

The Burden of Taxation

Research Paper 96/43

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The burden of taxation can be measured in a number of ways. This Research Paper looks at three datasets which provide different perspectives. First, it brings together in a convenient form information provided in answer to parliamentary questions about the amount of tax paid by various hypothetical families in the years 1978/79 to 1996/97. These data cover both direct taxes and, at some income levels, indirect taxes. Second, the paper looks at the distribution of taxes among households in different income bands. Lastly, it also looks at data from the national accounts on the ratio of aggregate taxation to gross domestic product. As well as presenting estimates for the United Kingdom, the paper summarises some international comparisons prepared by the OECD. This Paper replaces Research Paper No 94/66.

Robert Twigger
Economic Policy & Statistics Section

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I Summary

There are a number of ways in which the trend in the burden of taxation can be assessed. This paper looks at three; the level of direct and indirect taxes paid by hypothetical families on various multiples of average male earnings; the amount of taxes paid by households in different parts of the income distribution; and the ratio of aggregate taxation to GDP. The paper also includes some international comparisons.

Since 1979 there have been many changes in the tax system. Over the same period average incomes have grown substantially in real terms and the distribution of income has become less equal.

Looking at the taxes paid by hypothetical families on average male earnings, the burden of direct and indirect taxes fell for a single person between 1978/79 and 1994/95 (from 45.6% to 43.0% of gross earnings) but rose for a single earner couple with two children (from 35.2% to 36.8%). See section III for further details.

Higher income households now pay a larger share of all household taxes than in 1979. This reflects the increased share of total household income received by this group as the average rate of tax paid by higher income households has fallen. See section IV for further details.

Total tax revenues in 1996/97 are expected to be some £270 billion. The aggregate tax burden (as measured by the ratio of total revenues to GDP) is expected to be 35¾% of GDP in 1996/97 compared to 34¼% in 1978/79 and 33¾% in 1973/74. See section V for further details.

In 1993, the aggregate tax burden in the United Kingdom was significantly below the average for the EU 12. It was, however, above the burden in several major non-European countries (Australia, Japan and the United States). See section VI for further details.

II Background

Since 1979 there have been a number of major changes in tax policy. Those principally affecting individuals include; the abolition of the highest rates of income tax and the reduction of the basic rate from 33% to 24%; the increases in VAT from rates of 8% and 12½% to 15% in 1979 and then to 17½% in 1991; and the increases in the standard rate of employees' national insurance contributions (from 6½% in 1978/79 to 10% today) and their restructuring in 1989. Changes principally affecting businesses include; the abolition of the national insurance surcharge; the reforms to corporation tax in 1983 with the main rate reduced from 52% to 35% (and subsequently reduced to 33%); the rise and fall of North Sea oil and gas revenues as a major contributor to government finances; and the abolition of the upper earnings limit for employers' national insurance contributions. There has also been a host of more minor changes.

Since 1979, the Government has pursued a policy of switching the burden of taxation from direct taxes on income to indirect taxes on expenditure. For example, in his November 1995 budget speech the Chancellor said¹:

Since 1979, this Government have shifted the tax burden away from direct taxes, which fall on income and employment, and towards indirect taxes on spending and consumption. That is the best way to encourage enterprise and investment and it is the best way to improve the long-term performance of the British economy.

As direct taxes tend to be more progressive (ie those with higher incomes pay proportionately more) than indirect taxes, this policy has resulted in a shift in the burden of taxation between different types of household.

These changes are set against the background of a substantial rise in incomes. Between 1978/79 and 1996/97 average (mean) male earnings are assumed to have risen by around 328% compared with an increase of around 200% in the Retail Prices Index.² This suggests a real increase of some 43%. Similarly, real gross domestic product at factor cost rose by 30% between 1978 and 1995. There has, however, also been a growing dispersion of the

¹ HC Deb 28 November 1995 c.1063

² Assuming earnings increase by 3½% in 1995/96 and 4% in 1996/97 and prices increase by 3¼% in 1995/96 and 2¼% in 1996/97.

income distribution with those above average incomes enjoying a higher rate of growth than those below³. The interaction of changes in the tax regime and growing incomes will affect the burden of taxation measured as the ratio of taxes to income.

There are a number of ways in which the trend in the burden of taxation can be assessed. This paper looks at three

- the level of direct and indirect taxes paid by hypothetical families on various multiples of average male earnings.
- data from the Family Expenditure Survey on the taxes paid by households in different income groups.⁴
- the ratio of aggregate taxation to GDP.

A further approach would be based on data from the national accounts on the impact of direct and indirect taxes on personal sector income and expenditure.⁵

III The tax burden on hypothetical families

Since December 1981 the Treasury has answered a number of parliamentary questions about the taxes paid by various hypothetical families on different multiples of average male earnings. The most recent example was in February 1996.⁶ This section attempts to bring the material from these answers together in a convenient form. The three household types considered here are a single person, a married couple both working and a married couple with two children under 11 where only the husband works. Fuller details of the methodology are provided on pages 27 and 28.

³ For evidence of this trend see the *New Earnings Survey* [1995 part A table 15], the December 1995 edition of *Economic Trends* [pp25-59] or the data on *Households Below Average Income* published by the Department of Social Security.

⁴ For an alternative analysis based on Family Expenditure Survey data see the February 1994 analysis by the Institute for Fiscal Studies: C Giles and P Johnson *Taxes Down, Taxes Up: The effects of a Decade of Tax Changes*.

⁵ An article in the November 1995 edition of *Economic Trends*, "Taxes and social security contributions: an international comparison 1983-1993", includes some data of this type.

⁶ HC Deb 26 February 1996 c.360W

A. Direct taxes and real net income

Tables 1.1 to 1.7 on pages 17 to 23 look at the burden of direct taxation in the form of income tax (less child benefit where appropriate) and employees' national insurance contributions (NICs). Each table contains figures for the three family types in various years between 1978/79 and 1996/97.⁷ The tables relate to the following proportions of average male earnings; 50%, 75%, 100%, 150%, 200%, 500% and 1,000%.^{8 9} As well as the ratio of direct taxes to gross earnings, the tables also show the amount of taxes at both cash and constant 1995/96 prices and the trend in net incomes (gross earnings plus child benefit less tax and national insurance contributions).

The graphs on pages 12 and 13 illustrate the trend in the burden of direct tax for some of the hypothetical families in tables 1.1 to 1.7. The tax burden fell for all groups between 1978/79 and 1979/80 as a result of the cut in the basic rate of income tax from 33% to 30%, the restructuring of the higher rate bands and increases in personal allowances in excess of the rate of inflation. In the period 1979/80 to 1982/83 most families experienced an increase in their direct tax burden. This was the result of a number of factors including increases in NICs (the standard rate for employees rose from 6½% in 1979/80 to 9% in 1983/84), the abolition of the reduced rate band in 1980/81 and the failure to increase personal allowances in 1981/82.

Generally between 1982/3 and 1987/88 there was a slight decline in the proportion that direct taxes represented of gross earnings. This was due to the reduction in the basic rate of income tax from 30% to 27% and personal allowances being increased by more than the rate of inflation. For those on the highest earnings, these factors were offset by the failure of the higher rate thresholds to match increases in earnings. Even so, most groups paid a higher proportion of their earnings in tax and NICs in 1987/88 than they did in 1979/80. With the cut in the basic rate to 25% and the abolition of higher rates above 40%, most families enjoyed a reduction in their direct tax burden in 1988/89 although those with children were adversely affected by the freezing of child benefit at its April 1987 level.

In 1989/90 most working families benefited from the restructuring of NICs; however, this was offset by the continued freeze of child benefit and the failure of tax allowances to rise at the

⁷ Data for other years are available but are not shown for reasons of space.

⁸ Average gross male earnings are assumed to be £397.30 per week in 1996/97.

⁹ In the case of the married couple both working, the earnings level refers to combined earnings which are assumed to be split 60:40 between husband and wife.

same rate as earnings. In 1990 independent taxation of married couples was introduced. This has no effect on this analysis as the main benefits were for married women with investment income or for couples where the husband did not work. For most groups, the trend in the direct tax burden was flat or slightly down in the three years 1990/91 to 1992/93 although married couples were adversely affected by the freezing of the married couple's allowance (MCA) in 1991 and 1992 and higher income families by the freezing of the basic rate limit in 1990 and 1992. Those with children will have benefited from the increases in child benefit in 1991/92 and 1992/93. In 1992/93 all taxpayers benefited from the introduction of a 20% lower rate band on the first £2,000 of taxable income.

The two budgets of 1993 introduced a number of tax increases. The personal allowance, married couples' allowance and basic rate limit were frozen on both occasions. From 1994/95 the MCA was restricted to a marginal rate of 20% and this was further reduced to 15% from 1995/96. This was partly offset by increases of £500 in the width of the lower rate band in both 1993/94 and 1994/95. The standard rate of employees' national insurance contributions increased from 9 to 10 percent in 1994/95. All the families covered in this analysis experienced an increase in their direct tax burden between 1992/93 and 1994/95.

The 1994 budget was broadly neutral in terms of direct taxes on individuals; however, the width of the lower rate band was increased by £100 more than indexation. The 1995 budget; however, introduced a number of reductions in tax for 1996/97. These included a reduction in the basic rate to 24%, an increase in the personal allowance by £100 more than indexation, the lower rate band was increased by £500 more than indexation and an increase in the basic rate limit of £200 more than indexation. These will result in a reduction in the direct tax burden on all the families in this analysis.

Overall, this analysis suggests that single people have seen a reduction in their direct tax burden between 1978/79 and 1996/97 but that, with the exception of those on above average earnings, couples have tended to see an increase.¹⁰ In some years it has been possible single people on around 150% of average earnings to pay a similar, or even a smaller, proportion of earnings in direct taxation than those on 100%. This reflects the growing gap between the upper earnings threshold for NICs and the starting point for higher rate income tax.

Three limitations of this analysis should be noted. Firstly, as mentioned above, the tables take no account of the growing dispersion of earnings over this period. Secondly, this analysis takes no account of non-standard tax reliefs (such as mortgage interest relief or changes to the taxation of non-monetary income, company cars for example) or changes to the tax system

¹⁰ In 1996/97 the direct tax burden on a married couple with two children on average earnings will be 21.4% compared to 20.9% in 1978/79. However, this figure is below the ratio of 22.8% in 1982/83 and the post-War peak of 24.8% in 1975/76.

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for unearned income such as the abolition of the investment income surcharge in 1984. Finally, the families are not necessarily typical of the majority of taxpayers. For example, no account is taken of the self-employed or pensioners, who also pay tax. Also, although employees are assumed to be contracted into SERPS, the majority of people now pay NICs at the contracted-out rate.

Despite the fact that some families on lower multiples of average earnings have experienced an increase in the proportion of their earnings taken in direct tax, the growth of real earnings has ensured that they have enjoyed increasing spending power. The graphs on pages 14 and 15 illustrate the indices of real net incomes set out in tables 1.1 to 1.7. These clearly show that while all the families have enjoyed rising real incomes, those on five and ten times average earnings have experienced far higher increases in net income than those with earnings closer to the average.

B. Direct and indirect taxes

Estimates of the overall burden of taxation, that is for both direct and indirect taxes, can only be reliably calculated for those whose earnings are between 75% and 150% of the average. Outside this range the sample size of the Family Expenditure Survey, on which estimates of indirect taxes are based, is insufficient to provide reliable data. Even within the range for which data are published, families' expenditure patterns - and hence the impact of indirect taxes - are very diverse.

Tables 2.1 to 2.3 on pages 24 to 26 set out the data in terms of proportions of gross earnings. Estimates for the council tax in 1993/94 have not been produced because of uncertainty about transitional relief, appeals and late payment in the first year of the tax. Estimates for the council tax in 1995/96 and 1996/97 are not yet available. Table 2.2, which relates to those on average earnings, suggests that single people have seen a fall in their total tax burden between 1978/79 and 1994/95 whereas couples with children have seen an increase. This will reflect a number of factors such as the freezing of child benefit between 1987 and 1991, the freezing of the married couples' allowance between 1990 and 1995 and the fact that single people tended to gain from the introduction of the community charge. The chart on page 16 illustrates the changing composition of the total tax burden for two of the three hypothetical families in table 2.2.

Between 1978/79 and 1994/95 the overall share of gross earnings taken in direct and indirect taxes is estimated to have fallen from 45½% to 43% for a single person but risen from 35¼% to 36¾% for a single earner couple with two children. However, as the following table shows, there has also been a marked change in the composition of these totals.

The burden of direct and indirect taxes
Percentages of gross earnings

	Single person			Couple with two children		
	1978/79	1994/95	Change	1978/79	1994/95	Change
a) Income tax (a)	25.0%	19.7%	-5.3%	14.4%	12.9%	-1.4%
b) NICs	6.5%	8.8%	2.3%	6.5%	8.8%	2.3%
c) a + b	31.5%	28.5%	-3.0%	20.9%	21.7%	0.9%
d) VAT	2.7%	5.7%	3.0%	2.7%	5.6%	2.9%
e) Other indirect	8.2%	6.9%	-1.3%	8.6%	7.3%	-1.3%
f) c + d + e	42.4%	41.2%	-1.3%	32.2%	34.6%	2.4%
g) Local taxes	3.1%	1.8%	-1.3%	3.0%	2.2%	-0.8%
h) f + g	45.6%	43.0%	-2.6%	35.2%	36.8%	1.6%

Note: (a) Net of child benefit where applicable.

Chart 1
Tax & NICs as percent of gross earnings
Single person

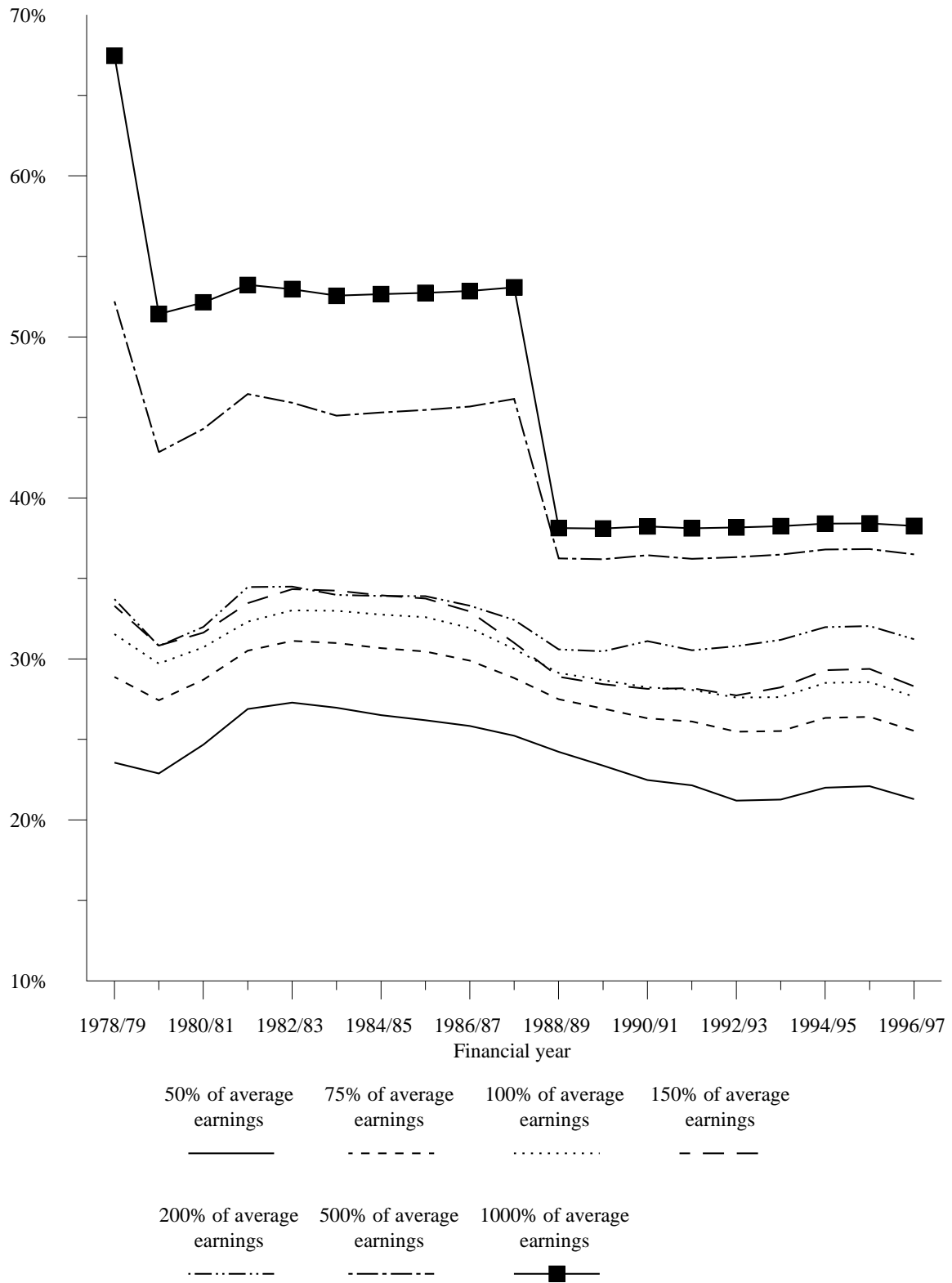
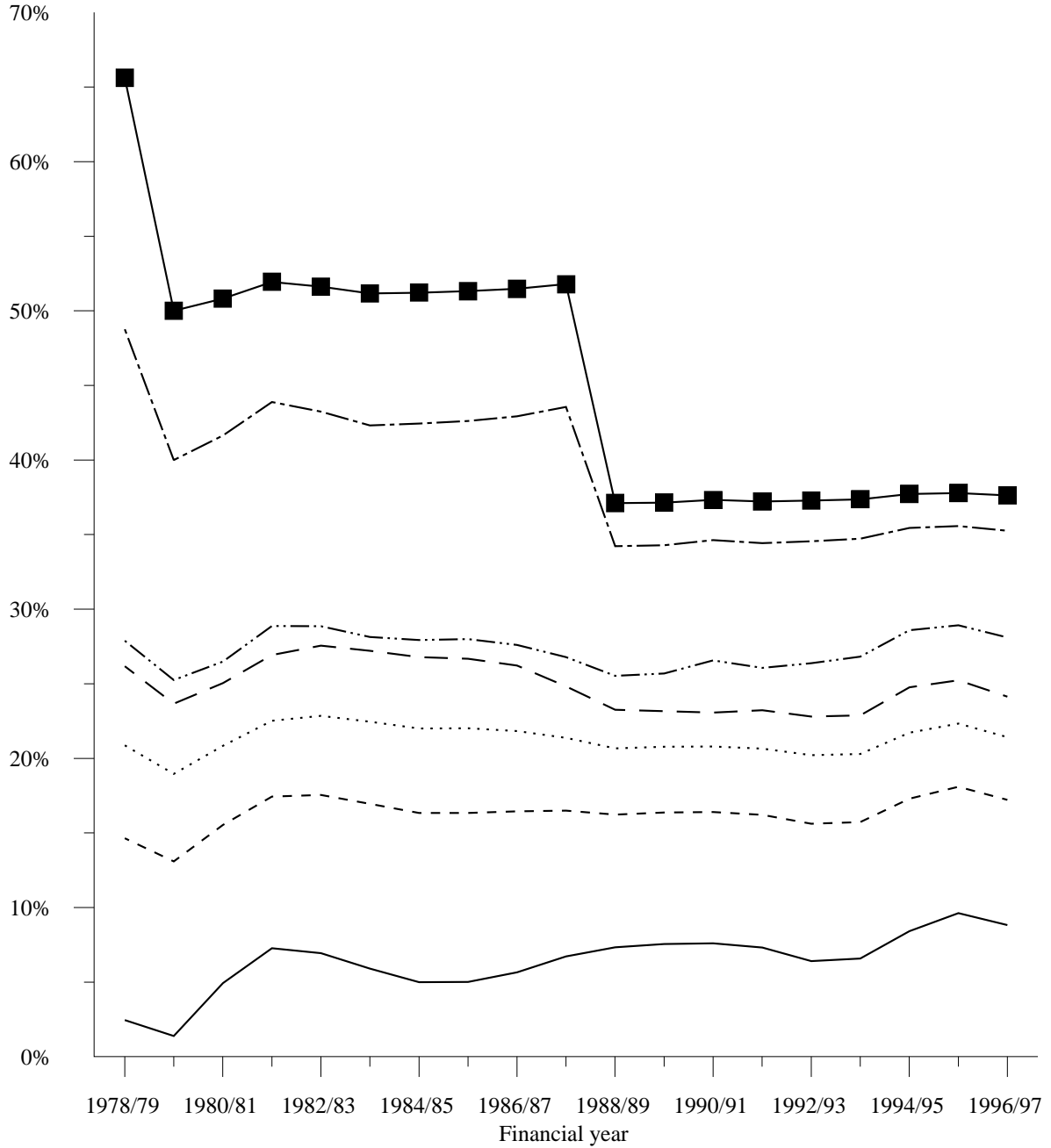


Chart 2
Tax & NICs as percent of gross earnings (a)
Married couple with two children

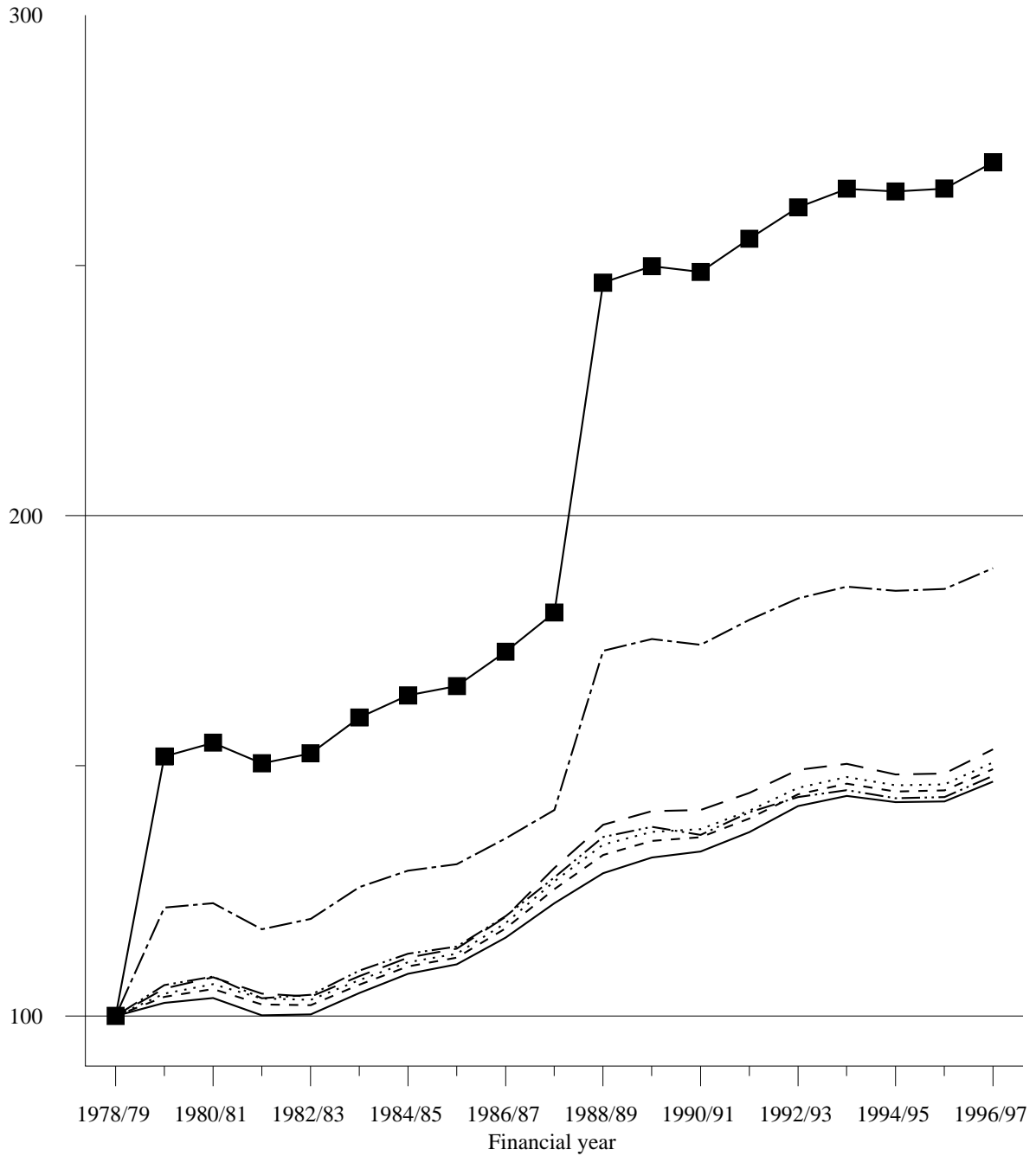


50% of average earnings 75% of average earnings 100% of average earnings 150% of average earnings

200% of average earnings 500% of average earnings 1000% of average earnings

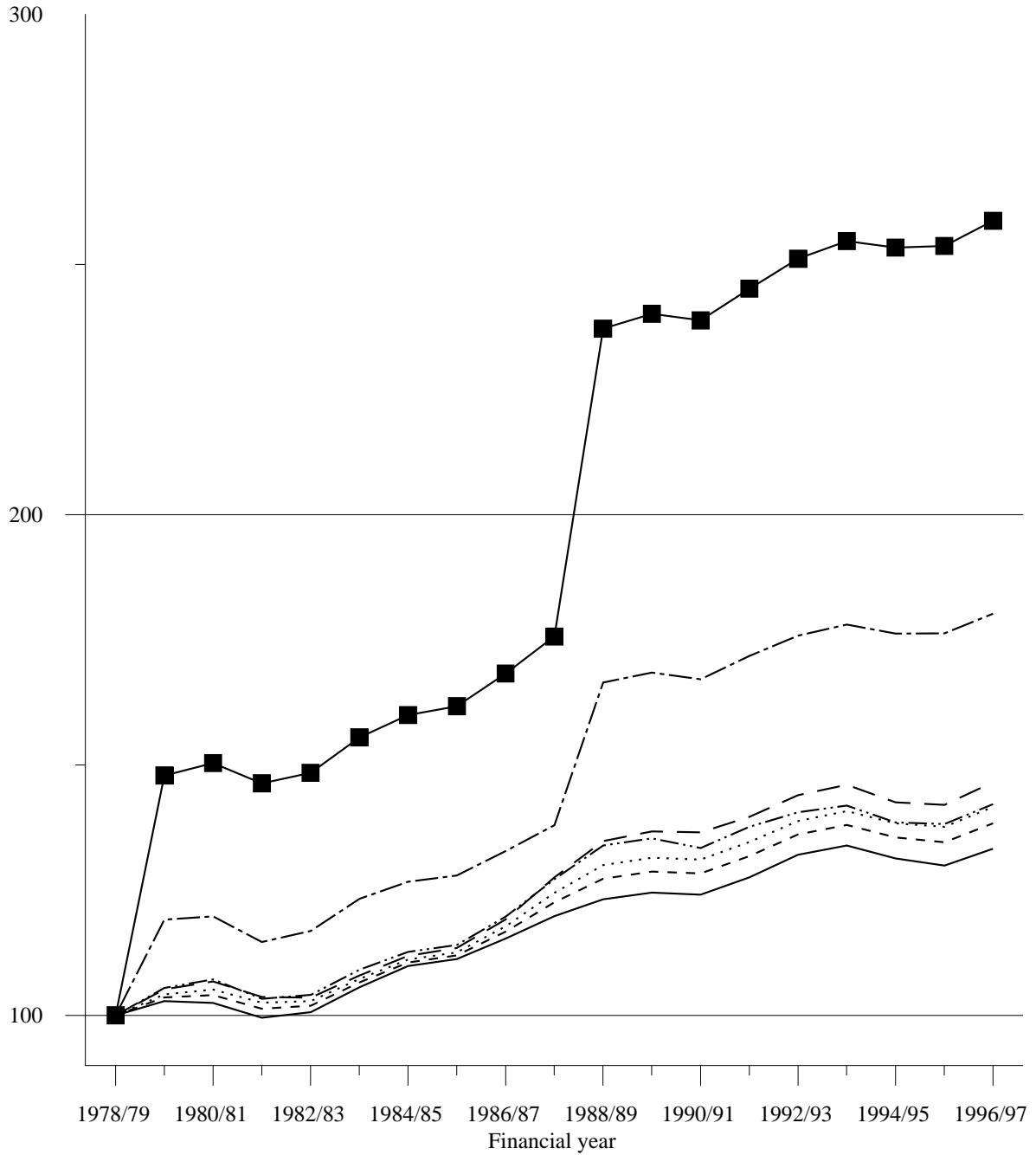
Note: (a) Net of Child benefit

Chart 3
Real net income: Indices 1978/79=100
Single person



50% of average earnings	75% of average earnings	100% of average earnings	150% of average earnings
_____	- - - - -	- - - - -
200% of average earnings	500% of average earnings	1000% of average earnings	
- . - . - .	- - - - -	—■—	

Chart 4
Real net income: Indices 1978/79=100
Married couple with two children



50% of average earnings 75% of average earnings 100% of average earnings 150% of average earnings

200% of average earnings 500% of average earnings 1000% of average earnings

Chart 5(a)
Burden of direct and indirect taxes 1978/79 and
Single person: average earnings

Percent of gross earnings

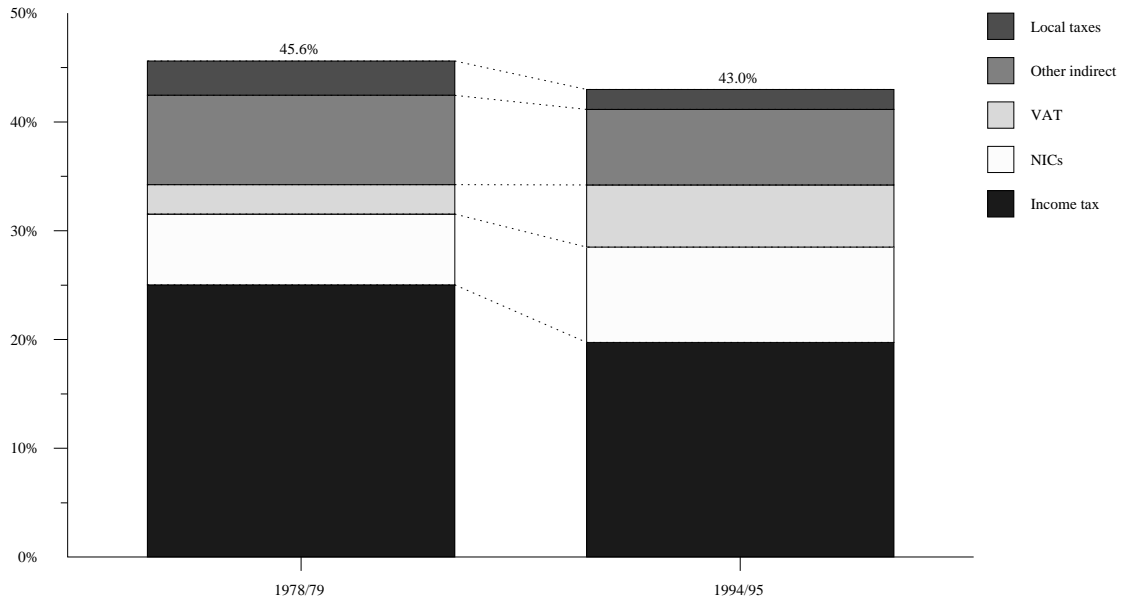
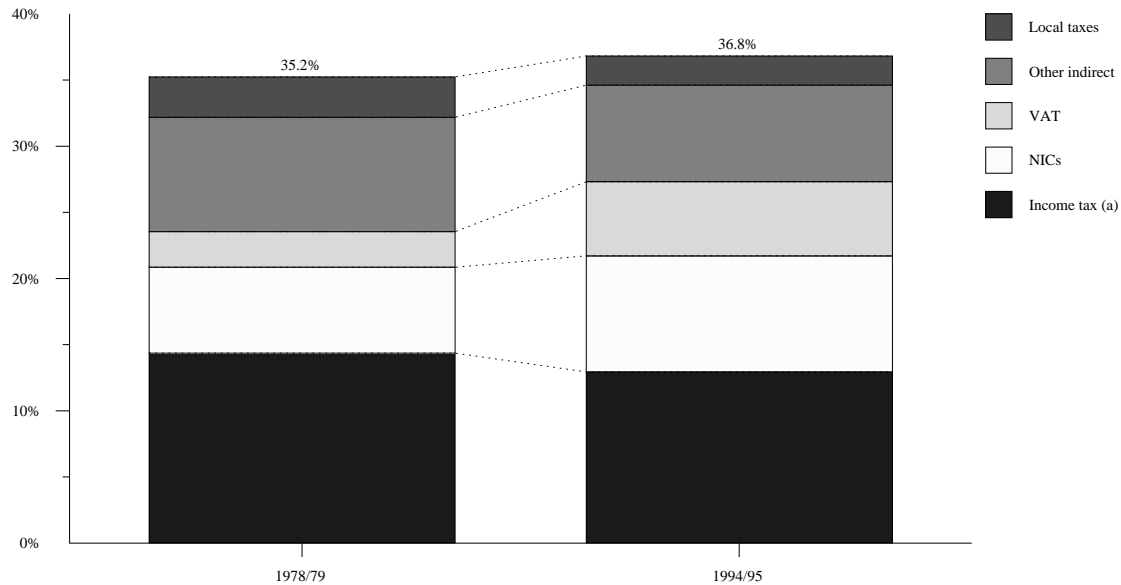


Chart 5(b)
Burden of direct and indirect taxes 1978/79 and
Couple with 2 children: average earnings

Percent of gross earnings



Note: (a) Net of child benefit.

Table 1.1

The burden of direct taxes and real net income
50% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£46.40	£54.65	£85.50	£116.80	£128.15	£139.95	£153.10	£164.35	£173.85	£179.55	£184.55	£191.00	£198.65
Cash prices													
Single person													
Income Tax	£7.91	£8.95	£15.35	£18.94	£19.51	£21.60	£23.83	£25.25	£24.98	£25.92	£26.69	£27.73	£27.30
NICs	£3.02	£3.55	£7.70	£10.51	£11.53	£11.09	£10.56	£11.15	£11.87	£12.24	£13.90	£14.46	£14.99
Income tax + NICs	£10.92	£12.50	£23.05	£29.46	£31.05	£32.69	£34.39	£36.40	£36.84	£38.16	£40.59	£42.19	£42.28
Income tax + NICs	£32.07	£31.71	£40.21	£43.04	£42.80	£41.80	£40.08	£40.51	£39.75	£40.48	£41.90	£42.19	£41.35
% of earnings	23.5%	22.9%	27.0%	25.2%	24.2%	23.4%	22.5%	22.1%	21.2%	21.3%	22.0%	22.1%	21.3%
Cash prices	£35.48	£42.15	£62.45	£87.34	£97.10	£107.26	£118.71	£127.95	£137.01	£141.39	£143.96	£148.81	£156.37
1995/96 prices	£104.16	£106.86	£108.96	£127.61	£133.85	£137.14	£138.38	£142.40	£147.81	£149.97	£148.64	£148.81	£152.93
Index at 1995/96 prices	100.0	102.6	104.6	122.5	128.5	131.7	132.9	136.7	141.9	144.0	142.7	142.9	146.8
Married both working													
Income Tax	£0.00	£0.00	£0.00	£0.00	£0.00	£0.56	£1.11	£1.14	£1.65	£2.79	£3.79	£6.12	£5.61
NICs	£3.02	£3.55	£7.70	£7.24	£7.95	£7.63	£7.34	£7.51	£8.09	£8.32	£9.34	£9.82	£10.11
Income tax + NICs	£3.02	£3.55	£7.70	£7.24	£7.95	£8.19	£8.45	£8.65	£9.74	£11.11	£13.13	£15.94	£15.71
Income tax + NICs	£8.86	£9.01	£13.42	£10.58	£10.95	£10.47	£9.85	£9.62	£10.51	£11.79	£13.56	£15.94	£15.36
% of earnings	6.5%	6.5%	9.0%	6.2%	6.2%	5.9%	5.5%	5.3%	5.6%	6.2%	7.1%	8.3%	7.9%
Cash prices	£43.38	£51.10	£77.81	£109.56	£120.20	£131.76	£144.65	£155.70	£164.11	£168.44	£171.42	£175.06	£182.94
1995/96 prices	£127.38	£129.56	£135.74	£160.07	£165.69	£168.47	£168.62	£173.28	£177.05	£178.66	£176.99	£175.06	£178.91
Index at 1995/96 prices	100.0	101.7	106.6	125.7	130.1	132.3	132.4	136.0	139.0	140.3	138.9	137.4	140.5
Married plus 2 children													
Income Tax	£3.26	£5.20	£9.53	£11.83	£12.35	£13.95	£15.56	£16.98	£16.71	£17.65	£20.08	£22.76	£22.14
NICs	£3.02	£3.55	£7.70	£10.51	£11.53	£11.09	£10.56	£11.15	£11.87	£12.24	£13.90	£14.46	£14.99
Child benefit	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£1.13	£0.75	£5.04	£7.84	£9.38	£10.54	£11.62	£12.00	£11.12	£11.79	£15.52	£18.37	£17.52
Income tax + NICs - CB	£3.14	£1.80	£8.29	£10.80	£12.19	£12.71	£12.77	£12.59	£11.31	£11.79	£15.11	£17.32	£16.15
% of earnings	2.4%	1.4%	5.9%	6.7%	7.3%	7.5%	7.6%	7.3%	6.4%	6.6%	8.4%	9.6%	8.8%
Cash prices	£45.27	£53.90	£80.46	£108.96	£118.77	£129.41	£141.48	£152.35	£162.73	£167.76	£169.03	£172.63	£181.13
1995/96 prices	£132.90	£136.66	£140.37	£159.19	£163.71	£165.46	£164.93	£169.55	£175.55	£177.94	£174.52	£172.63	£177.14
Index at 1995/96 prices	100.0	102.8	105.6	119.8	123.2	124.5	124.1	127.6	132.1	133.9	131.3	129.9	133.3

Table 1.2

The burden of direct taxes and real net income
75% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£69.60	£81.98	£128.25	£175.20	£192.23	£209.93	£229.65	£246.53	£260.78	£269.33	£276.83	£286.50	£297.98
Single person													
Income Tax	£15.56	£17.15	£28.18	£34.71	£35.53	£39.09	£42.97	£45.79	£46.71	£48.36	£49.76	£51.60	£51.14
NICs	£4.52	£5.33	£11.54	£15.77	£17.30	£17.39	£17.45	£18.55	£19.69	£20.32	£23.12	£24.01	£24.92
Income tax + NICs	£20.09	£22.48	£39.72	£50.48	£52.83	£56.48	£60.41	£64.34	£66.40	£68.68	£72.88	£75.61	£76.05
Income tax + NICs	£58.98	£57.00	£69.30	£73.75	£72.82	£72.21	£70.42	£71.60	£71.63	£72.85	£75.25	£75.61	£74.38
% of earnings	28.9%	27.4%	31.0%	28.8%	27.5%	26.9%	26.3%	26.1%	25.5%	25.5%	26.3%	26.4%	25.5%
Cash prices	£49.51	£59.50	£88.53	£124.72	£139.39	£153.44	£169.24	£182.19	£194.38	£200.64	£203.94	£210.89	£221.92
1995/96 prices	£145.37	£150.86	£154.45	£182.22	£192.14	£196.19	£197.28	£202.76	£209.70	£212.82	£210.57	£210.89	£217.04
Index at 1995/96 prices	100.0	103.8	106.2	125.3	132.2	135.0	135.7	139.5	144.2	146.4	144.8	145.1	149.3
Married both working													
Income Tax	£5.28	£6.17	£12.05	£15.01	£15.84	£18.06	£20.25	£21.68	£19.97	£21.46	£24.36	£27.35	£26.73
NICs	£4.52	£5.33	£11.54	£14.37	£15.76	£15.04	£14.23	£14.91	£15.91	£16.40	£18.56	£19.37	£20.04
Income tax + NICs	£9.81	£11.50	£23.59	£29.37	£31.61	£33.10	£34.48	£36.59	£35.88	£37.86	£42.92	£46.72	£46.76
Income tax + NICs	£28.80	£29.15	£41.16	£42.92	£43.57	£42.32	£40.19	£40.72	£38.71	£40.16	£44.31	£46.72	£45.73
% of earnings	14.1%	14.0%	18.4%	16.8%	16.4%	15.8%	15.0%	14.8%	13.8%	14.1%	15.5%	16.3%	15.7%
Cash prices	£59.79	£70.48	£104.66	£145.83	£160.62	£176.82	£195.17	£209.94	£224.89	£231.47	£233.91	£239.78	£251.21
1995/96 prices	£175.55	£178.71	£182.59	£213.06	£221.40	£226.08	£227.51	£233.64	£242.62	£245.52	£241.51	£239.78	£245.68
Index at 1995/96 prices	100.0	101.8	104.0	121.4	126.1	128.8	129.6	133.1	138.2	139.9	137.6	136.6	139.9
Married plus 2 children													
Income Tax	£10.80	£13.40	£22.35	£27.60	£28.37	£31.45	£34.70	£37.52	£38.44	£40.10	£43.14	£46.64	£45.97
NICs	£4.52	£5.33	£11.54	£15.77	£17.30	£17.39	£17.45	£18.55	£19.69	£20.32	£23.12	£24.01	£24.92
Child benefit	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£10.19	£10.73	£21.71	£28.87	£31.17	£34.34	£37.64	£39.94	£40.68	£42.31	£47.82	£51.80	£51.29
Income tax + NICs - CB	£28.20	£25.65	£35.71	£39.76	£40.50	£41.39	£41.37	£41.91	£41.37	£42.31	£46.54	£48.83	£47.29
% of earnings	14.6%	13.1%	16.9%	16.5%	16.2%	16.4%	16.4%	16.2%	15.6%	15.7%	17.3%	18.1%	17.2%
Cash prices	£59.41	£71.25	£106.54	£146.33	£161.06	£175.59	£192.01	£206.58	£220.10	£227.01	£229.01	£234.70	£246.68
1995/96 prices	£174.44	£180.65	£185.87	£213.80	£222.00	£224.51	£223.82	£229.90	£237.45	£240.79	£236.45	£234.70	£241.26
Index at 1995/96 prices	100.0	103.6	106.6	122.6	127.3	128.7	128.3	131.8	136.1	138.0	135.5	134.5	138.3

Table 1.3

The burden of direct taxes and real net income
100% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£92.80	£109.30	£171.00	£233.60	£256.30	£279.90	£306.20	£328.70	£347.70	£359.10	£369.10	£382.00	£397.30
Single person													
Income Tax	£23.22	£25.35	£41.00	£50.48	£51.55	£56.59	£62.10	£66.33	£68.44	£70.81	£72.83	£75.48	£74.98
NICs	£6.03	£7.10	£15.39	£21.02	£23.07	£23.69	£24.34	£25.94	£27.51	£28.40	£32.35	£33.56	£34.85
Income tax + NICs	£29.25	£32.45	£56.39	£71.50	£74.62	£80.27	£86.44	£92.28	£95.95	£99.21	£105.18	£109.04	£109.83
Income tax + NICs	£85.88	£82.29	£98.38	£104.47	£102.85	£102.63	£100.76	£102.69	£103.52	£105.23	£108.60	£109.04	£107.41
% of earnings	31.5%	29.7%	33.0%	30.6%	29.1%	28.7%	28.2%	28.1%	27.6%	27.6%	28.5%	28.5%	27.6%
Cash prices	£63.55	£76.85	£114.61	£162.10	£181.68	£199.63	£219.76	£236.42	£251.75	£259.89	£263.92	£272.96	£287.47
1995/96 prices	£186.59	£194.86	£199.95	£236.83	£250.43	£255.24	£256.17	£263.11	£271.59	£275.67	£272.50	£272.96	£281.15
Index at 1995/96 prices	100.0	104.4	107.2	126.9	134.2	136.8	137.3	141.0	145.6	147.7	146.0	146.3	150.7
Married both working													
Income Tax	£12.32	£14.16	£24.88	£30.78	£31.86	£35.55	£39.39	£42.22	£41.68	£43.57	£46.77	£50.49	£49.43
NICs	£6.03	£7.10	£15.39	£19.16	£21.02	£21.06	£21.12	£22.30	£23.73	£24.48	£27.79	£28.92	£29.97
Income tax + NICs	£18.36	£21.26	£40.27	£49.93	£52.88	£56.61	£60.50	£64.53	£65.42	£68.05	£74.56	£79.41	£79.40
Income tax + NICs	£53.90	£53.91	£70.25	£72.95	£72.89	£72.38	£70.53	£71.81	£70.57	£72.18	£76.98	£79.41	£77.66
% of earnings	19.8%	19.5%	23.5%	21.4%	20.6%	20.2%	19.8%	19.6%	18.8%	19.0%	20.2%	20.8%	20.0%
Cash prices	£74.44	£88.04	£130.73	£183.67	£203.42	£223.29	£245.70	£264.17	£282.28	£291.05	£294.54	£302.59	£317.90
1995/96 prices	£218.58	£223.23	£228.08	£268.35	£280.40	£285.49	£286.41	£294.00	£304.53	£308.72	£304.12	£302.59	£310.90
Index at 1995/96 prices	100.0	102.1	104.3	122.8	128.3	130.6	131.0	134.5	139.3	141.2	139.1	138.4	142.2
Married plus 2 children													
Income Tax	£18.46	£21.60	£35.18	£43.37	£44.39	£48.94	£53.83	£58.06	£60.17	£62.54	£66.21	£70.51	£69.81
NICs	£6.03	£7.10	£15.39	£21.02	£23.07	£23.69	£24.34	£25.94	£27.51	£28.40	£32.35	£33.56	£34.85
Child benefit	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£19.35	£20.70	£38.39	£49.89	£52.95	£58.13	£63.67	£67.88	£70.23	£72.84	£80.11	£85.22	£85.06
Income tax + NICs - CB	£53.57	£49.49	£63.13	£68.72	£68.81	£70.07	£69.97	£71.22	£71.43	£72.84	£77.98	£80.35	£78.43
% of earnings	20.9%	18.9%	22.4%	21.4%	20.7%	20.8%	20.8%	20.7%	20.2%	20.3%	21.7%	22.3%	21.4%
Cash prices	£73.45	£88.60	£132.62	£183.71	£203.35	£221.77	£242.53	£260.82	£277.47	£286.26	£288.99	£296.78	£312.24
1995/96 prices	£215.65	£224.65	£231.36	£268.41	£280.29	£283.56	£282.71	£290.26	£299.34	£303.64	£298.38	£296.78	£305.37
Index at 1995/96 prices	100.0	104.2	107.3	124.5	130.0	131.5	131.1	134.6	138.8	140.8	138.4	137.6	141.6

Table 1.4

The burden of direct taxes and real net income
150% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£139.20	£163.95	£256.50	£350.40	£384.45	£419.85	£459.30	£493.05	£521.55	£538.65	£553.65	£573.00	£595.95
Cash prices													
Single person													
Income Tax	£38.53	£41.74	£66.65	£82.02	£83.59	£91.57	£100.89	£107.42	£111.90	£118.19	£123.71	£128.91	£127.96
NICs	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Income tax + NICs	£46.33	£50.52	£87.80	£108.57	£111.04	£119.32	£129.17	£138.88	£144.57	£152.07	£162.15	£168.27	£168.58
Income tax + NICs	£136.03	£128.09	£153.18	£158.62	£153.06	£152.56	£150.58	£154.56	£155.97	£161.30	£167.42	£168.27	£164.87
% of earnings	33.3%	30.8%	34.2%	31.0%	28.9%	28.4%	28.1%	28.2%	27.7%	28.2%	29.3%	29.4%	28.3%
Cash prices	£92.87	£113.43	£168.70	£241.83	£273.41	£300.53	£330.13	£354.17	£376.98	£386.58	£391.50	£404.73	£427.37
1995/96 prices	£272.67	£287.62	£294.32	£353.33	£376.87	£384.26	£384.83	£394.15	£406.70	£410.05	£404.22	£404.73	£417.97
Index at 1995/96 prices	100.0	105.5	107.9	129.6	138.2	140.9	141.1	144.6	149.2	150.4	148.2	148.4	153.3
Married both working													
Income Tax	£27.64	£30.55	£50.53	£62.31	£63.90	£70.54	£77.66	£83.31	£85.15	£88.46	£92.90	£98.24	£97.11
NICs	£9.05	£10.66	£23.09	£31.54	£34.60	£34.78	£34.90	£37.09	£39.38	£40.64	£46.25	£48.02	£49.84
Income tax + NICs	£36.68	£41.21	£73.61	£93.85	£98.50	£105.32	£112.56	£120.41	£124.53	£129.10	£139.15	£146.26	£146.95
Income tax + NICs	£107.71	£104.48	£128.43	£137.12	£135.77	£134.66	£131.21	£134.00	£134.34	£136.94	£143.67	£146.26	£143.71
% of earnings	26.4%	25.1%	28.7%	26.8%	25.6%	25.1%	24.5%	24.4%	23.9%	24.0%	25.1%	25.5%	24.7%
Cash prices	£102.52	£122.74	£182.89	£256.55	£285.95	£314.53	£346.74	£372.64	£397.02	£409.55	£414.50	£426.74	£449.00
1995/96 prices	£301.00	£311.23	£319.07	£374.83	£394.15	£402.16	£404.19	£414.71	£428.32	£434.42	£427.97	£426.74	£439.12
Index at 1995/96 prices	100.0	103.4	106.0	124.5	130.9	133.6	134.3	137.8	142.3	144.3	142.2	141.8	145.9
Married plus 2 children													
Income Tax	£33.77	£37.99	£60.83	£74.90	£76.43	£83.93	£92.11	£99.15	£103.63	£107.43	£117.09	£123.95	£122.79
NICs	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Child benefit	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£36.43	£38.77	£69.80	£86.95	£89.38	£97.17	£105.89	£114.49	£118.85	£123.21	£137.08	£144.46	£143.81
Income tax + NICs - CB	£100.84	£92.67	£114.80	£119.77	£116.14	£117.13	£116.37	£120.12	£120.88	£123.21	£133.44	£136.19	£132.60
% of earnings	26.2%	23.6%	27.2%	24.8%	23.2%	23.1%	23.1%	23.2%	22.8%	22.9%	24.8%	25.2%	24.1%
Cash prices	£102.77	£125.18	£186.71	£263.45	£295.08	£322.68	£353.41	£378.56	£402.70	£415.44	£416.57	£428.54	£452.14
1995/96 prices	£301.74	£317.41	£325.73	£384.91	£406.73	£412.57	£411.97	£421.30	£434.44	£440.67	£430.10	£428.54	£442.19
Index at 1995/96 prices	100.0	105.2	108.0	127.6	134.8	136.7	136.5	139.6	144.0	146.0	142.5	142.0	146.5

Table 1.5

The burden of direct taxes and real net income
200% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£185.60	£218.60	£342.00	£467.20	£512.60	£559.80	£612.40	£657.40	£695.40	£718.20	£738.20	£764.00	£794.60
Single person													
Income Tax	£54.74	£58.53	£94.99	£124.89	£129.33	£142.79	£162.13	£169.25	£181.37	£190.01	£197.53	£205.31	£207.42
NICs	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Income tax + NICs	£62.54	£67.30	£116.14	£151.44	£156.78	£170.53	£190.41	£200.71	£214.04	£223.89	£235.97	£244.67	£248.04
Income tax + NICs	£183.62	£170.65	£202.63	£221.26	£216.10	£218.04	£221.96	£223.37	£230.91	£237.49	£243.64	£244.67	£242.58
% of earnings	33.7%	30.8%	34.0%	32.4%	30.6%	30.5%	31.1%	30.5%	30.8%	31.2%	32.0%	32.0%	31.2%
Cash prices	£123.06	£151.30	£225.86	£315.76	£355.82	£389.27	£421.99	£456.69	£481.36	£494.31	£502.23	£519.33	£546.56
1995/96 prices	£361.32	£383.63	£394.04	£461.34	£490.47	£497.71	£491.91	£508.25	£519.30	£524.32	£518.55	£519.33	£534.54
Index at 1995/96 prices	100.0	106.2	109.1	127.7	135.7	137.7	136.1	140.7	143.7	145.1	143.5	143.7	147.9
Married both working													
Income Tax	£42.95	£46.95	£76.18	£94.28	£97.83	£109.13	£115.94	£124.40	£128.61	£133.35	£139.04	£145.99	£144.79
NICs	£12.06	£14.21	£30.78	£42.05	£45.90	£46.39	£47.11	£51.49	£53.92	£55.82	£63.41	£65.28	£67.52
Income tax + NICs	£55.01	£61.15	£106.96	£136.33	£143.73	£155.52	£163.04	£175.88	£182.53	£189.16	£202.45	£211.27	£212.31
Income tax + NICs	£161.52	£155.06	£186.60	£199.19	£198.12	£198.85	£190.06	£195.74	£196.92	£200.65	£209.03	£211.27	£207.64
% of earnings	29.6%	28.0%	31.3%	29.2%	28.0%	27.8%	26.6%	26.8%	26.2%	26.3%	27.4%	27.7%	26.7%
Cash prices	£130.59	£157.45	£235.04	£330.87	£368.87	£404.28	£449.36	£481.52	£512.87	£529.04	£535.75	£552.73	£582.29
1995/96 prices	£383.42	£399.22	£410.06	£483.41	£508.45	£516.90	£523.81	£535.88	£553.30	£561.16	£553.16	£552.73	£569.48
Index at 1995/96 prices	100.0	104.1	106.9	126.1	132.6	134.8	136.6	139.8	144.3	146.4	144.3	144.2	148.5
Married plus 2 children													
Income Tax	£49.08	£54.39	£87.22	£113.03	£117.87	£130.55	£148.90	£156.02	£168.14	£176.78	£190.91	£200.35	£202.25
NICs	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Child benefit	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£51.74	£55.16	£96.19	£125.08	£130.82	£143.80	£162.68	£171.35	£183.36	£192.56	£210.90	£220.86	£223.27
Income tax + NICs - CB	£143.23	£131.86	£158.21	£172.29	£170.00	£173.34	£178.78	£179.78	£186.49	£192.56	£205.29	£208.22	£205.86
% of earnings	27.9%	25.2%	28.1%	26.8%	25.5%	25.7%	26.6%	26.1%	26.4%	26.8%	28.6%	28.9%	28.1%
Cash prices	£133.86	£163.44	£245.81	£342.12	£381.78	£416.00	£449.72	£486.05	£512.04	£525.64	£527.30	£543.14	£571.33
1995/96 prices	£393.02	£414.41	£428.84	£499.85	£526.25	£531.89	£524.23	£540.92	£552.40	£557.56	£544.43	£543.14	£558.75
Index at 1995/96 prices	100.0	105.4	109.1	127.2	133.9	135.3	133.4	137.6	140.6	141.9	138.5	138.2	142.2

Table 1.6

The burden of direct taxes and real net income
500% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings													
Cash prices	£464.00	£546.50	£855.00	£1,168.00	£1,281.50	£1,399.50	£1,531.00	£1,643.50	£1,738.50	£1,795.50	£1,845.50	£1,910.00	£1,986.50
Single person													
Income Tax													
NICs	£234.37	£225.28	£364.42	£512.40	£436.89	£478.67	£529.57	£563.69	£598.61	£620.93	£640.45	£663.71	£684.18
Income tax + NICs	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Income tax + NICs	£242.17	£234.05	£385.57	£538.95	£464.34	£506.41	£557.85	£595.15	£631.28	£654.81	£678.89	£703.07	£724.80
Income tax + NICs	£711.04	£593.46	£672.68	£787.42	£640.05	£647.49	£650.29	£662.34	£681.05	£694.57	£700.95	£703.07	£708.85
% of earnings	52.2%	42.8%	45.1%	46.1%	36.2%	36.2%	36.4%	36.2%	36.3%	36.5%	36.8%	36.8%	36.5%
Cash prices	£221.83	£312.45	£469.43	£629.05	£817.16	£893.09	£973.15	£1,048.35	£1,107.22	£1,140.69	£1,166.61	£1,206.93	£1,261.70
1995/96 prices	£651.32	£792.25	£818.98	£919.07	£1,126.38	£1,141.89	£1,134.39	£1,166.71	£1,194.50	£1,209.95	£1,204.52	£1,206.93	£1,233.94
Index at 1995/96 prices	100.0	121.6	125.7	141.1	172.9	175.3	174.2	179.1	183.4	185.8	184.9	185.3	189.5
Married both working													
Income Tax													
NICs	£157.63	£165.36	£268.75	£363.87	£361.18	£397.53	£433.52	£456.75	£488.59	£510.43	£536.08	£558.46	£568.59
Income tax + NICs	£15.60	£17.55	£42.30	£53.10	£54.90	£55.49	£56.56	£62.92	£65.34	£67.76	£76.88	£78.72	£81.24
Income tax + NICs	£173.23	£182.91	£311.05	£416.97	£416.08	£453.02	£490.08	£519.67	£553.93	£578.19	£612.96	£637.18	£649.83
Income tax + NICs	£508.61	£463.79	£542.67	£609.21	£573.52	£579.23	£571.28	£578.33	£597.60	£613.30	£632.89	£637.18	£635.53
% of earnings	37.3%	33.5%	36.4%	35.7%	32.5%	32.4%	32.0%	31.6%	31.9%	32.2%	33.2%	33.4%	32.7%
Cash prices	£290.77	£363.59	£543.95	£751.03	£865.42	£946.48	£1,040.92	£1,123.83	£1,184.57	£1,217.31	£1,232.54	£1,272.82	£1,336.67
1995/96 prices	£853.74	£921.92	£948.99	£1,097.28	£1,192.90	£1,210.15	£1,213.40	£1,250.71	£1,277.95	£1,291.22	£1,272.59	£1,272.82	£1,307.26
Index at 1995/96 prices	100.0	108.0	111.2	128.5	139.7	141.7	142.1	146.5	149.7	151.2	149.1	149.1	153.1
Married plus 2 children													
Income Tax													
NICs	£223.55	£217.78	£352.77	£496.59	£425.43	£466.43	£516.34	£550.46	£585.38	£607.70	£633.83	£658.75	£679.01
Child benefit	£7.80	£8.78	£21.15	£26.55	£27.45	£27.75	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62
Income tax + NICs - CB	£5.14	£8.00	£12.18	£14.50	£14.50	£14.50	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60
Income tax + NICs - CB	£226.21	£218.55	£361.74	£508.64	£438.38	£479.68	£530.12	£565.79	£600.60	£623.48	£653.82	£679.26	£700.03
Income tax + NICs - CB	£626.16	£522.43	£594.98	£700.60	£569.67	£578.20	£582.59	£593.62	£610.85	£623.48	£636.43	£640.38	£645.44
% of earnings	48.8%	40.0%	42.3%	43.5%	34.2%	34.3%	34.6%	34.4%	34.5%	34.7%	35.4%	35.6%	35.2%
Cash prices	£237.79	£327.95	£493.26	£659.36	£843.12	£919.82	£1,000.88	£1,077.71	£1,137.90	£1,172.02	£1,191.68	£1,230.74	£1,286.47
1995/96 prices	£698.17	£831.55	£860.56	£963.36	£1,162.17	£1,176.07	£1,166.72	£1,199.37	£1,227.60	£1,243.19	£1,230.40	£1,230.74	£1,258.16
Index at 1995/96 prices	100.0	119.1	123.3	138.0	166.5	168.5	167.1	171.8	175.8	178.1	176.2	176.3	180.2

Table 2.1

The burden of direct and indirect taxes
(Percent of gross earnings)
75% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£69.60	£81.98	£128.25	£175.20	£192.23	£209.93	£229.65	£246.53	£260.78	£269.33	£276.83	£286.50	£297.98
Single person													
a) Income tax	22.4%	20.9%	22.0%	19.8%	18.5%	18.6%	18.7%	18.6%	17.9%	18.0%	18.0%	18.0%	17.2%
b) NICs	6.5%	6.5%	9.0%	9.0%	9.0%	8.3%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%
c) a + b	28.9%	27.4%	31.0%	28.8%	27.5%	26.9%	26.3%	26.1%	25.5%	25.5%	26.3%	26.4%	25.5%
d) VAT	2.6%	4.2%	4.1%	4.8%	5.0%	5.0%	4.9%	5.4%	5.5%	5.5%	5.8%	5.5%	5.7%
e) Other indirect	9.0%	8.7%	8.6%	8.1%	7.9%	7.4%	7.4%	7.5%	7.2%	7.3%	7.5%	7.6%	7.8%
f) c + d + e	40.5%	40.3%	43.7%	41.7%	40.3%	39.3%	38.6%	38.9%	38.2%	38.3%	39.6%	39.5%	38.9%
g) Local taxes (1)	3.5%	3.5%	3.9%	3.9%	4.0%	4.0%	3.7%	2.8%	2.8%	na	2.2%	na	na
h) f + g	44.0%	43.8%	47.7%	45.7%	44.3%	43.4%	42.3%	41.7%	41.0%	na	41.9%	na	na
Married both working													
a) Income tax	7.6%	7.5%	9.4%	8.6%	8.2%	8.6%	8.8%	8.8%	7.7%	8.0%	8.8%	9.5%	9.0%
b) NICs	6.5%	6.5%	9.0%	8.2%	8.2%	7.2%	6.2%	6.0%	6.1%	6.1%	6.7%	6.8%	6.7%
c) a + b	14.1%	14.0%	18.4%	16.8%	16.4%	15.8%	15.0%	14.8%	13.8%	14.1%	15.5%	16.3%	15.7%
d) VAT	3.0%	4.5%	4.5%	5.1%	5.1%	5.1%	5.1%	5.7%	6.6%	5.8%	6.1%	5.7%	5.8%
e) Other indirect	11.9%	11.3%	11.3%	10.6%	10.2%	9.5%	9.5%	9.6%	9.8%	9.5%	9.8%	9.8%	10.1%
f) c + d + e	29.0%	29.9%	34.2%	32.4%	31.7%	30.4%	29.6%	30.1%	30.2%	29.3%	31.4%	31.8%	31.5%
g) Local taxes (1)	4.2%	4.2%	4.8%	4.8%	4.8%	4.9%	6.5%	4.7%	4.5%	na	3.5%	na	na
h) f + g	33.2%	34.1%	38.9%	37.2%	36.6%	35.3%	36.1%	34.9%	34.7%	na	34.9%	na	na
Married plus 2 children													
a) Income tax less CB	8.1%	6.6%	7.9%	7.5%	7.2%	8.1%	8.8%	8.7%	8.0%	8.2%	8.9%	9.7%	8.9%
b) NICs	6.5%	6.5%	9.0%	9.0%	9.0%	8.3%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%
c) a + b	14.6%	13.1%	16.9%	16.5%	16.2%	16.4%	16.4%	16.2%	15.6%	15.7%	17.3%	18.1%	17.2%
d) VAT	2.7%	4.2%	4.2%	4.5%	4.5%	4.5%	4.3%	4.9%	5.1%	5.0%	5.2%	4.9%	4.9%
e) Other indirect	10.1%	9.8%	9.7%	9.0%	8.7%	8.1%	8.0%	8.2%	8.0%	8.1%	8.4%	8.3%	8.5%
f) c + d + e	27.4%	27.1%	30.9%	30.0%	29.4%	28.9%	28.8%	29.4%	28.7%	28.8%	30.8%	31.2%	30.6%
g) Local taxes (1)	3.5%	3.5%	3.9%	3.9%	3.9%	3.9%	6.2%	4.4%	4.4%	na	2.6%	na	na
h) f + g	30.9%	30.6%	34.8%	33.9%	33.3%	32.8%	34.9%	33.7%	33.1%	na	33.5%	na	na

Note: (1) Rates, community charge, council tax and water rates/charges

Table 2.2

The burden of direct and indirect taxes
(Percent of gross earnings)
100% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£92.80	£109.30	£171.00	£233.60	£256.30	£279.90	£306.20	£328.70	£347.70	£359.10	£369.10	£382.00	£397.30
Single person													
a) Income tax	25.0%	23.2%	24.0%	21.6%	20.1%	20.2%	20.3%	20.2%	19.7%	19.7%	19.7%	19.8%	18.9%
b) NICs	6.5%	6.5%	9.0%	9.0%	9.0%	8.5%	7.9%	7.9%	7.9%	7.9%	8.8%	8.8%	8.8%
c) a + b	31.5%	29.7%	33.0%	30.6%	29.1%	28.7%	28.2%	28.1%	27.6%	27.6%	28.5%	28.5%	27.6%
d) VAT	2.7%	4.3%	4.3%	4.8%	5.0%	5.0%	4.9%	5.4%	5.5%	5.5%	5.7%	5.5%	5.6%
e) Other indirect	8.2%	8.0%	8.0%	7.6%	7.4%	6.9%	6.9%	6.9%	6.7%	6.7%	6.9%	7.0%	7.2%
f) c + d + e	42.4%	42.0%	45.3%	43.0%	41.5%	40.7%	40.0%	40.4%	39.8%	39.8%	41.2%	41.0%	40.4%
g) Local taxes (1)	3.1%	3.2%	3.6%	3.6%	3.6%	3.7%	2.9%	2.1%	2.2%	na	1.8%	na	na
h) f + g	45.6%	45.2%	48.8%	46.6%	45.2%	44.3%	43.0%	42.5%	42.0%	na	43.0%	na	na
Married both working													
a) Income tax	13.3%	13.0%	14.5%	13.2%	12.4%	12.7%	12.9%	12.8%	12.0%	12.1%	12.7%	13.2%	12.4%
b) NICs	6.5%	6.5%	9.0%	8.2%	8.2%	7.5%	6.9%	6.8%	6.8%	6.8%	7.5%	7.6%	7.5%
c) a + b	19.8%	19.5%	23.5%	21.4%	20.6%	20.2%	19.8%	19.6%	18.8%	19.0%	20.2%	20.8%	20.0%
d) VAT	3.1%	4.7%	4.7%	5.3%	5.4%	5.4%	5.3%	5.9%	6.6%	6.0%	6.2%	5.9%	6.0%
e) Other indirect	10.4%	9.9%	9.8%	9.3%	9.0%	8.4%	8.3%	8.4%	8.5%	8.2%	8.5%	8.5%	8.8%
f) c + d + e	33.2%	34.1%	38.0%	36.0%	35.0%	34.0%	33.4%	33.9%	33.9%	33.2%	34.9%	35.2%	34.7%
g) Local taxes (1)	3.4%	3.4%	3.8%	3.8%	3.9%	3.9%	4.9%	3.6%	3.5%	na	2.7%	na	na
h) f + g	36.6%	37.4%	41.8%	39.8%	38.9%	37.9%	38.3%	37.5%	37.4%	na	37.6%	na	na
Married plus 2 children													
a) Income tax less CB	14.4%	12.4%	13.4%	12.4%	11.7%	12.3%	12.8%	12.8%	12.3%	12.4%	12.9%	13.5%	12.6%
b) NICs	6.5%	6.5%	9.0%	9.0%	9.0%	8.5%	7.9%	7.9%	7.9%	7.9%	8.8%	8.8%	8.8%
c) a + b	20.9%	18.9%	22.4%	21.4%	20.7%	20.8%	20.8%	20.7%	20.2%	20.3%	21.7%	22.3%	21.4%
d) VAT	2.7%	4.2%	4.3%	4.9%	5.0%	5.0%	4.8%	5.4%	5.5%	5.4%	5.6%	5.3%	5.4%
e) Other indirect	8.6%	8.5%	8.4%	8.0%	7.7%	7.2%	7.1%	7.2%	7.0%	7.1%	7.3%	7.3%	7.5%
f) c + d + e	32.2%	31.7%	35.1%	34.2%	33.3%	32.9%	32.7%	33.2%	32.7%	32.8%	34.6%	34.9%	34.3%
g) Local taxes (1)	3.0%	3.1%	3.5%	3.4%	3.5%	3.5%	4.8%	3.5%	3.5%	na	2.2%	na	na
h) f + g	35.2%	34.8%	38.6%	37.7%	36.8%	36.4%	37.5%	36.7%	36.2%	na	36.8%	na	na

Note: (1) Rates, community charge, council tax and water rates/charges

Table 2.3

The burden of direct and indirect taxes
(Percent of gross earnings)
150% of average earnings

	1978/79	1979/80	1983/84	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Gross Earnings	£139.20	£163.95	£256.50	£350.40	£384.45	£419.85	£459.30	£493.05	£521.55	£538.65	£553.65	£573.00	£595.95
Single person													
a) Income tax	27.7%	25.5%	26.0%	23.4%	21.7%	21.8%	22.0%	21.8%	21.5%	21.9%	22.3%	22.5%	21.5%
b) NICs	5.6%	5.4%	8.2%	7.6%	7.1%	6.6%	6.2%	6.4%	6.3%	6.3%	6.9%	6.9%	6.8%
c) a + b	33.3%	30.8%	34.2%	31.0%	28.9%	28.4%	28.1%	28.2%	27.7%	28.2%	29.3%	29.4%	28.3%
d) VAT	2.8%	4.5%	4.5%	5.0%	5.2%	5.2%	5.1%	5.6%	5.7%	5.6%	5.8%	5.6%	5.7%
e) Other indirect	7.5%	7.5%	7.4%	7.2%	7.1%	6.7%	6.6%	6.5%	6.3%	6.3%	6.5%	6.5%	6.7%
f) c + d + e	43.6%	42.8%	46.2%	43.1%	41.2%	40.3%	39.8%	40.3%	39.8%	40.1%	41.5%	41.5%	40.7%
g) Local taxes (1)	2.8%	2.9%	3.3%	3.3%	3.4%	3.4%	2.2%	1.5%	1.6%	na	1.4%	na	na
h) f + g	46.5%	45.7%	49.4%	46.5%	44.5%	43.7%	41.9%	41.8%	41.3%	na	43.0%	na	na
Married both working													
a) Income tax	19.9%	18.6%	19.7%	17.8%	16.6%	16.8%	16.9%	16.9%	16.3%	16.4%	16.8%	17.1%	16.3%
b) NICs	6.5%	6.5%	9.0%	9.0%	9.0%	8.3%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%
c) a + b	26.4%	25.1%	28.7%	26.8%	25.6%	25.1%	24.5%	24.4%	23.9%	24.0%	25.1%	25.5%	24.7%
d) VAT	3.1%	4.8%	4.8%	5.4%	5.6%	5.6%	5.5%	6.1%	6.6%	6.2%	6.3%	6.0%	6.2%
e) Other indirect	8.7%	8.5%	8.4%	7.9%	7.7%	7.2%	7.2%	7.2%	7.1%	6.9%	7.2%	7.2%	7.4%
f) c + d + e	38.2%	38.4%	41.9%	40.1%	38.9%	37.9%	37.2%	37.6%	37.6%	37.1%	38.7%	38.8%	38.3%
g) Local taxes (1)	2.5%	2.5%	2.8%	2.9%	2.9%	2.9%	3.3%	2.4%	2.5%	na	1.8%	na	na
h) f + g	40.7%	41.0%	44.8%	43.0%	41.8%	40.9%	40.5%	40.0%	40.1%	na	40.5%	na	na
Married plus 2 children													
a) Income tax less CB	20.6%	18.3%	19.0%	17.2%	16.1%	16.5%	16.9%	16.8%	16.5%	16.6%	17.8%	18.3%	17.3%
b) NICs	5.6%	5.4%	8.2%	7.6%	7.1%	6.6%	6.2%	6.4%	6.3%	6.3%	6.9%	6.9%	6.8%
c) a + b	26.2%	23.6%	27.2%	24.8%	23.2%	23.1%	23.1%	23.2%	22.8%	22.9%	24.8%	25.2%	24.1%
d) VAT	2.7%	4.3%	4.4%	5.4%	5.6%	5.6%	5.4%	6.0%	6.2%	6.1%	6.2%	5.9%	6.0%
e) Other indirect	7.2%	7.3%	7.2%	7.0%	6.8%	6.4%	6.3%	6.3%	6.1%	6.2%	6.3%	6.4%	6.6%
f) c + d + e	36.1%	35.3%	38.8%	37.3%	35.7%	35.2%	34.8%	35.5%	35.1%	35.2%	37.3%	37.5%	36.7%
g) Local taxes (1)	2.7%	2.7%	3.1%	3.1%	3.1%	3.1%	3.4%	2.6%	2.6%	na	1.8%	na	na
h) f + g	38.8%	38.0%	41.8%	40.3%	38.8%	38.3%	38.2%	38.1%	37.7%	na	39.1%	na	na

Note: (1) Rates, community charge, council tax and water rates/charges

C. Notes and sources to tables 1 and 2

1. **Income tax liability** is calculated on the basis that tax units have no allowances other than their personal allowances, and for 1978/79, child tax allowances where appropriate.
2. **National insurance contributions** are assumed throughout to be Class 1 at the not contracted-out rate averaged over the financial year.
3. **Average earnings** are defined as the average gross weekly earnings of full-time males whose pay was unaffected by absence. These are based on the findings of the Department of Employment's survey of earnings taken in April each year known as the *New Earnings Survey* (NES). Figures for intervening months are interpolated from the NES data using a centred 3 month moving average of the Average Earnings Index, from which seasonality and certain extraneous factors have been eliminated. The earnings levels for 1995/96 and 1996/97 reflect the official assumptions of increases of 3½% in 1995/96 and 4% in 1996/97.
4. **Married couples** where both are working are assumed to have joint earnings of the level specified. Earnings are assumed to be split between husband and wife in the ratio 60:40. Before 1990 a couple is assumed to have made the "wife's earnings election" where it is advantageous.
5. **Child Benefit**, where appropriate, has been treated as negative income tax - this differs from the approach used in some written answers, but enables meaningful comparisons to be made between the current position and that when child tax allowances existed.
6. **Child tax allowances** in 1978/79 are assumed to be those for children under the age of 11.
7. **Indirect taxes & domestic rates** estimates are generally based on expenditure patterns derived from the 1985 *Family Expenditure Survey* (FES) up-rated to other years on the basis of aggregate tax receipts. Figures for rates include water rates. The heading "other indirect taxes" covers central government taxes only, but includes the indirect effects of taxes levied on business. Further details of the methodology were set out

in a written answer in 1988.¹¹ Estimates of VAT on domestic fuel & power, airline passenger duty and insurance premium tax are based on equations derived from the 1991 and 1992 FESs using a similar methodology. Estimates are based on the illustrative assumption that 10% of disposable income is saved. Estimates cannot reliably be made outside the income range for which figures are shown (75 to 150 percent of average male earnings). In practice amounts of indirect taxes will vary considerably between families with the same income and composition and the data used here are therefore only illustrative.

8. **Community charge** estimates are derived from the 1990, 1991 and 1992 *Family Expenditure Surveys*. All respondents are assumed to pay the charge to which they are liable. The payments are net of transitional relief (the Community Charge Reduction Scheme) and Community Charge Benefit. Water charges are included with the community charge to provide consistency with the data for rates. In practice amounts of community charge will vary considerably between families with similar incomes and the data used here are therefore only illustrative.
9. **Council tax** estimates for 1994/95 are based on an analysis of the *Family Expenditure Survey* for that year. Data are subject to a particularly large margin of error due to uncertainty about transitional relief, appeals and late payment. Figures for 1993/94 - the transitional year between the community charge and council tax - will not be available. Data for 1995/96 and 1996/97 are not yet available.
10. **Retail Prices** are assumed to rise by 3¼% between 1994/95 and 1995/96 and by 2¼% between 1995/96 and 1996/97.

Sources: Deposited paper NS 4884

HM Treasury *Tax Benefit Reference Manual 1995/96* table 13.7

HC Deb 5/7/90 c.69W; 17/12/91 c.121W; 15/12/92 c.120W; 19/1/94 c.635W;
19/12/94 c944W; 1/2/95 c.666W; 26/2/96 c.360W

¹¹ HC Deb 19 May 1988 c.577W

IV Household survey data

The Central Statistical Office conducts a regular analysis of the *effects of taxes and benefits on household income* which enables some conclusions to be drawn about the changing burden of taxation on different types of household and households with different income levels. The latest results were published in the December 1995 edition of *Economic Trends* and this source should be consulted for details of the methodology. In broad terms, the CSO combines data on the incomes and expenditure patterns of households from the Family Expenditure Survey with details of tax revenues and public spending to produce estimates of the average amounts that various quantiles of the income distribution pay in taxes and receive in benefits. (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.)

There are some problems when using information from this source as a time series. Each year's analysis is undertaken as a free-standing exercise and figures for successive years are not necessarily comparable. For example, in recent years the definition of income has been widened to include the value of company cars (from 1990) and the beneficial value of loans for house purchase by employers (from 1992). In addition the results are based on a relatively small sample survey and are of necessity subject to sampling errors. While detailed comparisons between any two figures may not be firmly based, the data should, nevertheless, provide a feel for the overall pattern and broad trends.

Tables 3.1 and 3.2 on page 30 summarise the results for each quintile (ie fifth) of households^{12 13}. Table 3.1 shows the shares of those direct and indirect taxes which can reasonably be allocated to households. Comparing 1979 with 1994/95, the share of taxation paid by the top 20% of households appears to have risen while there have been falls in the shares paid by the second, third and fourth quintiles. The share of the bottom quintile is broadly unchanged.

¹² For recent years data are available by decile but consistent figures for the 1970's have only been published by quintile.

¹³ The households are ranked by equivalised disposable income. Equivalisation adjusts income for family composition so that income is a better reflection of 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 household with the same income consisting of two adults and two children.

Table 3.1

Shares of total direct and indirect taxes

	1977	1979	1981	1983	1985	1987	1988	1989	1990	1991	1992	1993	1993/94	1994/95
									(a)	(a)	(b)	(b)	(b)	(b)
Quantile of equivalised disposable household income														
Highest quintile	35%	36%	37%	38%	38%	40%	39%	39%	40%	40%	40%	42%	42%	42%
Fourth quintile	26%	27%	26%	25%	26%	25%	25%	26%	25%	26%	25%	24%	24%	25%
Third quintile	20%	20%	19%	19%	19%	18%	18%	19%	18%	18%	18%	17%	17%	17%
Second quintile	12%	12%	11%	10%	10%	10%	10%	10%	10%	10%	10%	9%	9%	9%
Lowest quintile	7%	6%	7%	7%	7%	7%	7%	7%	7%	6%	7%	7%	7%	7%
All	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 3.2

Direct & indirect taxes as percent of gross income

	1977	1979	1981	1983	1985	1987	1988	1989	1990	1991	1992	1993	1993/94	1994/95
									(a)	(a)	(b)	(b)	(b)	(b)
Quantile of equivalised disposable household income														
Highest quintile	37%	37%	39%	40%	38%	37%	35%	35%	33%	34%	34%	35%	35%	36%
Fourth quintile	40%	39%	41%	41%	40%	39%	39%	37%	36%	36%	36%	37%	36%	37%
Third quintile	39%	38%	40%	40%	39%	38%	39%	38%	37%	37%	37%	36%	36%	36%
Second quintile	37%	34%	36%	36%	35%	36%	37%	36%	37%	35%	34%	34%	33%	34%
Lowest quintile	37%	31%	36%	37%	36%	37%	39%	39%	40%	38%	39%	39%	39%	39%
All	38%	37%	39%	39%	38%	37%	37%	36%	35%	35%	35%	36%	36%	36%

Notes: (a) Income includes company cars.

(b) Income includes company cars and beneficial loans for house purchase from employers.

Sources: "Economic Trends" May 1990, March 1991, January 1992, January 1993, May 1993; January 1994, December 1994 and December 1995

It is important to remember, however, that as well as changes in the tax system, there has been a marked change in the distribution of income over this period. An alternative perspective is provided by table 3.2 which expresses the taxes paid by each quintile as a proportion of gross income. This is an imperfect measure of the tax burden. Indirect taxes reflect levels of expenditure rather than income. Some households will be saving - and hence appear to pay less in indirect taxes relative to their income - while others will be dis-saving or borrowing. To the extent that those with higher incomes tend to be savers and those with lower incomes dis-savers, the ratios will tend to make the average tax rate appear higher for lower income households and vice versa.¹⁴ Bearing this in mind, the overall pattern suggested by these data is that there is no great variation between quintiles in the average tax bill as a proportion of gross income. The average ratio for all households is 36% with the ratios for the quintiles all falling in the range 34 to 39 percent.

The overall burden of taxes on households in 1994/95 was little different from the 1979 ratio of 37%. Despite paying a larger share of these taxes, the burden of tax on the top quintile has, if anything, fallen slightly. This is possible because this group has benefited from an increased share of gross income (up from 30% in 1979 to 37% in 1994/95). These data suggest that the tax burden on the lowest quintile has increased since 1979 (although much less so compared to 1977 or 1981). The low ratio for this group in 1979 compared with either 1977 or 1981 reflects a number of factors. These include 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. To a large extent, these factors were offset in 1980/81 when the lower rate was removed and 1981/82 when allowances were frozen.

V The aggregate tax burden

Table 4.1 on page 33 shows the total level of government tax receipts (both including and excluding oil and gas revenues) in the years 1973/74 to 1996/97¹⁵. The data are shown at both current and constant 1994/95 prices and as proportions of GDP. The total includes social security contributions, rates/the community charge/council tax and royalties. These data provide an aggregate measure of the burden of taxation. In 1996/97 the ratio (including oil and gas revenues) is forecast to be 35¾% compared to 34¼% in 1978/79 and 33¾% in

¹⁴ In addition, there has been some recent concern about the possible under-recording of income for some households towards the bottom of the income distribution.

¹⁵ The data for 1995/96 and 1996/97 are forecasts as published in the November 1995 Budget Redbook.

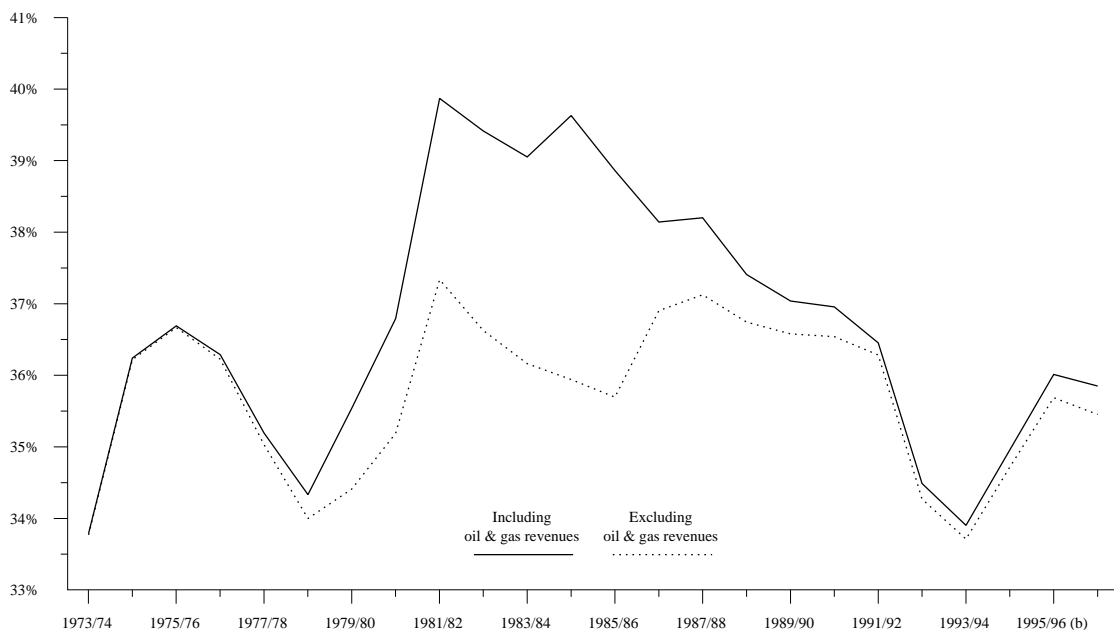
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1973/74¹⁶. Table 4.2 on page 34 provides a broad breakdown of aggregate revenues during this period. To aid comparisons over time, revenues from national non-domestic rates - which are a central government receipt - have been combined with data for rates and the community charge which are local government receipts. The graph below illustrates trends in the ratio of tax revenues to GDP both including and excluding oil and gas revenues.

Chart 6

Aggregate tax revenue

Percent of GDP



¹⁶ In the budget *Redbook* (HC 30 1995/96 table 4A.9) the Treasury provides an alternative measure - non-oil revenues as a proportion of non-oil GDP. This ratio is expected to be 36% in 1996/97 compared with 34¾% in 1978/79 and 33¾% in 1973/74.

Table 4.1

Aggregate tax revenues (a)

Financial year	Including oil & gas revenues			Excluding oil & gas revenues		
	At cash prices (£ billion)	At 1994/95 prices (c) (£ billion)	As percent of GDP (d)	At cash prices (£ billion)	At 1994/95 prices (c) (£ billion)	As percent of GDP (d)
1973/74	24.9	156.2	33.8%	24.9	156.1	33.8%
1974/75	31.8	166.9	36.2%	31.8	166.8	36.2%
1975/76	40.1	167.6	36.7%	40.0	167.5	36.7%
1976/77	46.3	170.8	36.3%	46.3	170.5	36.2%
1977/78	52.3	169.6	35.2%	52.1	168.9	35.0%
1978/79	58.6	170.9	34.3%	58.0	169.3	34.0%
1979/80	72.8	182.1	35.5%	70.5	176.3	34.4%
1980/81	85.9	181.5	36.8%	82.2	173.5	35.2%
1981/82	102.2	196.8	39.9%	95.7	184.3	37.3%
1982/83	110.6	198.9	39.4%	102.8	184.9	36.6%
1983/84	118.9	204.3	39.1%	110.1	189.2	36.2%
1984/85	129.3	211.5	39.6%	117.2	191.8	35.9%
1985/86	139.3	216.0	38.9%	127.9	198.4	35.7%
1986/87	147.1	221.5	38.1%	142.3	214.3	36.9%
1987/88	163.1	233.2	38.2%	158.5	226.6	37.1%
1988/89	177.9	238.4	37.4%	174.7	234.1	36.7%
1989/90	191.5	239.8	37.0%	189.1	236.9	36.6%
1990/91	205.8	238.6	37.0%	203.4	235.9	36.5%
1991/92	211.6	231.0	36.5%	210.6	229.9	36.3%
1992/93	208.7	218.9	34.5%	207.4	217.5	34.3%
1993/94	216.9	221.1	33.9%	215.7	219.8	33.7%
1994/95	237.0	237.0	35.0%	235.4	235.4	34.7%
1995/96 (b)	256.4	249.5	36.0%	254.1	247.3	35.7%
1996/97 (b)	270.3	256.0	35.8%	267.3	253.2	35.5%

- Notes: (a) Including social security contributions, community charge/council tax & royalties.
 (b) As forecast in the November 1995 Budget.
 (c) Revalued using the GDP deflator adjusted for the abolition of domestic rates.
 (d) Money GDP adjusted for the abolition of domestic rates.

Sources: CSO database
 HM Treasury "Financial Statement & Budget Report 1996/97" HC 30 1995/96

Table 4.2

Composition of aggregate tax revenues

Financial year	Taxes on income & royalties	Social security contributions	Taxes on capital	Central government taxes on expenditure (b)	Local government taxes (c)	Total
{A} £ billion						
1978/79	23.5	10.2	0.8	18.2	5.8	58.6
1979/80	27.8	12.0	1.0	25.2	6.8	72.8
1980/81	32.8	14.4	1.2	28.8	8.7	85.9
1981/82	39.7	16.5	1.7	33.6	10.7	102.2
1982/83	43.3	18.7	1.5	35.0	12.1	110.6
1983/84	45.5	21.3	1.7	38.1	12.3	118.9
1984/85	51.0	22.7	1.9	40.7	12.9	129.3
1985/86	54.3	24.6	2.5	44.0	13.9	139.3
1986/87	53.0	26.7	3.0	48.7	15.7	147.1
1987/88	60.0	29.5	3.3	53.3	17.1	163.1
1988/89	63.5	32.8	4.4	57.9	19.3	177.9
1989/90	72.0	33.2	4.3	61.1	20.9	191.5
1990/91	77.9	35.4	4.0	64.9	23.5	205.8
1991/92	76.6	36.9	3.1	73.6	21.5	211.6
1992/93	73.0	37.2	2.5	73.7	22.4	208.7
1993/94	74.9	39.5	2.3	79.0	21.3	216.9
1994/95	84.6	42.6	2.8	85.5	21.6	237.0
1995/96 (a)	96.0	44.6	2.5	90.7	22.6	256.4
1996/97 (a)	99.0	47.0	2.8	97.1	24.5	270.3
{B} Percentages of total						
1978/79	40.2%	17.5%	1.4%	31.0%	9.9%	100.0%
1979/80	38.1%	16.5%	1.4%	34.6%	9.4%	100.0%
1980/81	38.2%	16.8%	1.3%	33.5%	10.2%	100.0%
1981/82	38.9%	16.1%	1.7%	32.9%	10.5%	100.0%
1982/83	39.1%	16.9%	1.4%	31.7%	10.9%	100.0%
1983/84	38.3%	17.9%	1.4%	32.1%	10.3%	100.0%
1984/85	39.4%	17.6%	1.5%	31.5%	10.0%	100.0%
1985/86	39.0%	17.7%	1.8%	31.6%	10.0%	100.0%
1986/87	36.0%	18.1%	2.1%	33.1%	10.7%	100.0%
1987/88	36.8%	18.1%	2.0%	32.7%	10.5%	100.0%
1988/89	35.7%	18.5%	2.5%	32.5%	10.8%	100.0%
1989/90	37.6%	17.3%	2.2%	31.9%	10.9%	100.0%
1990/91	37.9%	17.2%	2.0%	31.6%	11.4%	100.0%
1991/92	36.2%	17.4%	1.4%	34.8%	10.2%	100.0%
1992/93	35.0%	17.8%	1.2%	35.3%	10.7%	100.0%
1993/94	34.5%	18.2%	1.0%	36.4%	9.8%	100.0%
1994/95	35.7%	18.0%	1.2%	36.1%	9.1%	100.0%
1995/96 (a)	37.4%	17.4%	1.0%	35.4%	8.8%	100.0%
1996/97 (a)	36.6%	17.4%	1.0%	35.9%	9.0%	100.0%

Notes: (a) As forecast in the November 1995 Budget.

(b) Excluding national non-domestic rates.

(c) Including national non-domestic rates, domestic rates, community charge & council tax.

Sources: CSO database

"FSBR 1995/96" HC 12 1994/95 - as amended tables 4A.1 & 4A.6

VI International comparisons

Tables 5.1 and 5.2 on pages 36 and 37 set out some estimates of the tax burden in each of the OECD member states on similar bases to those for the United Kingdom in sections III and V. Table 5.1 shows OECD countries ranked (from highest to lowest) by the ratio of total tax revenues (including social security contributions) to gross domestic product in 1993 together with provisional data for 1994 where available. On this basis the United Kingdom was ranked seventeenth equal of the twenty four member states in 1993¹⁷ and its ratio of 33.6% was below the unweighted average. As with all international comparisons, it is difficult to ensure complete comparability as there is considerable variation between the tax regimes existing in different countries. In preparing the estimates in table 5.1 the OECD have defined taxes as “... *compulsory, unrequited payments to general government.*” However, it is sometimes unclear whether certain levies and licence fees fall within this definition. In the case of the United Kingdom, this definition excludes oil royalties from total taxation. In addition countries are at different stages in the economic cycle which may affect the revenue from some taxes.

Table 5.2 is based on the tax and benefit position of a single person and a single-earner couple with two children where the employee is receiving the average for a manual worker in manufacturing industry. As with the data for the United Kingdom in section III, the calculation of income tax only reflects standard allowances and reliefs and the exercise is subject to the same limitations. The table shows, for 1994, the ratio to gross earnings of income tax plus employees' social security contributions less cash benefits such as child benefit. For a single person the United Kingdom ratio of 26.5% is below the unweighted average for the OECD and is the thirteenth highest among the twenty five member states for which data are available. The United Kingdom's ratio for a couple with two children, 17.5%, is above the OECD average of 15.7% and is ranked eleventh highest. (The negative figures for Iceland and the Netherlands occur because, at this level of earnings, child benefit payments more than offset the tax liability.)

¹⁷ Mexico and the Czech Republic have subsequently joined the OECD.

Table 5.1

Tax revenues as percentage of GDP (a)

Rank in 1993	Country	1993	1994 (prov)
1	Denmark	49.9%	51.3%
2	Sweden	49.9%	53.3%
3	Netherlands	48.0%	47.0%
4	Italy	47.8%	46.3%
5	Norway	45.7%	47.0%
6	Finland	45.7%	47.2%
7	Belgium	45.7%	46.5%
8	Luxembourg	44.6%	44.8%
9	France	43.9%	44.2%
10	Austria	43.6%	43.2%
11	Greece	41.2%	n.a.
12	Germany	39.0%	39.2%
13	Irish Republic	36.3%	37.1%
14	New Zealand	35.7%	36.9%
15	Canada	35.6%	32.1%
16	Spain	35.1%	35.0%
17	United Kingdom	33.6%	34.1%
18	Switzerland	33.2%	33.3%
19	Portugal	31.4%	32.6%
20	Iceland	31.3%	31.1%
21	United States	29.7%	n.a.
22	Japan	29.1%	n.a.
23	Australia	28.7%	29.3%
24	Turkey	23.5%	22.8%
Unweighted averages:			
	OECD Total	38.7%	n.a.
	OECD Europe	40.5%	n.a.
	EU 12	41.4%	n.a.

Note: (a) Including social security contributions.

Source: *OECD "Revenue Statistics" 1965 - 1994 tables 3 & 112*

Table 5.2

Tax less cash benefits as percentage of gross earnings (a)
Average production worker 1994

Country	Single person	Couple with two children
Australia	23.5%	15.4%
Austria	25.5%	6.9%
Belgium	37.3%	12.7%
Canada	26.9%	16.2%
Denmark	45.2%	30.3%
Finland	37.2%	24.5%
France	27.4%	13.7%
Germany	38.2%	23.2%
Greece (b)	17.5%	16.3%
Iceland	20.7%	-12.9%
Irish Republic	30.9%	19.7%
Italy	26.7%	17.6%
Japan	15.7%	10.0%
Luxembourg	25.4%	-0.4%
Mexico	12.2%	12.2%
Netherlands	41.3%	30.8%
New Zealand	24.3%	24.3%
Norway	28.8%	13.3%
Portugal	18.2%	9.8%
Spain	19.5%	12.7%
Sweden	30.8%	21.0%
Switzerland	21.4%	8.7%
Turkey	31.2%	31.2%
United Kingdom	26.5%	17.5%
United States	25.9%	19.0%
Unweighted averages:		
OECD Total	27.1%	15.7%
OECD Europe	28.9%	15.6%
EU 12	29.5%	17.0%

Notes: (a) Income tax and social security contributions less cash benefits as percentage of gross earnings.

(b) Data relate to 1993.

Source: OECD "The Tax/Benefit Position of Production Workers" 1991 - 1994 table 4

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