlier figures:

Table 1: **Taxes by category (national accounts measure) (c): 1989/90-2007/08** % of GDP

		Taxes on production and imports (a)			Taxes on	Taxes	Social	Total
		Paid to general government	Paid to EU	Total	income, & wealth (b)	on capital	contributions	
1989/90	outturn	12.5%	1.1%	13.6%	16.4%	0.2%	6.4%	36.6%
1990/91	outturn	12.2%	1.1%	13.3%	16.7%	0.2%	6.2%	36.4%
1991/92	outturn	13.4%	0.9%	14.3%	15.6%	0.2%	6.2%	36.2%
1992/93	outturn	13.0%	1.0%	14.0%	14.5%	0.2%	6.0%	34.7%
1993/94	outturn	12.7%	1.0%	13.7%	13.7%	0.2%	6.1%	33.7%
1994/95	outturn	13.1%	0.8%	13.9%	14.4%	0.2%	6.2%	34.7%
1995/96	outturn	13.2%	1.0%	14.2%	14.9%	0.2%	6.2%	35.5%
1996/97	outturn	12.9%	0.9%	13.8%	15.1%	0.2%	6.1%	35.2%
1997/98	outturn	13.3%	0.7%	14.0%	15.8%	0.2%	6.3%	36.3%
1998/99	outturn	13.3%	0.7%	14.0%	16.1%	0.2%	6.3%	36.6%
1999/00	outturn	13.6%	0.6%	14.2%	16.4%	0.2%	6.2%	37.0%
2000/01	outturn	13.4%	0.7%	14.1%	16.9%	0.2%	6.4%	37.6%
2001/02	outturn	13.2%	0.6%	13.8%	16.4%	0.2%	6.3%	36.8%
2002/03	outturn	13.1%	0.4%	13.6%	15.5%	0.2%	6.0%	35.3%
2003/04	outturn	13.2%	0.4%	13.6%	15.1%	0.2%	6.7%	35.7%
2004/05	outturn	13.2%	0.4%	13.5%	16.0%	0.2%	6.7%	36.4%
2005/06	projection	13.2%	0.3%	13.5%	16.9%	0.3%	6.7%	37.3%
2006/07	projection	13.2%	0.3%	13.5%	17.4%	0.3%	6.7%	37.8%
2007/08	projection	13.1%	0.3%	13.4%	17.7%	0.3%	6.8%	38.2%

Notes: (a) Includes non-domestic rates

(b) Includes domestic rates/community charge/council tax and motor duties paid by households

(c) projections based on Budget 2005, Tables C8, C9, C22

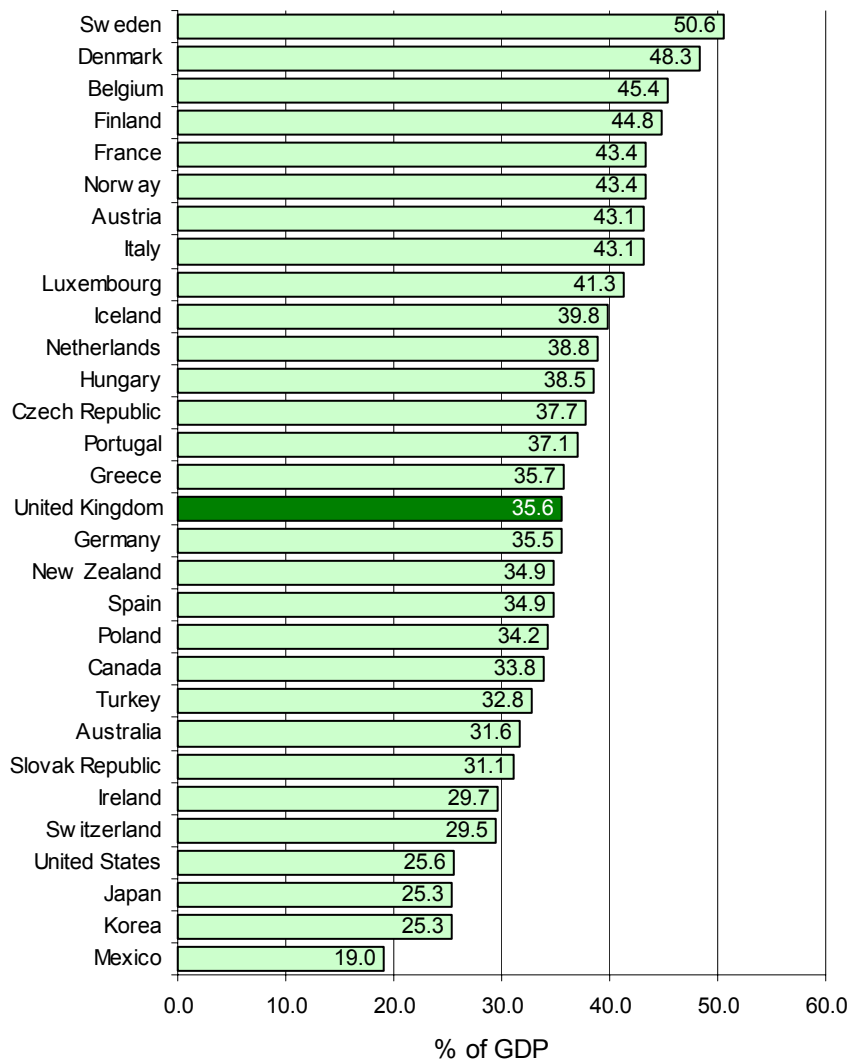
Sources: ONS Database (series NZGX, FJWB, NMZL, NMGI, AIIH, GCSU & BKTL)
Budget 2005, HM Treasury, HC 2004-05 372, March 2005

IV National tax burdens: international comparisons

A. OECD figures

The chart below shows the national tax burden⁹ for OECD countries for 2003. This shows that percentage in the UK was 35.6%, 16th highest of the 30 OECD countries. This was a little below the average for OECD countries of 36.3% and almost five percentage points below the EU15 average. More details are given in table 2.

Chart 3: Tax revenue as % of GDP: OECD countries: 2003



⁹ Defined as total tax revenue (including compulsory social contributions) as a percentage of GDP at market prices.

Table 2: **Tax burden in OECD countries (a): 1975-2004**

Total tax revenue as % of GDP at market prices

	1975	1980	1985	1990	1995	2000	2002	2003	2004 (b)	Rank 2003
Australia	26.5	27.4	29.1	29.3	29.8	32.1	31.4	31.6	..	23
Austria	36.7	39.8	40.9	39.6	41.1	42.6	43.6	43.1	42.9	7
Belgium	40.6	42.4	45.6	43.2	44.8	45.7	46.2	45.4	45.6	3
Canada	31.9	30.9	32.5	35.9	35.6	35.6	34.0	33.8	33.0	21
Czech Republic (c)					37.5	36.0	37.0	37.7	37.6	13
Denmark	40.0	44.0	47.4	47.7	49.5	50.1	48.7	48.3	49.6	2
Finland	36.8	36.1	40.2	44.3	46.0	48.0	45.8	44.8	44.3	4
France	35.5	40.6	42.4	42.2	42.9	44.4	43.4	43.4	43.7	5
Germany (d)	35.3	34.6	37.2	35.7	37.2	37.2	35.4	35.5	34.6	17
Greece	21.8	24.2	28.6	29.3	32.4	38.2	37.1	35.7	..	15
Hungary (c)					42.4	39.0	38.8	38.5	37.7	12
Iceland	29.8	29.4	28.7	31.8	32.1	39.4	38.5	39.8	41.9	10
Ireland	29.1	31.4	35.0	33.5	32.8	32.2	28.7	29.7	30.2	25
Italy	26.1	30.4	34.4	38.9	41.2	43.2	42.5	43.1	42.2	7
Japan	20.9	25.1	27.4	29.1	26.7	26.5	25.8	25.3	..	28
Korea	15.1	17.7	16.4	18.9	19.4	23.6	24.4	25.3	24.6	28
Luxembourg	37.5	40.8	45.1	40.8	42.3	40.6	41.3	41.3	40.6	9
Mexico		16.2	17.0	17.3	16.7	18.5	18.1	19.0	18.5	30
Netherlands	41.3	43.6	42.8	42.9	41.9	41.2	39.2	38.8	39.3	11
New Zealand	28.5	31.8	31.3	37.7	36.9	33.9	35.0	34.9	35.4	18
Norway	39.3	42.5	43.0	41.5	41.1	43.2	43.8	43.4	44.9	5
Poland (c)					37.0	32.5	34.7	34.2	..	20
Portugal	20.8	24.1	26.6	29.2	33.6	36.4	36.5	37.1	..	14
Slovak Republic (e)						34.3	33.0	31.1	30.8	24
Spain	18.2	23.1	26.9	32.1	31.8	34.8	34.8	34.9	35.1	18
Sweden	42.0	46.1	48.2	53.2	48.5	53.9	50.1	50.6	50.7	1
Switzerland	27.4	28.9	26.1	26.0	27.8	30.5	30.1	29.5	29.4	26
Turkey	16.0	17.9	15.4	20.0	22.6	32.3	31.1	32.8	31.1	22
United Kingdom	35.3	35.2	37.7	36.5	35.1	37.5	35.6	35.6	36.1	16
United States	25.6	27.0	25.6	27.3	27.9	29.9	26.3	25.6	25.4	27
OECD Total	30.3	32.0	33.5	34.8	35.7	37.1	36.4	36.3		
OECD America	28.8	24.7	25.0	26.8	26.7	28.0	26.1	26.1	25.6	
OECD Pacific	22.7	25.5	26.0	28.7	28.2	29.0	29.1	29.3		
OECD Europe	32.1	34.5	36.4	37.3	38.3	39.7	39.0	38.9		
EU15	33.1	35.8	38.6	39.3	40.1	41.7	40.6	40.5		

Notes: (a) Ranked by 2002 figures. 2003 data provisional & incomplete, as denoted by ..

(b) Provisional

(c) Czech Republic, Hungary and Poland joined OECD in 1995/1996; data not available for some years

(d) Unified Germany from 1991 onwards

(e) Slovak Republic joined OECD in 2000; data prior to 1998 not available

Source: OECD, *Revenue Statistics 1965-2004*, 2005, table A

Positions in the table broadly reflect generally higher levels of public spending associated with the European 'social democratic' model, compared with countries such as the US, Japan, Korea and Mexico. These four are the four lowest ranked countries, with Ireland the lowest ranked EU country on 29.7%.

Eight of the top ten countries ranking highest are EU member states, with Norway ranking 6th and Iceland 10th. The average for the EU15 in 2003, at 40.5%, is significantly higher than an average of 32.1% for the other 15 OECD countries, and 26.1% for the US, Canada and Mexico.

In 2004, OECD also published a policy study on recent tax policy trends.¹⁰ The executive summary states:

A clear trend that emerges from the data is a steady increase in the tax-to-GDP ratio across most of the OECD area since 1975. Tax ratios in the European Union (EU15), averaging more than 40 per cent of GDP, are found to generally exceed those observed elsewhere. Provisional data suggest, however, that this upward trend has largely come to an end, partly as a consequence of reductions of taxes on personal and corporate income in a number of member countries.

Chart 4 shows the trend in the tax burden for the whole OECD, OECD Europe, US & Canada¹¹ and for the UK. This does show the OECD average generally increasing until 1999 since it has fallen back. Indeed, the tax to GDP ratio fell in 18 of the 30 OECD countries between 2000 and 2003. Between 1975 and 2003, the tax burden fell in only three OECD countries: the Netherlands, Germany and the United States. The UK had the lowest increase of 0.3 percentage points.

Provisional figures for 2004 suggest that the tax burden will fall in 14 of the 25 countries for which figures are available. However, these provisional data are likely to be revised on the basis of outturn tax receipts and GDP.¹²

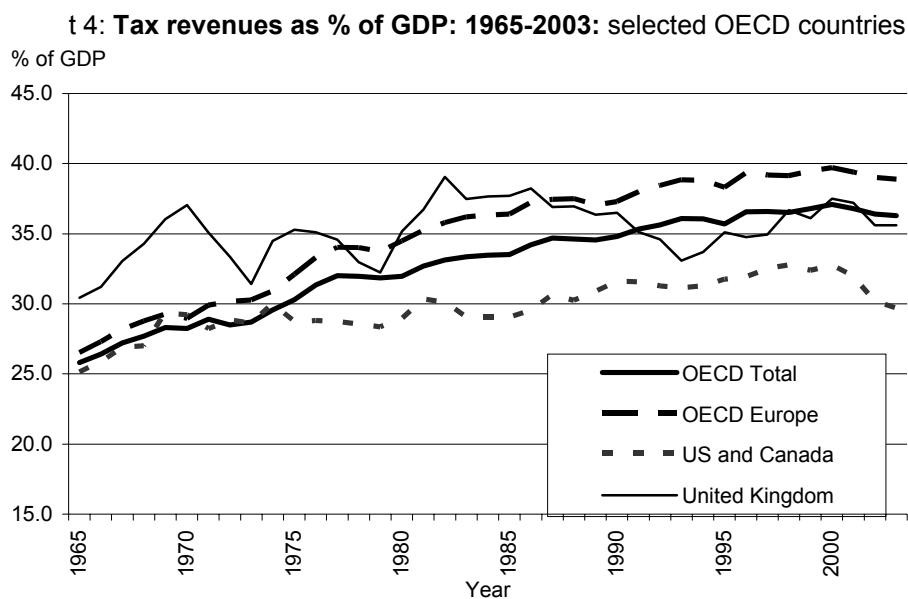
The burden in the UK was generally above the European average until the mid-1980s. Between 1986 and 1993, the burden in the UK fell by over five percentage points and in 1991 the UK fell below the OECD average for the first time in this series. The UK figure rose to the OECD average by 1998 and has remained close to it since then.

Ranked against other OECD countries, the tax burden in the UK was the 3rd highest in 1969 and 1970; by 1979 it was the 11th highest and it remained around this position throughout the 1980s. By 1993, the UK was ranked 19th, its lowest ranking ever. The 2003 ranking of 16th is below that for 1996 of 18th.

¹⁰ OECD Tax Policy Studies No. 09: *Recent Tax Policy Trends and Reforms in OECD Countries*, 2004

¹¹ Mexico is excluded from OECD America as comparable data are not available before 1980

¹² in three countries the difference between the provisional 2002 figures and the outturn was more than two percentage points



As with all international comparisons, complete comparability of tax burdens is very difficult to achieve due to the widely variable nature of tax systems between different countries. In arriving at these figures, the OECD has defined taxes as “...compulsory, unrequited payments to general government”, and it is sometimes unclear whether certain levies and licence fees fall within this definition, although the effect from such revenue streams is likely to be relatively small.

Tax burden comparisons are also affected by the relative mix of tax reliefs and cash benefits (the former reducing the tax burden and the latter not) and variations in taxation of government-provided social benefits. Also, countries are at different stages in the economic cycle, which influences revenue from some taxes and GDP growth.

B. Eurostat figures

Eurostat, the statistical office of the European Communities, also publish figures comparing national tax burdens. These are given in Appendix Table A10 (page 40). These show a broadly similar picture to the OECD figures. The UK has the third lowest tax burden of EU15 countries, above Ireland and Spain. Six of the new Member States also have lower tax burdens than the UK making the UK the 17th highest of the 25 EU countries.

The Eurostat figures also allow a breakdown between direct and indirect taxation and social security contributions. Across the EU as a whole, these each account for about a third of total taxation. In the UK, social security contributions account for around 18% of taxes in 2003, with only Ireland and Denmark having a lower proportion. The percentage taken from indirect taxes in the UK is 38.3%, more than four percentage points above the EU average.

V Tax burden on UK households

One disadvantage of the preceding measures of the tax burden is that they fail to account for its distribution among the population.

The Office for National Statistics publishes an annual analysis, *The effects of taxes and benefits on household income*, including estimates of the average amounts paid in taxes and received in benefits by various groups across the income distribution.¹³ This enables some conclusions to be drawn about the burden of taxation on households of differing composition and income levels over time.

This analysis is published in *Economic Trends*, and also as a stand-alone document. These should be consulted for methodological detail.¹⁴ This article is based on the results of the Expenditure and Food Survey (EFS); before 2001/02 figures were derived from its predecessor, the Family Expenditure Survey.

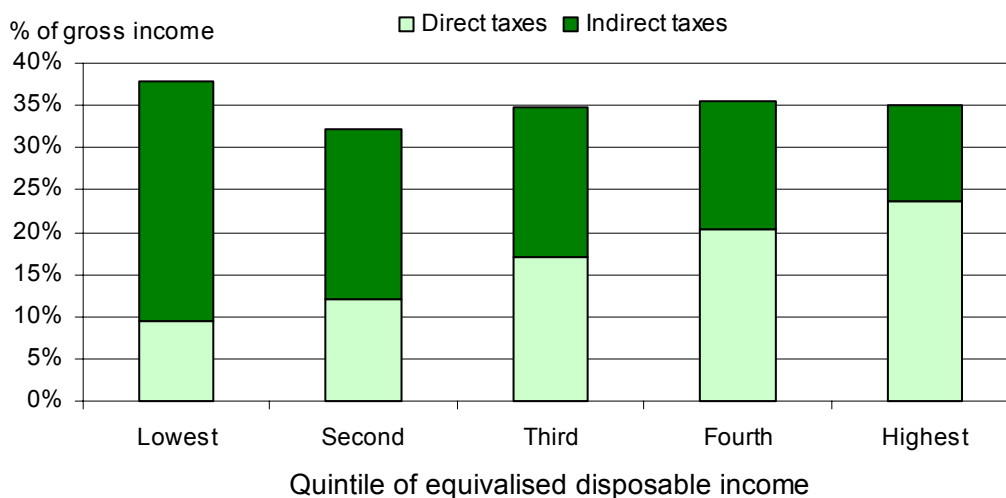
There are difficulties in drawing conclusions over time from these data. Each year's analysis is undertaken as a free-standing exercise and figures for successive years are not directly comparable. The definition of 'income' has been widened to include the value of company cars (from 1990) and the beneficial value of loans by employers for house purchase (from 1992). The latest figures for 2003/04 do not include water charges. This change reduced the percentage of gross income made up of taxes by one percentage point on average in 2001/02, the only year for which figures are available on both bases. This makes it difficult to derive any definitive conclusions on the change in the tax burden on households since 1997. In addition, results are based on a relatively small sample survey and as such are potentially subject to some sampling error.

Chart 5 shows the position for 2003/04. It is clear that **direct** taxes are progressive, in that the upper quintile (the 20% of households with the highest equivalised gross income) pays a higher percentage of income in direct tax (25%) than the lowest quintile (10%). This reflects the personal allowance, which takes those on very low incomes out of the tax system altogether, and a progressive rate structure, rising with incomes, from the 10% starting rate to the 40% higher rate. **Indirect** taxes are regressive, accounting for 28% of the gross income of the lowest quintile compared to only 11% for the highest quintile. ONS

¹³ Indirect taxes include an estimate of the extent to which intermediate taxes on businesses are passed on to consumers in the form of higher prices.

¹⁴ ONS, *The Effects of Taxes & Benefits on Household Income*, 2003/04, June 2005

Chart 5: Direct and indirect taxes as % of gross income: by quintile: 2003/04



Overall, the lowest quintile pays the highest proportion of gross equivalised disposable income on tax, with the second quintile paying the lowest.

Although detailed comparisons particularly between consecutive years cannot be drawn, the data presented in the following tables do nevertheless display broad trends:

- table 3 shows the average proportion of gross income¹⁵ paid in the form of (i) direct taxes, (ii) indirect taxes and (iii) direct and indirect taxes combined for each quintile¹⁶ (ranked by equivalised disposable income)¹⁷, and all households;
- table 4 shows the share of direct and indirect taxes combined paid by each quintile as a proportion of the total.

The historical pattern for all households shows there is a slight decrease in the proportion of income paid as tax since 1977.

The table also shows that the bottom two quintiles have seen the greatest changes over the period – the lowest quintile have seen the proportion of gross income paid as direct tax fall whilst the proportion paid as indirect tax has risen, with similar if less dramatic changes for the second quintile.

¹⁵ Gross income = original income (before government intervention) plus cash benefits, e.g. state pension.

¹⁶ Quintile groups are arrived at by dividing the income distribution into five equally-sized parts, each containing 20% of households. Data for more recent years is available by decile (i.e. 10% groups along the income distribution), but consistent figures from the 1970s to the present are available only by quintile.

¹⁷ Equivalisation adjusts household income on the basis of composition so that income better reflects living standards. For example, a single person with a particular disposable income would generally be considered to have a higher standard of living than a family of four with the same income.

Table 3: Direct & indirect taxes as % of gross income by quintile (a)

Year	Direct taxes					All	Indirect taxes					All	Direct and Indirect taxes combined					All
	1st (lowest)	2nd	3rd	4th (highest)	5th (highest)		1st (lowest)	2nd	3rd	4th (highest)	5th (highest)		1st (lowest)	2nd	3rd	4th (highest)	5th (highest)	
1977	18%	20%	22%	24%	24%	23%	19%	17%	17%	15%	13%	15%	37%	37%	39%	40%	37%	38%
1979	12%	16%	20%	22%	23%	20%	19%	18%	17%	15%	15%	16%	31%	34%	38%	39%	37%	37%
1981	14%	17%	21%	23%	24%	22%	22%	19%	17%	15%	15%	17%	36%	36%	40%	41%	39%	39%
1983	13%	16%	22%	24%	25%	22%	23%	20%	18%	14%	14%	17%	37%	36%	40%	41%	40%	39%
1985	13%	16%	20%	23%	25%	22%	23%	19%	17%	14%	14%	17%	36%	35%	39%	40%	38%	38%
1987	13%	16%	20%	22%	24%	21%	24%	20%	17%	12%	12%	16%	37%	36%	38%	39%	37%	37%
1988	15%	17%	20%	22%	22%	21%	24%	20%	17%	12%	12%	16%	39%	37%	39%	39%	35%	37%
1989	14%	16%	20%	21%	22%	20%	24%	20%	16%	13%	13%	16%	39%	36%	38%	37%	35%	36%
1990	16%	16%	19%	21%	22%	20%	23%	20%	16%	11%	11%	15%	40%	37%	37%	36%	33%	35%
1991	13%	15%	18%	20%	22%	20%	24%	20%	16%	12%	12%	16%	38%	35%	37%	36%	34%	35%
1992	13%	14%	18%	20%	22%	19%	27%	20%	16%	12%	12%	16%	39%	34%	37%	36%	34%	35%
1993	12%	13%	17%	20%	23%	20%	27%	19%	17%	12%	12%	16%	39%	34%	36%	37%	35%	36%
1993/94	12%	13%	16%	20%	23%	19%	27%	20%	16%	12%	12%	16%	39%	33%	36%	36%	35%	36%
1994/95	12%	13%	18%	21%	24%	20%	26%	20%	16%	12%	12%	16%	39%	34%	36%	37%	36%	36%
1995/96	15%	14%	18%	21%	25%	21%	26%	22%	17%	12%	12%	16%	42%	36%	37%	38%	37%	37%
1996/97	10%	13%	18%	21%	23%	20%	27%	19%	16%	12%	12%	16%	37%	35%	37%	37%	35%	36%
1997/98	10%	13%	18%	21%	23%	20%	28%	19%	17%	12%	12%	16%	38%	34%	36%	38%	35%	36%
1998/99	12%	14%	18%	21%	24%	21%	28%	19%	17%	12%	12%	16%	40%	35%	38%	38%	36%	37%
1999/00	11%	14%	18%	21%	24%	20%	30%	21%	17%	11%	11%	16%	41%	35%	37%	38%	35%	37%
2000/01	12%	15%	19%	22%	23%	21%	29%	19%	17%	12%	12%	16%	41%	36%	38%	38%	35%	37%
2001/02	12%	14%	18%	21%	24%	21%	30%	20%	15%	11%	11%	15%	42%	34%	36%	36%	35%	36%
2001/02	9%	13%	17%	21%	24%	20%	28%	20%	18%	11%	11%	15%	40%	33%	35%	36%	34%	35%
2002/03	9%	12%	17%	20%	24%	20%	28%	20%	18%	11%	11%	15%	38%	32%	35%	35%	35%	35%
2003/04	10%	12%	17%	21%	25%	20%	28%	20%	18%	11%	11%	15%	38%	33%	35%	36%	35%	35%

Notes: (a) by quintile of equivalised income
 (b) Income includes company cars
 (c) Income includes company cars and beneficial loans for house purchase from employers
 (d) Sample re-weighted to reflect total population (for each year's survey)
 (e) Water services excluded from direct taxes measure. This lowers the percentages, adjusted figures for 2001/02 are shown.

Source: Office for National Statistics, *The effects of taxes and benefits on household income 2003/04*, June 2005 and earlier versions (month of publication varies)

In 2003/04, some 35% of income was paid as tax – the same as the previous year and the lowest in the period covered. These data also suggest that the proportion paid as tax has fallen for every quintile other than the lowest, which has seen an increase of 7 percentage points since 1979, although the change compared to 1977 is less marked at only one percentage point.

The 31% figure for the bottom quintile in 1979 appears to be 'off trend', and could be a reflection of factors such as:

- above-inflation increases in personal allowances in 1977/78 and 1979/80 and the introduction of a 25% lower rate of income tax in 1978/79, largely offset when the lower rate was removed (1980/81) and when allowances were frozen (1981/82);
- possible under-recording of income for some poorer households;
- possible sampling error.

Table 4 shows the proportions of all taxes contributed by each quintile. For example, households in the lowest quintile contribute only 7% of the total tax paid by all households even though they contribute the highest proportion of their income as tax. By comparison, the households in the highest quintile pay more than six times as much (43%) of the total tax paid by all households.

Table 4: Percentage of total direct and indirect taxes (combined) paid by each quintile (a): 1977-2003/04

Year	Quintile of equivalised disposable income					All
	1st (lowest)	2nd	3rd	4th	5th (highest)	
1977	7%	12%	20%	26%	35%	100%
1979	6%	12%	20%	27%	36%	100%
1981	7%	11%	19%	26%	37%	100%
1983	7%	10%	19%	25%	38%	100%
1985	7%	10%	19%	26%	38%	100%
1987	7%	10%	18%	25%	40%	100%
1988	7%	10%	18%	25%	39%	100%
1989	7%	10%	19%	26%	39%	100%
1990 (b)	7%	10%	18%	25%	40%	100%
1991 (b)	6%	10%	18%	26%	40%	100%
1992 (c)	7%	10%	18%	25%	40%	100%
1993 (c)	7%	9%	17%	24%	42%	100%
1993/94 (c)	7%	9%	17%	24%	42%	100%
1994/95 (c)	7%	9%	17%	25%	42%	100%
1995/96 (c)	8%	10%	17%	24%	41%	100%
1996/97 (c)(d)	7%	10%	17%	25%	41%	100%
1997/98 (c)(d)	7%	10%	17%	25%	41%	100%
1998/99 (c)(d)	7%	10%	17%	24%	42%	100%
1999/00 (c)(d)	7%	10%	17%	25%	42%	100%
2000/01 (c)(d)	7%	11%	17%	25%	41%	100%
2001/02 (c)(d)	7%	10%	16%	24%	42%	100%
2002/03 (c)(d)(e)	7%	10%	16%	25%	42%	100%
2003/04 (c)(d)(e)	7%	10%	16%	24%	43%	100%

Sources and notes: see Table 3

The share of total tax paid by the top 20% of households appears to have risen, up seven percentage points on the 1979 figure, with some fluctuation in the intervening period. Although this quintile is paying a greater proportion of taxes, it is facing a lower tax burden – down two percentage points to 34% over the same period – as the richest 20% have seen their share of gross household income rise from around 35% in 1979 to 43% in 2003/04.¹⁸

There have been modest falls in the proportion of total tax paid by the second, third and fourth quintiles, with the share paid by the lowest quintile being broadly unchanged.

A table showing the shares of direct and indirect taxes paid by each quintile over the same period can be found in appendix table A3 (page 33).

¹⁸ In the same period, the lowest quintile's share of total gross income has fallen slightly from just under 7.8% to 6.4%.

VI Tax burden for 'hypothetical households'

A further disadvantage of aggregate measures of the tax burden is that they do not fully account for the impact of structural changes to the tax and benefit system, for example the move in the UK from child tax allowances to child benefit in the late 1970s, and more recently towards the introduction of tax credits.

A. Background

From 1981 until 1996, a series of parliamentary questions about the taxes paid by various hypothetical households on different multiples of average male earnings were answered by the Treasury.¹⁹ These answers included both direct taxes (income tax and national insurance contributions) and indirect taxes (such as VAT, excise duties, and local government taxes).

Similar questions since the 1997 General Election have received substantive replies for direct taxes only, due to the variable effects of indirect taxation – for example, in answer to a question tabled after the 1998 Budget the Treasury stated that:

Further consideration is being given to whether the information provided is typical of families in the UK. Similarly, estimating the impact of indirect taxes is imprecise as spending patterns vary widely between households with the same composition and income. The level of council tax payments will also vary depending on where families live. Further consideration is being given to whether the conventions, assumptions and sampling methods can be improved in order to provide information which is meaningful and reliable.²⁰

A question requesting data on indirect taxes specifically after the 1999 Budget received the following answer:²¹

Estimating the impact of indirect taxes on the basis of average assumptions about household spending is imprecise as spending patterns vary widely between households with the same composition and income, with the consumption of the majority of goods and services far from universal. For example, only around one third of adults are smokers. This can be contrasted with direct taxes and benefits where at specified earnings and for particular household types there is a known benefit entitlement or tax liability.

The Treasury publication *The Tax Benefit Reference Manual 1999/00*, announced that: "Following careful consideration this series has been discontinued [...]".²²

¹⁹ See, for example, HC Deb 11 December 1996 c190W

²⁰ HC Deb 5 May 1998 c331W

²¹ HC Deb 24 May 1999 c56W

²² HM Treasury, *Tax Benefit Reference Manual*, July 1999, para 13.13

B. Methodology

Because of these difficulties outlined above, this section looks only at direct tax paid by hypothetical households, accounting for certain tax credits, and the resulting effects on take-home pay. Those interested in the impact of indirect taxes from 1978/79 through to 1997/98 are directed to previous versions of this Research Paper.²³

This paper considers, for the period 1991/92 to 2005/06, three broad household types: (i) a single person; (ii) a married couple (without children) where both are in full-time work; and (iii) a married couple with two children under 11 where only the husband works.

Family Credit (abbreviated to 'FC' in the tables), the Working Families' Tax Credit (WFTC) and Children's Tax Credit (ChTC) and their successors, the Working Tax Credit (WTC) and Child Tax Credit (CTC) are included, reflecting the Government's view that tax credits are integral to the tax system. A number of necessary simplifying assumptions have been made for this analysis, and conclusions drawn are only relevant where all of the following assumptions hold:

- The only sources of income are earnings, child benefit, children's tax credit and FC/ChTC/WFTC/WTC/CTC. The only tax allowance is assumed to be the standard personal income tax allowance (thus earners are assumed to be aged under 65).
- Earners are employees and not contracted out of the state second pension (and therefore paying national insurance contributions at the full class 1 rate²⁴); earnings are assumed to be spread uniformly throughout the financial year.
- In two-earner households, individual earnings are at the male and female average. In previous editions of this paper, the combined income was set at the median full-time for an individual and then split between husband and wife 60:40. This meant that the individuals within these households earned less than the single person or the married couple earner in the other hypothetical households shown in the same table.
- Where appropriate, child benefit has been treated as negative income tax. This is a standard approach in such exercises (similarly Children's Tax Credit for 2001/02 and 2002/03 only), reflecting the replacement of child tax allowances and taxable family allowances with child benefit in the late 1970s and tax credits more recently.
- FC/WFTC/WTC/CTC are based on a single earner couple with two children aged under 11, but over 1 and therefore not eligible for higher 'baby' rates of credit. With only one earner, the family is not eligible for childcare element of working tax credit. The earner is assumed to be receiving the 30-hour credit. Household capital is assumed to be below £3,000 (for WFTC) and unearned income below £300 (for WTC/CTC).
- Unlike WFTC, WTC can be claimed by individuals and households without children under certain circumstances for those on relatively low incomes.²⁵ In the tables, the single earner (without children) is assumed to be aged 25 or over and working at least 30 hours per week. Initial WTC/CTC awards are based on the previous year's

²³ For example, Library Research Paper 97/50, *The Burden of Taxation*, 22 May 1997

²⁴ This rate increased by 1% to 11% for 2003-04 – see featured article in Research Paper 03/33, *Economic Indicators*, 1 April 2003; <http://www.parliament.uk/commons/lib/research/rp2003/rp03-033.pdf>

²⁵ Median earnings are relatively high compared to the level where WTC is 'wasted' away, so only table 12 includes payable WTC; see [SI 2002/2008](#) for detail.

gross income. Estimated awards will be revised to reflect true entitlement at the end of the tax year. Here, 2005/06 tax credits awards are based on (projected) average earnings in 2005/06.²⁶

- Retail prices are measured by the all-items Retail Prices Index for each financial year. The latest average of independent forecasts for 2005 (2.6%) has been used for 2005/06.²⁷

C. Results for hypothetical households

Table 5 shows the effects of direct taxes and credits on take home pay for households on 75%, 100% and 200% of median earnings, under the assumptions described above. Detailed tables back to 1991/92 for these households and those on 50% and 500% of median earnings are given in Appendix tables A4-A8.

Some of the main features are:

- Real take home pay has increased over the period for all households shown. This partly reflects rising gross earnings: projected real median weekly gross earnings in 2005/06 are around 14% higher than in 1996/97.
- However, some households have seen their real take home pay fall in certain years. In 2003/04, the index fell back slightly for households consisting of a single person or married couples without children. This reflects changes to national insurance contributions that came into effect in April 2003, but were not compensated for by the new tax credits for these household types at these levels of earnings.
- Most households saw the proportion of their gross earnings taken as income tax and NICs (after offsetting credits) fall over the period, although all of those shown saw an increase in 2005/06. The overall fall was most pronounced for a married couple with two children on 75% of the median, who have seen their tax burden become negative from 2000/01 onwards due to targeted tax credits. WTC/CTC is more generous to those further up the earnings distribution – those on 100% of the median received more than twice as much than they did under WFTC.
- However, married couples without children have not seen a significant fall in the proportion of their earnings paid as tax (after credits). Indeed, it has risen for those on 75% and 100% of average earnings, and rose markedly in 2003/04, again reflecting changes to national insurance affecting both earners. Over a longer period this group are affected by the loss of the Married Couple's Allowance which has not been compensated for by tax credits, which have been of greatest benefit to households with children (along with real increases in child benefit).

²⁶ Looking only at the effect on a take home pay, this analysis ignores to whom payments are made (WTC is to be paid through the pay packet for employees, whereas CTC will be paid directly to the main carer)

²⁷ See HM Treasury, *Budget 2005*, HC 372 2004-05, table B3, p227

Table 5: **Direct tax burden & real take home pay: 1996/97-2005/06**

As % of gross earnings: households with 75%, 100% and 200% of average earnings

	1996/97	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Net direct tax burden (as % of gross earnings)							
Single person, no children							
75%	23.1%	21.1%	20.6%	20.7%	21.8%	22.0%	22.2%
100%	25.8%	23.8%	23.5%	23.6%	24.6%	24.8%	24.9%
200%	28.7%	27.6%	27.8%	28.2%	29.1%	29.3%	29.4%
Married, no children (both working)							
75%	21.6%	20.8%	20.3%	20.5%	21.6%	21.8%	21.9%
100%	24.7%	23.6%	23.2%	23.3%	24.4%	24.6%	24.7%
200%	28.6%	27.5%	27.6%	27.9%	28.8%	29.0%	29.2%
Married, two children (one earner)							
75%	10.2%	-5.9%	-7.5%	-7.5%	-6.6%	-6.9%	-5.9%
100%	17.8%	12.9%	11.7%	11.8%	12.5%	12.3%	13.1%
200%	24.6%	24.1%	23.9%	24.5%	24.5%	24.8%	25.0%
Real take home pay (1996/97=100)							
Single person, no children							
75%	100.0	108.1	111.6	112.7	112.2	113.4	115.4
100%	100.0	108.2	111.6	112.7	112.1	113.4	115.4
200%	100.0	106.9	109.5	110.1	109.7	110.9	112.8
Married, no children (both working)							
75%	100.0	107.8	112.3	112.8	109.7	110.4	112.0
100%	100.0	109.2	113.4	114.0	110.6	111.4	113.1
200%	100.0	109.7	112.1	111.8	108.0	108.7	110.0
Married, two children (one earner)							
75%	100.0	124.3	129.6	130.9	131.1	133.2	134.5
100%	100.0	111.6	116.2	117.4	117.4	119.3	120.5
200%	100.0	106.0	109.2	109.6	110.6	111.7	113.4

Notes: See text and Appendix tables A4-A8

Two main limitations of this analysis should be noted. First, it takes no account of non-standard tax reliefs (such as mortgage interest relief or changes to the taxation of non-monetary income, such as company cars) or any changes to the tax system for unearned income.

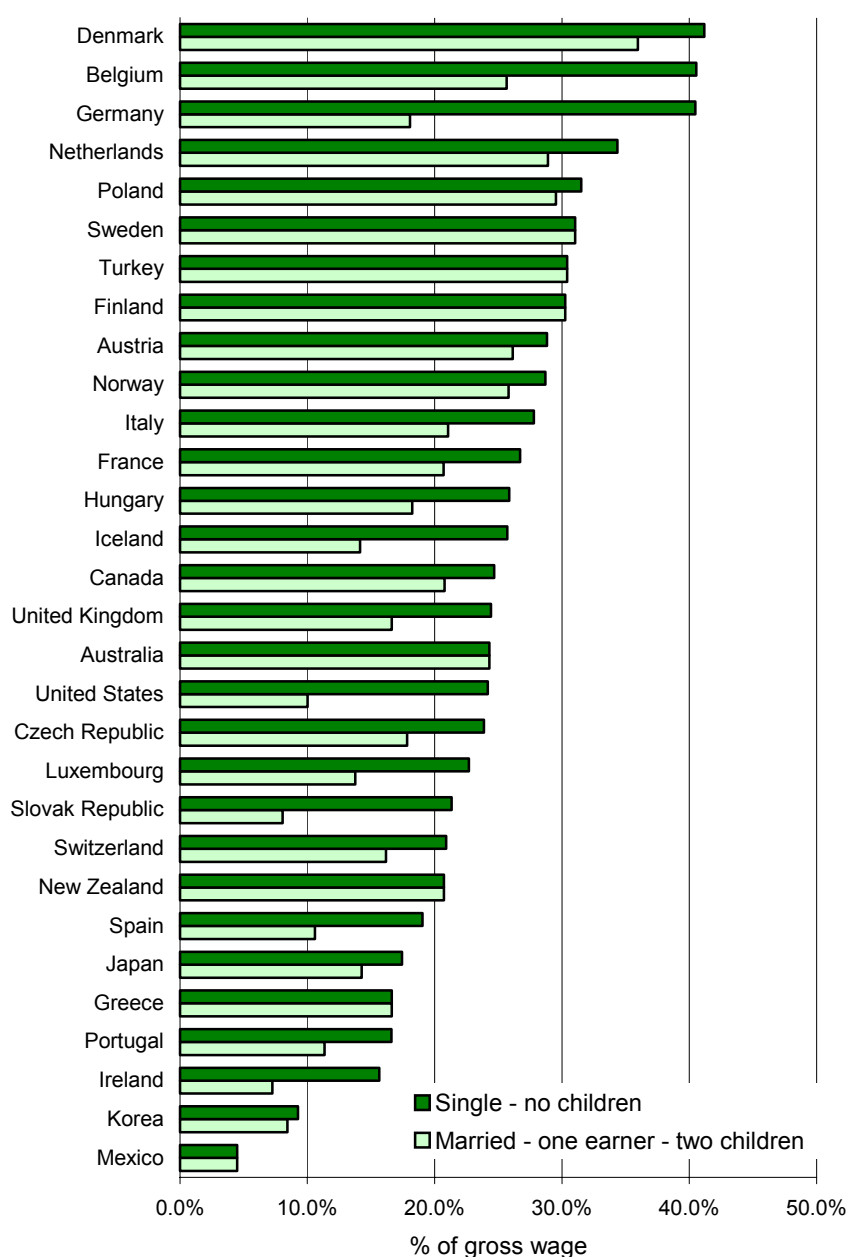
Second, due to the necessary assumptions made, these hypothetical households cannot reflect all taxpayers and their circumstances. For example, no account is taken of the self-employed or pensioners who also pay tax. Also, employees are assumed to be contracted into SERPS (now the state second pension, or S2P), but many now pay NICs at the lower contracted-out rate.

Also, the households considered do not relate to 'real' people, as in reality people's circumstances change from year to year. This analysis reflects the situation as it would affect a household of a given structure in each year.

VII Hypothetical households: international comparisons

The OECD publishes international comparisons of the tax burden on certain hypothetical households earning wages equivalent to the average adult full-time manual worker in the manufacturing industry in each of the 30 OECD countries. Chart 6 shows the proportion of gross wages paid in tax, less cash benefits in 2004 for (i) a single person without children and (ii) a single-earner married couple with two children, and ranked by the former:

Chart 6: Taxes less cash benefits as % of gross wages: 2004: for average production worker



As was the case for the hypothetical households featured in the analysis in section VI, above, the calculation of 'taxes' here reflects standard allowances and reliefs only. As a result, the exercise is subject to similar limitations, although the calculations do account for certain cash benefits such as child benefit in the case of the UK.²⁸

As the table shows, a single person with no children earning the average production wage in the UK made net payments of 24.4% of their gross earnings in 2004. This figure is below the average for the OECD 30 and the EU 15, with the UK ranked 16th highest in the OECD, and 12th highest in the EU. Mexico has the lowest proportion of net tax payments as a proportion of gross wage, at 4.5%.

For a couple with two children with only one earner on the average production wage, the figure for the UK is 16.6%, which is also under the averages for both the OECD and the EU. It is ranked 18th highest in the OECD and 13th highest in the EU on this basis.²⁹

Table A9 in Appendix 1 includes similar data for these two family structures for a range of multiples of the earnings of an average production worker.

²⁸ Eurostat, the Statistical Office of the European Communities, also publishes similar data for the EU and accession countries; see Eurostat, *Structural Indicators*, Indicator I4: '[Tax rate on low-wage earners](#)'

²⁹ Note that the full publication of these data in OECD, *Taxing Wages 2002-03*, 2003 includes similar data for these two family structures for on a range of multiples of the earnings of an average production worker.

Appendix 1: Supplementary Tables

These references tables provide more detail than the tables in the main text.

List of Supplementary Tables

Table A1: Headline tax and benefit rates for 2003/04 to 2005/06	31
Table A2: Taxes & Social Contributions: as % of GDP: 1900-2004	32
Table A3: Share of total direct and indirect taxes paid by each quintile	33
Table A4: Burden of direct taxes and real take home pay: 50% of median earnings	34
Table A5: Burden of direct taxes and real take home pay: 75% of median earnings	35
Table A6: Burden of direct taxes and real take home pay: 100% of median earnings	36
Table A7: Burden of direct taxes and real take home pay: 200% of median earnings	37
Table A8: Burden of direct taxes and real take home pay: 500% of median earnings	38
Table A9: Tax less cash benefits as % of gross earnings: 2004: OECD	39
Table A10: Tax burden and structure of taxes: EU: 2003	40

The information set out on page 19 should be consulted when interpreting figures in Table A3; data for successive years are not strictly comparable.

The tables on the pages 34 to 38 provide more detailed figures on the tax burden on hypothetical households back to 1991/92 for a wider range of earnings than Table 5 in section IV. The levels of earnings considered here are 50% (table A4), 75% (table A5), 100% (table A6), 200% (table A7) and 500% (table A8) of the median:

Table A9 gives more detail on the effect of tax systems on gross earnings in OECD countries and table A10 shows the tax burden in all 25 EU countries, using Eurostat figures.

Table A1: **Headline tax & benefit rates for 2003/04-05/06**

per annum unless stated

		2003/04	2004/05	2005/06	
Income Tax	Personal allowance (under 65)	£4,615	£4,745	£4,895	
	Starting rate threshold (taxable income)	£1,960	£2,020	£2,090	
	Basic rate threshold (taxable income)	£30,500	£31,400	£32,400	
	Starting rate	10%	10%	10%	
	Basic rate	22%	22%	22%	
	Higher rate	40%	40%	40%	
Employee NICs	Lower earnings level (pw)	£77	£79	£82	
	Primary threshold (PT) (pw)	£89	£91	£94	
	Upper earnings limit (UEL) (pw)	£595	£610	£630	
	Rate (between PT and UEL)	11%	11%	11%	
	Rate (above UEL)	1%	1%	1%	
Working Tax Credit *	Basic element (single person, no children)	£1,525	£1,570	£1,620	
	Second adult (couple)/Lone parent element	£1,500	£1,545	£1,595	
	30 hours per week element	£620	£640	£660	
	Disabled element	£2,040	£2,100	£2,165	
	Severe disability element	£865	£890	£920	
	50-plus element 16-29 hrs/30+ hrs	£1,045/ £1,565	£1,075/ £1,610	£1,100/ £1,660	
	<i>Childcare element</i>				
	Maximum eligible cost, 1 child (pw)	£135	£135	£175	
	Maximum eligible cost, 2+ children (pw)	£200	£200	£300	
	Proportion of eligible costs covered	70%	70%	70%	
	Child Tax Credit *	<i>per Child Element</i>			
		Credit	£1,445	£1,625	£1,690
		<i>Family Element</i>			
		Credit/Baby addition (total credit) (b)	£545/ £1,090	£545/ £1,090	£545/ £1,090
		Disabled/Severely disabled child element (total)	£2,155/ £3,020	£2,215/ £3,105	£2,285/ £3,205
Common income thresholds/withdrawal rates					
First income threshold	£5,060	£5,060	£5,220		
Taper rate	37p per £1	37p per £1	37p per £1		
Second income threshold	£50,000	£50,000	£50,000		
Taper rate	6.7p per £1	6.7p per £1	6.7p per £1		
First threshold (eligible for CTC only)	£13,230	£13,480	£13,910		
Income disregard	£2,500	£2,500	£2,500		
Child Benefit	First child (pw) (c)	£16.05	£16.50	£17.00	
	Second child (pw)	£10.75	£11.05	£11.40	

Notes: (a) Tax Credit weekly rates (apart from WTC childcare element, which is based on the figures shown) are calculated on the basis of dividing the annual entitlement/threshold by 365 or 366 (2004 being a leap year), rounding up to the nearest penny then multiplying the result by 7
(b) The higher rate payable for families for one year from child's birth
(c) Higher rate of £17.55 payable to lone parent claimants with protected rates
* income jointly assessed for couples; refer to Inland Revenue documentation for details of other elements
n/a not applicable

Table A2: Taxes & Social Contributions: as % of GDP: 1900-2004

Library estimates			Library estimates			Official data	
Year	Including Southern Ireland	Excluding Southern Ireland	Year	Excluding Southern Ireland	Official data	Year	Official data
1900	8.5%		1940		24.3%	1980	36.0%
1901	9.1%		1941	29.0%		1981	37.8%
1902	10.0%		1942	31.1%		1982	38.8%
1903	10.0%		1943	34.2%		1983	38.3%
1904	9.8%		1944	36.0%		1984	38.6%
1905	9.7%		1945	37.1%		1985	38.2%
1906	9.6%		1946	36.6%	36.6%	1986	37.9%
1907	9.6%		1947		34.8%	1987	37.2%
1908	9.7%		1948		35.1%	1988	37.0%
1909	9.6%		1949		35.5%	1989	36.8%
1910	10.2%		1950		34.2%	1990	36.5%
1911	10.1%		1951		33.0%	1991	36.1%
1912	10.6%		1952		32.1%	1992	35.2%
1913	10.6%		1953		30.4%	1993	33.9%
1914	10.7%		1954		29.8%	1994	34.4%
1915	11.1%		1955		29.8%	1995	35.4%
1916	14.6%		1956		28.9%	1996	34.9%
1917	15.6%		1957		29.2%	1997	35.5%
1918	16.2%		1958		29.8%	1998	36.5%
1919	19.4%		1959		29.3%	1999	36.8%
1920	19.5%	19.9%	1960		28.2%	2000	37.4%
1921		23.2%	1961		29.5%	2001	37.2%
1922		24.0%	1962		30.8%	2002	35.5%
1923		23.1%	1963		29.7%	2003	35.5%
1924		21.3%	1964		29.5%	2004	36.1%
1925		20.7%	1965		30.8%		
1926		21.4%	1966		31.9%		
1927		20.9%	1967		33.7%		
1928		21.1%	1968		35.1%		
1929		20.5%	1969		36.7%		
1930		20.7%	1970		37.2%		
1931		22.5%	1971		35.2%		
1932		24.6%	1972		33.4%		
1933		23.5%	1973		32.1%		
1934		22.4%	1974		35.7%		
1935		21.9%	1975		36.4%		
1936		21.6%	1976		35.7%		
1937		21.5%	1977		34.9%		
1938		21.9%	1978		33.6%		
1939		22.4%	1979		34.0%		

Sources: ONS Database (series GCSU & YBHA); Library Estimates
 Sefton & Weale, *Balanced Estimates of national income for the UK 1920-1990*, 1995
 CH Feinstein, *National Income, Expenditure & Output for the UK 1855-1965*, 1972
 CSO, *Annual Abstract of Statistics*, 1952 table 254 & earlier editions

Table A3: Share of total direct and indirect taxes paid by each quintile

Year	Quintile of equivalised disposable income									
	Lowest		Second		Third		Fourth		Highest	
	direct	indirect	direct	indirect	direct	indirect	direct	indirect	direct	indirect
1977	6%	10%	11%	14%	19%	21%	26%	25%	38%	30%
1979	4%	8%	10%	14%	19%	21%	27%	26%	39%	31%
1981	5%	10%	9%	14%	18%	20%	27%	25%	41%	32%
1983	5%	11%	8%	13%	18%	20%	26%	25%	43%	31%
1985	4%	10%	8%	12%	17%	21%	27%	25%	44%	31%
1987	4%	10%	8%	13%	16%	21%	25%	25%	47%	31%
1989	4%	9%	8%	13%	17%	20%	26%	25%	44%	32%
1991 (a)	4%	9%	8%	13%	16%	20%	25%	26%	47%	31%
1993/94 (b)	4%	11%	7%	13%	14%	20%	24%	24%	51%	32%
1994/95 (b)	4%	11%	6%	13%	14%	20%	25%	25%	50%	31%
1995/96 (b)	5%	12%	7%	14%	15%	20%	24%	24%	49%	30%
1996/97 (b)(c)	3%	11%	7%	14%	15%	20%	25%	24%	50%	31%
1997/98 (b)(c)	3%	11%	7%	14%	15%	19%	26%	25%	50%	31%
1998/99 (b)(c)	4%	11%	7%	13%	15%	19%	24%	24%	50%	32%
1999/00 (b)(c)	3%	11%	7%	13%	15%	20%	25%	24%	50%	31%
2000/01 (b)(c)	4%	11%	8%	14%	15%	19%	25%	24%	48%	31%
2001/02 (b)(c)	3%	13%	7%	14%	14%	19%	24%	24%	51%	31%
2002/03 (b)(c)(d)	3%	12%	7%	14%	14%	19%	25%	24%	51%	31%

Notes & sources: See table 3

Table A4: Burden of direct taxes and real take home pay: 50% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Gross earnings		£127.90	£134.55	£138.85	£143.20	£148.00	£154.00	£160.55	£166.70	£173.15	£180.80	£188.50	£194.55	£201.80	£210.82	£220.52
Single person, no children																
Income tax	}	£16.13	£15.15	£15.75	£16.35	£16.98	£16.58	£16.67	£17.31	£16.90	£17.72	£17.95	£18.85	£20.35	£21.64	£22.98
NICs	} <i>current prices</i>	£7.87	£8.33	£8.58	£9.76	£10.16	£10.52	£11.10	£11.55	£10.72	£10.48	£10.15	£10.56	£12.41	£13.18	£13.92
WTC (from 2003/04)	}												£2.23	£0.40	£0.00	
(Income tax + NICs) - WTC	<i>current prices</i>	£24.00	£23.48	£24.32	£26.11	£27.14	£27.10	£27.76	£28.86	£27.62	£28.20	£28.10	£29.40	£30.52	£34.43	£36.90
(Income tax + NICs) - WTC	<i>at 2003/04 prices</i>	£32.47	£30.80	£31.05	£32.77	£32.99	£32.18	£31.90	£32.15	£30.28	£30.04	£29.48	£30.22	£30.52	£33.39	£34.88
(Income tax + NICs) - WTC	<i>as % of earnings</i>	18.8%	17.5%	17.5%	18.2%	18.3%	17.6%	17.3%	17.3%	15.9%	15.6%	14.9%	15.1%	15.1%	16.3%	16.7%
Take-home pay	<i>current prices</i>	£103.90	£111.07	£114.53	£117.09	£120.86	£126.90	£132.79	£137.84	£145.53	£152.60	£160.41	£165.15	£171.28	£176.39	£183.62
Take-home pay	<i>at 2003/04 prices</i>	£144.91	£150.23	£150.77	£151.51	£151.50	£155.34	£157.33	£158.34	£164.56	£167.61	£173.55	£175.04	£176.60	£176.39	£178.97
Take-home pay	<i>index (2003/04 prices)</i>	93.3	96.7	97.1	97.5	97.5	100.0	101.3	101.9	105.9	107.9	111.7	112.7	113.7	113.6	115.2
Married, no children (two earner)																
Income tax	}	£21.29	£19.35	£20.66	£23.83	£26.93	£26.48	£26.47	£27.61	£27.80	£33.27	£33.75	£35.63	£38.63	£41.13	£43.70
NICs	}	£14.77	£15.69	£16.20	£18.48	£19.34	£20.07	£21.19	£22.12	£20.47	£19.98	£19.33	£20.18	£23.78	£25.28	£26.70
Income tax + NICs	<i>current prices</i>	£36.05	£35.04	£36.87	£42.31	£46.27	£46.55	£47.65	£49.73	£48.27	£53.24	£53.07	£55.81	£62.41	£66.41	£70.41
Income tax + NICs	<i>at 2003/04 prices</i>	£48.77	£45.96	£47.07	£53.10	£56.25	£55.27	£54.76	£55.40	£52.94	£56.71	£55.69	£57.37	£62.41	£64.40	£66.55
Income tax + NICs	<i>as % of earnings</i>	14.7%	13.6%	13.8%	15.3%	16.2%	15.6%	15.3%	15.4%	14.3%	15.1%	14.5%	14.7%	15.8%	16.1%	16.3%
Take-home pay	<i>current prices</i>	£91.85	£99.51	£101.98	£100.89	£101.73	£107.45	£112.90	£116.97	£124.88	£127.56	£135.43	£138.74	£139.39	£144.41	£150.11
Take-home pay	<i>at 2003/04 prices</i>	£128.11	£134.60	£134.25	£130.56	£127.52	£131.53	£133.76	£134.36	£141.20	£140.11	£146.53	£147.05	£143.73	£144.41	£146.31
Take-home pay	<i>index (2003/04 prices)</i>	97.4	102.3	102.1	99.3	97.0	100.0	101.7	102.2	107.4	106.5	111.4	111.8	109.3	109.8	111.2
Married, two children (one earner)																
Income tax	}	£7.86	£7.04	£7.90	£9.74	£12.01	£11.42	£11.39	£11.82	£13.11	£17.72	£7.95	£8.67	£20.35	£21.64	£22.98
of which Children's tax credit	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00	£10.17	£0.00	£0.00	£0.00
NICs	}	£7.87	£8.33	£8.58	£9.76	£10.16	£10.52	£11.10	£11.55	£10.72	£10.48	£10.15	£10.56	£12.41	£13.18	£13.92
Child benefit	}	£16.12	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.85	£26.30	£26.80	£27.55	£28.40
FC/WFTC	}	£22.76	£25.00	£26.64	£30.30	£38.42	£40.45	£39.66	£41.29	£56.75	£82.02	£78.99	£82.18	£0.00	£0.00	£0.00
WTC/CTC (from 2003/04)	}													£96.66	£103.02	£105.25
(Income tax+NICs) - (credits+CB)	<i>current prices</i>	-£23.14	-£27.07	-£28.26	-£29.25	-£35.10	-£38.11	-£37.22	-£38.67	-£56.92	-£78.82	-£86.74	-£89.25	-£90.71	-£95.74	-£96.75
(Income tax+NICs) - (credits+CB)	<i>at 2003/04 prices</i>	-£32.28	-£36.62	-£37.20	-£37.85	-£43.99	-£46.65	-£44.10	-£44.42	-£64.36	-£86.57	-£93.85	-£94.60	-£93.53	-£95.74	-£94.30
(Income tax+NICs) - (credits+CB)	<i>as % of earnings</i>	-18.1%	-20.1%	-20.4%	-20.4%	-23.7%	-24.7%	-23.2%	-23.2%	-32.9%	-43.6%	-46.0%	-45.9%	-44.9%	-45.4%	-43.9%
Take-home pay	<i>current prices</i>	£151.04	£161.62	£167.11	£172.45	£183.10	£192.11	£197.77	£205.37	£230.07	£259.62	£275.24	£283.80	£292.51	£306.56	£317.27
Take-home pay	<i>at 2003/04 prices</i>	£210.67	£218.61	£219.99	£223.15	£229.51	£235.17	£234.33	£235.90	£260.15	£285.16	£297.80	£300.80	£301.60	£306.56	£309.23
Take-home pay	<i>index (2003/04 prices)</i>	89.6	93.0	93.5	94.9	97.6	100.0	99.6	100.3	110.6	121.3	126.6	127.9	128.3	130.4	131.5

Table A5: Burden of direct taxes and real take home pay: 75% of median earnings

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Gross earnings	£191.85	£201.83	£208.28	£214.80	£222.00	£231.00	£240.83	£250.05	£259.73	£271.20	£282.75	£291.83	£302.70	£316.23	£330.77
Single person, no children															
Income tax	£32.12	£31.97	£33.10	£34.25	£35.48	£35.06	£35.13	£36.48	£36.81	£37.60	£38.68	£40.25	£42.55	£44.83	£47.24
NICs	£13.63	£14.38	£14.82	£16.92	£17.56	£18.22	£19.12	£19.89	£19.37	£19.52	£19.58	£20.28	£23.51	£24.78	£26.05
WTC (from 2003/04)												£0.00	£0.00	£0.00	
(Income tax + NICs) - WTC	£45.75	£46.35	£47.93	£51.17	£53.04	£53.28	£54.26	£56.36	£56.19	£57.12	£58.26	£60.53	£66.05	£69.61	£73.28
(Income tax + NICs) - WTC	£61.88	£60.81	£61.19	£64.22	£64.48	£63.26	£62.34	£62.79	£61.61	£60.85	£61.13	£62.22	£66.05	£67.51	£69.27
(Income tax + NICs) - WTC	23.8%	23.0%	23.0%	23.8%	23.9%	23.1%	22.5%	22.5%	21.6%	21.1%	20.6%	20.7%	21.8%	22.0%	22.2%
Take-home pay	£146.10	£155.47	£160.35	£163.63	£168.96	£177.72	£186.57	£193.69	£203.54	£214.08	£224.50	£231.30	£236.65	£246.62	£257.49
Take-home pay	£203.77	£210.29	£211.09	£211.74	£211.80	£217.55	£221.05	£222.48	£230.14	£235.13	£242.89	£245.15	£244.01	£246.62	£250.97
Take-home pay	93.7	96.7	97.0	97.3	97.4	100.0	101.6	102.3	105.8	108.1	111.6	112.7	112.2	113.4	115.4
Married, no children (two earner)															
Income tax	£51.90	£51.64	£53.98	£57.97	£62.32	£61.47	£61.52	£64.09	£66.52	£71.96	£74.14	£77.41	£81.99	£86.43	£91.09
NICs	£25.79	£27.32	£28.23	£32.27	£33.65	£34.99	£36.74	£38.30	£37.31	£37.56	£37.69	£39.16	£45.46	£47.93	£50.40
Income tax + NICs	£77.69	£78.96	£82.20	£90.24	£95.97	£96.46	£98.26	£102.39	£103.83	£109.52	£111.83	£116.57	£127.45	£134.36	£141.48
Income tax + NICs	£105.09	£103.58	£104.95	£113.26	£116.66	£114.51	£112.91	£114.06	£113.86	£116.67	£117.34	£119.82	£127.45	£130.30	£133.74
Income tax + NICs	21.1%	20.4%	20.5%	21.8%	22.4%	21.6%	21.1%	21.1%	20.6%	20.8%	20.3%	20.5%	21.6%	21.8%	21.9%
Take-home pay	£114.16	£122.87	£126.07	£124.56	£126.03	£134.54	£142.57	£147.66	£155.90	£161.68	£170.92	£175.26	£175.25	£181.87	£189.29
Take-home pay	£159.22	£166.19	£165.96	£161.18	£157.98	£164.70	£168.92	£169.61	£176.27	£177.58	£184.93	£185.75	£180.70	£181.87	£184.50
Take-home pay	96.7	100.9	100.8	97.9	95.9	100.0	102.6	103.0	107.0	107.8	112.3	112.8	109.7	110.4	112.0
Married, two children (one earner)															
Income tax	£23.85	£23.70	£24.83	£27.64	£30.51	£29.90	£29.85	£31.00	£33.02	£37.60	£28.68	£30.07	£42.55	£44.83	£47.24
of which Children's tax credit	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00	£10.17	£0.00	£0.00	£0.00
NICs	£13.63	£14.38	£14.82	£16.92	£17.56	£18.22	£19.12	£19.89	£19.37	£19.52	£19.58	£20.28	£23.51	£24.78	£26.05
Child benefit	£16.12	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.85	£26.30	£26.80	£27.55	£28.40
FC/WFTC	£0.00	£0.00	£0.00	£0.00	£4.75	£4.87	£2.01	£2.20	£20.50	£48.21	£43.74	£45.80	£0.00	£0.00	£0.00
WTC/CTC (from 2003/04)													£59.33	£64.01	£64.45
(Income tax+NICs) - (credits+CB)	£21.36	£20.64	£21.56	£26.11	£24.47	£23.65	£26.92	£27.93	£7.90	£-16.08	£-21.33	£-21.74	£-20.08	£-21.96	£-19.57
(Income tax+NICs) - (credits+CB)	£29.79	£27.91	£28.38	£33.78	£30.68	£28.95	£31.89	£32.08	£8.93	£-17.66	£-23.08	£-23.05	£-20.70	£-21.96	£-19.08
(Income tax+NICs) - (credits+CB)	11.1%	10.2%	10.4%	12.2%	11.0%	10.2%	11.2%	11.2%	3.0%	-5.9%	-7.5%	-7.5%	-6.6%	-6.9%	-5.9%
Take-home pay	£170.49	£181.19	£186.72	£188.69	£197.53	£207.35	£213.91	£222.12	£251.83	£287.28	£304.08	£313.57	£322.78	£338.18	£350.35
Take-home pay	£237.79	£245.08	£245.80	£244.17	£247.60	£253.83	£253.45	£255.14	£284.74	£315.54	£329.00	£332.35	£332.82	£338.18	£341.47
Take-home pay	93.7	96.6	96.8	96.2	97.5	100.0	99.8	100.5	112.2	124.3	129.6	130.9	131.1	133.2	134.5

Table A6: Burden of direct taxes and real take home pay: 100% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Gross earnings		£255.80	£269.10	£277.70	£286.40	£296.00	£308.00	£321.10	£333.40	£346.30	£361.60	£377.00	£389.10	£403.60	£421.64	£441.03
Single person, no children																
Income tax	}	£48.11	£48.79	£50.46	£52.15	£53.98	£53.54	£53.60	£55.65	£56.72	£57.49	£59.42	£61.65	£64.74	£68.02	£71.49
NICs	} <i>current prices</i>	£19.38	£20.44	£21.07	£24.08	£24.96	£25.92	£27.15	£28.22	£28.03	£28.56	£29.00	£30.01	£34.61	£36.37	£38.17
WTC (from 2003/04)	}												£0.00	£0.00	£0.00	
(Income tax + NICs) - WTC	<i>current prices</i>	£67.49	£69.23	£71.53	£76.23	£78.94	£79.46	£80.75	£83.87	£84.75	£86.05	£88.42	£91.66	£99.35	£104.39	£109.67
(Income tax + NICs) - WTC	<i>at 2003/04 prices</i>	£91.29	£90.82	£91.33	£95.67	£95.96	£94.34	£92.78	£93.43	£92.94	£91.67	£92.77	£94.22	£99.35	£101.24	£103.66
(Income tax + NICs) - WTC	<i>as % of earnings</i>	26.4%	25.7%	25.8%	26.6%	26.7%	25.8%	25.1%	25.2%	24.5%	23.8%	23.5%	23.6%	24.6%	24.8%	24.9%
Take-home pay	<i>current prices</i>	£188.31	£199.87	£206.17	£210.17	£217.06	£228.54	£240.35	£249.53	£261.55	£275.55	£288.59	£297.44	£304.25	£317.24	£331.36
Take-home pay	<i>at 2003/04 prices</i>	£262.64	£270.35	£271.40	£271.96	£272.09	£279.76	£284.78	£286.63	£295.73	£302.65	£312.23	£315.26	£313.71	£317.24	£322.97
Take-home pay	<i>index (2003/04 prices)</i>	93.9	96.6	97.0	97.2	97.3	100.0	101.8	102.5	105.7	108.2	111.6	112.7	112.1	113.4	115.4
Married, no children (two earner)																
Income tax	}	£82.52	£83.93	£87.37	£92.47	£98.09	£97.27	£97.29	£101.30	£105.25	£110.65	£114.54	£119.18	£125.35	£131.73	£138.47
NICs	}	£36.81	£38.94	£40.25	£46.07	£47.96	£49.90	£52.29	£54.48	£54.14	£55.15	£56.05	£58.15	£67.14	£70.58	£74.09
Income tax + NICs	<i>current prices</i>	£119.33	£122.88	£127.62	£138.54	£146.05	£147.17	£149.58	£155.78	£159.39	£165.80	£170.59	£177.33	£192.50	£202.31	£212.56
Income tax + NICs	<i>at 2003/04 prices</i>	£161.42	£161.19	£162.93	£173.86	£177.55	£174.72	£171.88	£173.55	£174.78	£176.62	£179.00	£182.28	£192.50	£196.20	£200.92
Income tax + NICs	<i>as % of earnings</i>	24.4%	23.8%	23.9%	25.1%	25.5%	24.7%	24.0%	24.1%	23.7%	23.6%	23.2%	23.3%	24.4%	24.6%	24.7%
Take-home pay	<i>current prices</i>	£136.47	£146.22	£150.08	£147.86	£149.95	£160.83	£171.52	£177.62	£186.91	£195.80	£206.41	£211.77	£211.10	£219.33	£228.48
Take-home pay	<i>at 2003/04 prices</i>	£190.33	£197.78	£197.57	£191.34	£187.96	£196.88	£203.22	£204.02	£211.35	£215.06	£223.32	£224.46	£217.67	£219.33	£222.69
Take-home pay	<i>index (2003/04 prices)</i>	96.7	100.5	100.3	97.2	95.5	100.0	103.2	103.6	107.3	109.2	113.4	114.0	110.6	111.4	113.1
Married, two children (one earner)																
Income tax	}	£39.84	£40.52	£42.19	£45.54	£49.01	£48.38	£48.32	£50.17	£52.94	£57.49	£49.42	£51.47	£64.74	£68.02	£71.49
of which Children's tax credit	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00	£10.17	£0.00	£0.00	£0.00
NICs	}	£19.38	£20.44	£21.07	£24.08	£24.96	£25.92	£27.15	£28.22	£28.03	£28.56	£29.00	£30.01	£34.61	£36.37	£38.17
Child benefit	}	£16.12	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.85	£26.30	£26.80	£27.55	£28.40
FC/WFTC	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£3.31	£14.40	£8.49	£9.42	£0.00	£0.00	£0.00
WTC/CTC (from 2003/04)	}												£22.00	£25.01	£23.66	
(Income tax+NICs) - (credits+CB)	<i>current prices</i>	£43.10	£43.51	£45.16	£51.17	£55.12	£54.70	£55.42	£57.64	£53.66	£46.66	£44.08	£45.76	£50.55	£51.83	£57.61
(Income tax+NICs) - (credits+CB)	<i>at 2003/04 prices</i>	£60.12	£58.85	£59.45	£66.21	£69.10	£66.96	£65.66	£66.20	£60.67	£51.25	£47.69	£48.51	£52.13	£51.83	£56.15
(Income tax+NICs) - (credits+CB)	<i>as % of earnings</i>	16.8%	16.2%	16.3%	17.9%	18.6%	17.8%	17.3%	17.3%	15.5%	12.9%	11.7%	11.8%	12.5%	12.3%	13.1%
Take-home pay	<i>current prices</i>	£212.70	£225.59	£232.54	£235.23	£240.88	£253.30	£265.68	£275.76	£292.64	£314.94	£332.92	£343.34	£353.05	£369.81	£383.42
Take-home pay	<i>at 2003/04 prices</i>	£296.66	£305.14	£306.12	£304.39	£301.94	£310.07	£314.79	£316.76	£330.89	£345.92	£360.21	£363.90	£364.03	£369.81	£373.71
Take-home pay	<i>index (2003/04 prices)</i>	95.7	98.4	98.7	98.2	97.4	100.0	101.5	102.2	106.7	111.6	116.2	117.4	117.4	119.3	120.5

Table A7: Burden of direct taxes and real take home pay: 200% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Gross earnings		£511.60	£538.20	£555.40	£572.80	£592.00	£616.00	£642.20	£666.80	£692.60	£723.20	£754.00	£778.20	£807.20	£843.27	£882.06
Single person, no children																
Income tax	}	£112.06	£118.49	£124.89	£131.37	£136.51	£135.98	£138.07	£143.37	£148.41	£153.73	£160.61	£167.85	£177.28	£187.46	£198.19
NICs	} <i>current prices</i>	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80	£51.53	£57.78	£59.42	£61.48
WTC (from 2003/04)	}												£0.00	£0.00	£0.00	
(Income tax + NICs) - WTC	<i>current prices</i>	£143.52	£151.16	£158.77	£169.81	£175.87	£176.60	£179.61	£186.75	£191.81	£199.63	£209.41	£219.38	£235.06	£246.88	£259.68
(Income tax + NICs) - WTC	<i>at 2003/04 prices</i>	£194.13	£198.30	£202.71	£213.11	£213.81	£209.66	£206.39	£208.05	£210.33	£212.66	£219.73	£225.51	£235.06	£239.43	£245.46
(Income tax + NICs) - WTC	<i>as % of earnings</i>	28.1%	28.1%	28.6%	29.6%	29.7%	28.7%	28.0%	28.0%	27.7%	27.6%	27.8%	28.2%	29.1%	29.3%	29.4%
Take-home pay	<i>current prices</i>	£368.08	£387.04	£396.63	£402.99	£416.13	£439.40	£462.59	£480.05	£500.79	£523.57	£544.59	£558.82	£572.14	£596.39	£622.39
Take-home pay	<i>at 2003/04 prices</i>	£513.38	£523.52	£522.13	£521.48	£521.62	£537.89	£548.08	£551.41	£566.25	£575.07	£589.22	£592.29	£589.93	£596.39	£606.62
Take-home pay	<i>index (2003/04 prices)</i>	95.4	97.3	97.1	96.9	97.0	100.0	101.9	102.5	105.3	106.9	109.5	110.1	109.7	110.9	112.8
Married, no children (two earner)																
Income tax	}	£208.15	£219.94	£230.32	£247.60	£259.72	£259.94	£263.10	£273.41	£284.40	£295.39	£307.81	£320.74	£339.52	£359.20	£379.95
NICs	} <i>current prices</i>	£62.92	£65.34	£67.76	£76.88	£78.72	£81.24	£83.08	£86.76	£86.80	£91.80	£97.60	£102.69	£115.19	£118.45	£122.55
Income tax + NICs	<i>current prices</i>	£271.07	£285.28	£298.08	£324.48	£338.44	£341.18	£346.18	£360.17	£371.20	£387.19	£405.41	£423.43	£454.71	£477.65	£502.50
Income tax + NICs	<i>at 2003/04 prices</i>	£366.66	£374.23	£380.57	£407.21	£411.43	£405.05	£397.79	£401.24	£407.06	£412.45	£425.40	£435.26	£454.71	£463.24	£475.00
Income tax + NICs	<i>as % of earnings</i>	27.7%	27.6%	27.9%	29.4%	29.6%	28.6%	27.8%	27.8%	27.6%	27.5%	27.6%	27.9%	28.8%	29.0%	29.2%
Take-home pay	<i>current prices</i>	£240.53	£252.92	£257.32	£248.32	£253.56	£274.82	£296.02	£306.63	£321.40	£336.01	£348.59	£354.77	£352.49	£365.62	£379.56
Take-home pay	<i>at 2003/04 prices</i>	£335.48	£342.11	£338.74	£321.33	£317.84	£336.42	£350.73	£352.21	£363.41	£369.06	£377.15	£376.02	£363.45	£365.62	£369.94
Take-home pay	<i>index (2003/04 prices)</i>	99.7	101.7	100.7	95.5	94.5	100.0	104.3	104.7	108.0	109.7	112.1	111.8	108.0	108.7	110.0
Married, two children (one earner)																
Income tax	}	£103.79	£107.80	£111.66	£124.75	£131.55	£130.81	£132.79	£137.89	£144.62	£153.73	£157.37	£165.31	£177.28	£187.46	£198.19
of which Children's tax credit	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£3.24	£2.54	£0.00	£0.00	£0.00
NICs	} <i>current prices</i>	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80	£51.53	£57.78	£59.42	£61.48
Child benefit	}	£16.12	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.85	£26.30	£26.80	£27.55	£28.40
FC/WFTC	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
WTC/CTC (from 2003/04)	}													£10.43	£10.50	£10.50
(Income tax+NICs) - (credits+CB)	<i>current prices</i>	£119.13	£123.02	£127.44	£144.74	£152.06	£151.83	£154.28	£160.52	£164.02	£174.63	£180.32	£190.54	£197.83	£208.83	£220.78
(Income tax+NICs) - (credits+CB)	<i>at 2003/04 prices</i>	£166.15	£166.39	£167.76	£187.30	£190.61	£185.87	£182.80	£184.39	£185.46	£191.81	£195.09	£201.95	£203.98	£208.83	£215.18
(Income tax+NICs) - (credits+CB)	<i>as % of earnings</i>	23.3%	22.9%	22.9%	25.3%	25.7%	24.6%	24.0%	24.1%	23.7%	24.1%	23.9%	24.5%	24.5%	24.8%	25.0%
Take-home pay	<i>current prices</i>	£392.47	£415.18	£427.96	£428.06	£439.94	£464.17	£487.92	£506.28	£528.58	£548.57	£573.68	£587.66	£609.37	£634.44	£661.29
Take-home pay	<i>at 2003/04 prices</i>	£547.39	£561.59	£563.38	£553.91	£551.46	£568.20	£578.10	£581.54	£597.67	£602.53	£620.69	£622.86	£628.32	£634.44	£644.53
Take-home pay	<i>index (2003/04 prices)</i>	96.3	98.8	99.2	97.5	97.1	100.0	101.7	102.3	105.2	106.0	109.2	109.6	110.6	111.7	113.4

Table A8: Burden of direct taxes and real take home pay: 500% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Gross earnings		£1,279.00	£1,345.50	£1,388.50	£1,432.00	£1,480.00	£1,540.00	£1,605.50	£1,667.00	£1,731.50	£1,808.00	£1,885.00	£1,945.50	£2,018.00	£2,108.18	£2,205.16
Single person, no children																
Income tax	}	£417.89	£441.41	£458.13	£475.05	£491.71	£505.58	£523.39	£543.45	£563.97	£587.65	£613.01	£634.77	£661.60	£693.42	£727.43
NICs	} <i>current prices</i>	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80	£63.21	£69.89	£72.07	£74.71
WTC (from 2003/04)	}												£0.00	£0.00	£0.00	
(Income tax + NICs) - WTC	<i>current prices</i>	£449.35	£474.08	£492.01	£513.49	£531.07	£546.20	£564.93	£586.83	£607.37	£633.55	£661.81	£697.97	£731.49	£765.49	£802.14
(Income tax + NICs) - WTC	<i>at 2003/04 prices</i>	£607.82	£621.91	£628.16	£644.42	£645.62	£648.45	£649.16	£653.74	£666.04	£674.88	£694.44	£717.47	£731.49	£742.40	£758.24
(Income tax + NICs) - WTC	<i>as % of earnings</i>	35.1%	35.2%	35.4%	35.9%	35.9%	35.5%	35.2%	35.2%	35.1%	35.0%	35.1%	35.9%	36.2%	36.3%	36.4%
Take-home pay	<i>current prices</i>	£829.65	£871.42	£896.49	£918.51	£948.93	£993.80	£1,040.57	£1,080.17	£1,124.13	£1,174.45	£1,223.19	£1,247.53	£1,286.51	£1,342.69	£1,403.01
Take-home pay	<i>at 2003/04 prices</i>	£1,157.15	£1,178.70	£1,180.16	£1,188.57	£1,189.48	£1,216.55	£1,232.89	£1,240.74	£1,271.07	£1,289.97	£1,323.43	£1,322.25	£1,326.52	£1,342.69	£1,367.46
Take-home pay	<i>index (2003/04 prices)</i>	95.1	96.9	97.0	97.7	97.8	100.0	101.3	102.0	104.5	106.0	108.8	108.7	109.0	110.4	112.4
Married, no children (two earner)																
Income tax	}	£779.15	£826.59	£860.83	£901.68	£939.26	£967.19	£1,001.31	£1,042.23	£1,085.74	£1,135.91	£1,187.02	£1,232.14	£1,285.60	£1,347.56	£1,413.78
NICs	}	£62.92	£65.34	£67.76	£76.88	£78.72	£81.24	£83.08	£86.76	£86.80	£91.80	£97.60	£125.48	£138.84	£143.16	£148.40
Income tax + NICs	<i>current prices</i>	£842.07	£891.93	£928.59	£978.56	£1,017.98	£1,048.43	£1,084.39	£1,128.99	£1,172.54	£1,227.71	£1,284.62	£1,357.61	£1,424.44	£1,490.72	£1,562.17
Income tax + NICs	<i>at 2003/04 prices</i>	£1,139.04	£1,170.06	£1,185.55	£1,228.09	£1,237.55	£1,244.71	£1,246.05	£1,257.70	£1,285.82	£1,307.80	£1,347.96	£1,395.53	£1,424.44	£1,445.76	£1,476.66
Income tax + NICs	<i>as % of earnings</i>	34.4%	34.5%	34.8%	35.5%	35.6%	35.1%	34.9%	34.9%	34.8%	34.9%	35.0%	35.8%	36.1%	36.2%	36.3%
Take-home pay	<i>current prices</i>	£436.93	£453.57	£459.91	£453.44	£462.02	£491.57	£521.11	£538.01	£558.96	£580.29	£600.38	£587.89	£593.56	£617.46	£642.98
Take-home pay	<i>at 2003/04 prices</i>	£609.41	£613.51	£605.43	£586.75	£579.14	£601.75	£617.43	£617.99	£632.02	£637.37	£649.58	£623.10	£612.02	£617.46	£626.69
Take-home pay	<i>index (2003/04 prices)</i>	101.3	102.0	100.6	97.5	96.2	100.0	102.6	102.7	105.0	105.9	107.9	103.5	101.7	102.6	104.1
Married, two children (one earner)																
Income tax	}	£404.66	£428.18	£444.90	£468.43	£486.75	£500.41	£518.11	£537.97	£560.18	£587.65	£613.01	£634.77	£661.60	£693.42	£727.43
of which Children's tax credit	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
NICs	}	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80	£63.21	£69.89	£72.07	£74.71
Child benefit	}	£16.12	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.85	£26.30	£26.80	£27.55	£28.40
FC/WFTC	}	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
WTC/CTC (from 2003/04)	}												£0.00	£0.00	£0.00	
(Income tax+NICs) - (credits+CB)	<i>current prices</i>	£420.00	£443.40	£460.68	£488.42	£507.26	£521.43	£539.60	£560.60	£579.58	£608.55	£635.96	£671.67	£704.69	£737.94	£773.74
(Income tax+NICs) - (credits+CB)	<i>at 2003/04 prices</i>	£585.79	£599.75	£606.45	£632.03	£635.85	£638.31	£639.33	£643.94	£655.33	£668.41	£688.07	£711.91	£726.61	£737.94	£754.14
(Income tax+NICs) - (credits+CB)	<i>as % of earnings</i>	32.8%	33.0%	33.2%	34.1%	34.3%	33.9%	33.6%	33.6%	33.5%	33.7%	33.7%	34.5%	34.9%	35.0%	35.1%
Take-home pay	<i>current prices</i>	£859.00	£902.10	£927.82	£943.58	£972.74	£1,018.57	£1,065.90	£1,106.40	£1,151.92	£1,199.45	£1,249.04	£1,273.83	£1,313.31	£1,370.24	£1,431.41
Take-home pay	<i>at 2003/04 prices</i>	£1,198.08	£1,220.20	£1,221.40	£1,221.00	£1,219.33	£1,246.87	£1,262.90	£1,270.87	£1,302.49	£1,317.43	£1,351.39	£1,350.13	£1,354.15	£1,370.24	£1,395.14
Take-home pay	<i>index (2003/04 prices)</i>	96.1	97.9	98.0	97.9	97.8	100.0	101.3	101.9	104.5	105.7	108.4	108.3	108.6	109.9	111.9

Table A9: Tax (a) less cash benefits as % of gross earnings: 2004: OECD

Family type Number of children Wage level (b)	Single				Married			
	None 67%	None 100%	None 167%	Two 67%	Two 100%,0%	Two 100%,33%	Two 100%,67%	None 100%,33%
Australia	20.7%	24.3%	32.4%	20.7%	24.3%	21.1%	22.9%	21.1%
Austria	20.7%	28.8%	35.9%	16.7%	26.1%	23.8%	25.6%	25.8%
Belgium	32.3%	40.5%	47.6%	26.2%	25.7%	30.1%	36.0%	32.2%
Canada	21.0%	24.7%	27.6%	13.1%	20.8%	21.7%	23.2%	21.7%
Czech Republic	21.6%	23.9%	27.1%	16.2%	17.8%	18.9%	20.3%	22.3%
Denmark	38.9%	41.2%	49.7%	38.9%	36.0%	39.0%	39.7%	39.0%
Finland	23.9%	30.3%	37.7%	23.9%	30.3%	26.6%	27.7%	26.6%
France	20.2%	26.7%	30.2%	18.2%	20.7%	20.6%	21.8%	22.9%
Germany	34.0%	40.5%	47.4%	15.5%	18.1%	25.5%	30.7%	34.0%
Greece	16.0%	16.6%	24.4%	16.0%	16.6%	16.5%	16.4%	17.3%
Hungary	19.0%	25.9%	39.9%	13.5%	18.2%	17.1%	18.6%	22.8%
Iceland	20.0%	25.7%	35.2%	20.0%	14.2%	20.0%	23.4%	20.0%
Ireland	8.5%	15.7%	28.0%	2.5%	7.3%	9.7%	12.8%	9.7%
Italy	22.4%	27.8%	34.2%	15.4%	21.1%	19.7%	22.9%	23.1%
Japan	16.5%	17.4%	20.5%	13.3%	14.3%	15.0%	15.8%	16.5%
Korea	7.9%	9.3%	14.6%	7.3%	8.4%	8.3%	8.3%	8.7%
Luxembourg	17.5%	22.7%	31.8%	13.7%	13.8%	13.7%	15.0%	16.0%
Mexico	-2.2%	4.5%	11.6%	-2.2%	4.5%	-0.2%	1.8%	-0.2%
Netherlands	27.9%	34.4%	35.5%	11.6%	28.9%	28.5%	30.2%	30.5%
New Zealand	19.0%	20.7%	26.5%	19.0%	20.7%	19.8%	20.0%	19.8%
Norway	25.2%	28.7%	36.0%	20.8%	25.8%	26.2%	27.3%	26.2%
Poland	30.0%	31.5%	32.7%	30.0%	29.5%	30.0%	30.9%	30.0%
Portugal	12.9%	16.6%	23.5%	11.0%	11.4%	11.3%	13.5%	13.7%
Slovak Republic	17.1%	21.3%	24.7%	9.1%	8.1%	9.4%	16.4%	13.4%
Spain	13.3%	19.0%	24.1%	6.4%	10.6%	14.4%	14.6%	15.9%
Sweden	28.6%	31.0%	36.8%	28.6%	31.0%	29.5%	30.1%	29.5%
Switzerland	18.0%	20.9%	25.6%	13.9%	16.2%	16.9%	18.9%	18.4%
Turkey	29.3%	30.4%	32.5%	29.3%	30.4%	29.7%	29.7%	29.7%
United Kingdom	20.1%	24.4%	26.9%	-10.0%	16.6%	18.2%	21.1%	20.1%
United States	21.7%	24.2%	29.8%	-3.3%	10.0%	14.9%	17.7%	21.8%
OECD average	20.7%	25.0%	31.0%	15.2%	19.2%	19.9%	21.8%	21.6%
UK ranking (out of 30)	17	16	21	30	18	18	16	18

Notes: (a) Income tax and compulsory employee contributions (i.e National Insurance in UK)

(b) As % of average production worker, for each person in a two-person household

Source: OECD, *Taxing Wages 2003-2004*, 2005, Table 4

Table A10: Tax burden and structure of taxes: EU: 2003

	Total tax burden as % of GDP	Rank	% of total taxes		
			Indirect	Direct	Social Security Contributions
Austria	43.0%	6	35.1%	31.1%	33.8%
Belgium	45.7%	3	30.1%	38.3%	31.6%
Cyprus	33.3%	21	49.6%	29.2%	21.2%
Czech Republic	36.2%	14	31.4%	27.1%	41.5%
Denmark	48.8%	2	35.7%	61.1%	3.4%
Estonia	33.4%	20	39.4%	26.2%	34.5%
Finland	44.8%	4	32.3%	41.0%	26.7%
France	43.8%	5	35.5%	26.8%	37.9%
Germany	40.3%	9	30.7%	26.7%	42.5%
Greece	36.2%	15	39.8%	24.8%	35.6%
Hungary	39.1%	12	42.4%	25.0%	32.5%
Ireland	29.9%	23	43.5%	41.2%	15.3%
Italy	42.9%	7	34.5%	35.6%	30.0%
Latvia	28.9%	24	39.7%	29.3%	31.0%
Lithuania	28.5%	25	41.6%	28.4%	30.3%
Luxembourg	41.3%	8	33.8%	38.6%	27.6%
Malta	33.6%	19	42.6%	37.1%	20.3%
Netherlands	39.3%	11	33.9%	29.3%	36.8%
Poland	35.8%	16	42.8%	20.1%	39.4%
Portugal	37.0%	13	43.0%	25.3%	31.7%
Slovakia	30.6%	22	37.6%	23.6%	40.2%
Slovenia	40.1%	10	41.8%	21.1%	37.1%
Spain	35.6%	18	35.1%	30.9%	35.8%
Sweden	50.8%	1	34.5%	37.4%	28.1%
United Kingdom	35.7%	17	38.3%	43.7%	18.0%
EU25	40.3%		34.8%	32.7%	32.7%
EU15	40.6%		34.6%	33.1%	32.5%
Eurozone	41.0%		32.6%	28.4%	35.1%

Source: Eurostat, *Tax revenue in EU Member States: Trend, level and structure 1995-2004*, 2005

Appendix 2: Bibliography & links

HM Treasury, *Economic & Fiscal Strategy Report and Financial Statement & Budget Report 2005* (the 'Red Book'), 16 March 2005 [HC 372 2004/05]; see http://www.hm-treasury.gov.uk/budget/budget_05/bud_bud05_index.cfm

Brewer, M "The New Tax Credits", *IFS Briefing Note 35*, 2003; see <http://www.ifs.org.uk/bns/bn35.pdf>

Child Poverty Action Group, *Welfare Benefits & Tax Credits Handbook 2004/2005*, 2004, particularly Part 6 "Tax Credits"

Department for Work & Pensions, *Tax Benefit Model Tables*, April 2004; see <http://www.dwp.gov.uk/asd/tbmt.asp>

Library Research Paper 04/27 *Direct taxes: rates & allowances 2005-06*, 18 March 2004; see <http://www.parliament.uk/commons/lib/research/rp2004/rp04-027.pdf>

National Statistics, "The effects of taxes and benefits on household income 2003-04", June 2005; see <http://www.statistics.gov.uk/articles/nojournal/taxesbenefits200304/taxesbenefits200304.pdf>

OECD, *Revenue Statistics 1965-2003*, 2004; full publication not freely available online – see <http://www.oecd.org/dataoecd/6/1/33826979.pdf> for selected tables

OECD, *Taxing Wages 2003-2004*, 2005; full publication not freely available online – see <http://www.oecd.org/ctp/taxingwages> for selected results

Also refer to past editions of this paper, most recently:

Library Research Paper 03/74, *The Burden of Taxation* 23 September 2003, see <http://www.parliament.uk/commons/lib/research/rp2003/rp03-074.pdf>

Websites of interest:

Eurostat <http://epp.eurostat.cec.eu.int/>

HM Treasury <http://www.hm-treasury.gov.uk>

HM Revenue and Customs:

Statistics: <http://www.hmrc.gov.uk/stats>

Tax Credits home: <http://www.hmrc.gov.uk/menus/credits.htm>

Technical Manual: <http://www.hmrc.gov.uk/manuals/tctmanual/index.htm>

Rates/Allowances: <http://www.hmrc.gov.uk/rates/taxcredits.htm>

Institute for Fiscal Studies <http://www.ifs.org.uk>