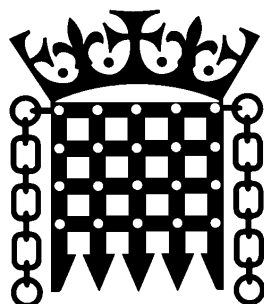


The Burden of Taxation

Research Paper 97/50

9 May 1997



The burden of taxation can be measured in a number of ways. This Research Paper looks at three datasets that 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 1997/98. (The data for 1997/98 are consistent with the November 1996 budget.) 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. Third, 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 96/43.

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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 1996/97 (from 45.6% to 42.7% of gross earnings) but rose for a single earner couple with two children (from 35.2% to 37.8%). See section III for details.

Households at the top and the bottom of the income distribution now pay larger shares of all household taxes than in 1979 with falls in the shares of middle income households. Taxes paid by the fifth of households with the lowest standards of living now represent a higher proportion of their gross income than in 1979. See section IV for details.

On the basis of forecasts in the November 1996 budget, total tax revenues in 1997/98 are expected to be some £285 billion. The aggregate tax burden (as measured by the ratio of total revenues to GDP) is expected to be 36 $\frac{1}{4}$ % of GDP in 1997/98 compared to 34 $\frac{1}{4}$ % in 1978/79 and 33 $\frac{3}{4}$ % in 1973/74. See section V for details.

In 1994, the aggregate tax burden in the United Kingdom was significantly below the average for the EU 15. It was, however, above the burden in several major non-European countries (Australia, Japan and the United States). See section VI for details.

II Background

Between 1979 and 1997 there were a number of major changes in UK tax regime. Those principally affecting individuals include:

- the abolition of rates of income tax in excess of 40% and the reduction of the basic rate from 33% to 23%;
- the increases in VAT from rates of 8% and 12½% to a single rate of 15% in 1979 and the subsequent increase to 17½% in 1991;
- increases in the standard rate of employees' national insurance contributions (from 6½% in 1978/79 to 10% today) and their restructuring in 1989.

The major 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 abolition of the upper earnings limit for employers' national insurance contributions.

The Conservative Government of 1979 to 1997 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 then Chancellor, Kenneth Clarke, said:

Since 1979, this Government has 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.¹

¹ HC Deb 28 November 1995 c.1063

As direct taxes tend to be more progressive (i.e. 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. Average (mean) male earnings will have risen by around 343% between 1978/79 and 1997/98 compared with an increase of around 208% in the Retail Prices Index.² This implies an increase of some 44% in real terms. Similarly, real gross domestic product (GDP) at factor cost rose by 42% between 1978 and 1996. There has, however, also been a growing dispersion of the income distribution with those above average incomes enjoying a higher rate of growth than those below.³ 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

² Assuming earnings increase by 33/4% in 1996/97 and 4% in 1997/98 and prices increase by 2½% in 1997/98.

³ For evidence of this trend see the *New Earnings Survey* [1996 part A table 15], the March 1997 edition of *Economic Trends* [pp26-59] 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 1996 edition of *Economic Trends*, "Taxes and social security contributions: an international comparison 1983-1993," includes some data of this type.

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 December 1996.⁶ This section attempts to bring the material from these answers together in a convenient format. The three household types considered here are: a single person; a married couple (without children) both working; and a married couple with two children under 11 where only the husband works. The data for 1997/98 reflect tax regime as set out in the 1996 budget. Fuller details of the methodology are provided on pages 27 and 28.

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 1997/98.⁷ 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 1996/97 prices and the trend in net incomes (gross earnings plus child benefit less income tax and employees' NICs).

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.

In general, between 1982/3 and 1987/88 there was a slight decline in the proportion of gross earnings represented by direct taxes. 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

⁶ HC Deb 11 December 1996 c.190W

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

⁸ Average gross male earnings are assumed to be £411.30 per week in 1997/98.

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

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.

Between 1987/88 and 1992/93 most families saw a reduction in their direct tax burden. In April 1988 the basic rate was reduced to 25% and higher rates above 40% were abolished. In 1989/90 most working families benefited from the restructuring of NICs. For those with children, however, the reductions were offset by freezes in child benefit rates in 1988, 1989 and 1990. In 1990 independent taxation of married couples was introduced. This has no effect on this analysis as the main financial benefits were for married women with investment income or for couples where the husband did not work. A new reduced rate band of 20% was introduced in 1992/93. The married couples' allowance, introduced in 1990, was frozen in 1991 and 1992. Higher income families were affected by the freezing of the basic rate limit in 1990 and 1992.

The period since 1992/93 can be divided into two phases. Most of the hypothetical families saw an increase in their direct tax burdens between 1992/93 and 1995/96. 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. These tax increases were 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' NICs increased from 9 to 10 percent in 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 cut in the basic rate to 24%, an increase in the personal allowance by £100 more than indexation, the lower rate band increased by £500 more than indexation and an increase in the basic rate limit of £200 more than indexation. The 1996 budget included further reductions in direct taxes for 1997/98. These included a reduction in the basic rate to 23%, an increase in the personal allowance by £200 more than indexation and the lower rate band increased by £100 more than indexation. As a result of these changes, most of the hypothetical families are expected to experience a fall in the proportion of their gross earnings taken in tax between 1995/96 and 1997/98.

Overall, this analysis suggests that single people have seen a reduction in their direct tax burden between 1978/79 and 1997/98 but that, with the exception of those on average earnings or above, couples have tended to see an increase.¹⁰ In some years it was possible for single people on around 150% of average earnings to have paid 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.

¹⁰ In 1997/98 the direct tax burden on a married couple with two children on 75% of average earnings will be 16.6% compared to 14.6% in 1978/79. However, this figure is below the ratio of 17.5% in 1982/83 and the post-War peak of 19.6% in 1975/76.

Three limitations of this analysis should be noted. First, as mentioned above, the tables take no account of the growing dispersion of earnings over this period. Second, this analysis 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 changes to the tax system for unearned income (such as the abolition of the investment income surcharge in 1984). Third, 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 – i.e. 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 of indirect taxes in the years 1994/95 to 1997/98 have been calculated on the basis of more up-to-date information about spending patterns and are not directly comparable to those for earlier years. Estimates for 1994/95 are shown on both bases. 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 1997/98 are not yet available. Details of the methodology are contained in the notes on pages 27 and 28.

The data for families on average earnings in table 2.2 suggest that between 1978/79 and 1996/97 the overall share of gross earnings taken in direct and indirect taxes fell from 45½% to 42¾% for a single person but rose from 35¼% to 37¾% for a single earner couple with two children. This difference in the trend 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. As the following table shows, there has also been a marked change in the composition of the total tax burdens. These data are illustrated in the charts on page 16.

The burden of direct and indirect taxes
Percentages of gross earnings

	Single person			Couple with two children		
	1978/79	1996/97	Change (percentage points)	1978/79	1996/97	Change (percentage points)
a) Income tax (a)	25.0%	18.8%	-6.2%	14.4%	12.6%	-1.8%
b) NICs	6.5%	8.8%	2.3%	6.5%	8.8%	2.3%
c) a + b	31.5%	27.6%	-3.9%	20.9%	21.4%	0.5%
d) VAT	2.7%	5.5%	2.8%	2.7%	5.6%	2.9%
e) Other indirect	8.2%	7.5%	-0.7%	8.6%	8.3%	-0.3%
f) c + d + e	42.4%	40.6%	-1.8%	32.2%	35.3%	3.1%
g) Local taxes	3.1%	2.0%	-1.1%	3.0%	2.5%	-0.5%
h) f + g	45.6%	42.7%	-2.9%	35.2%	37.8%	2.6%

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

Chart 1

**Burden of direct tax
Single person**

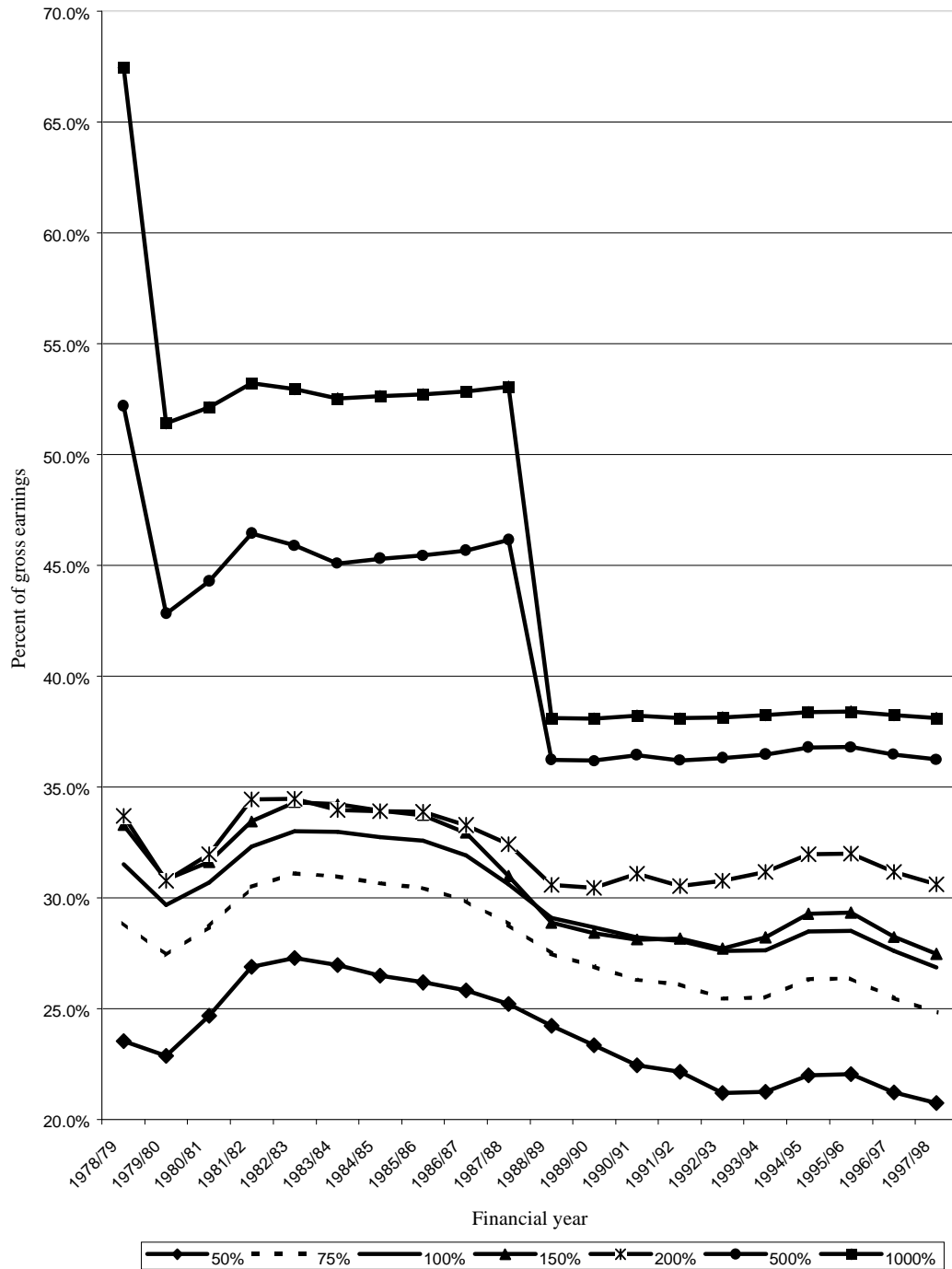


Chart 2

Burden of direct tax
Married couple with 2 children

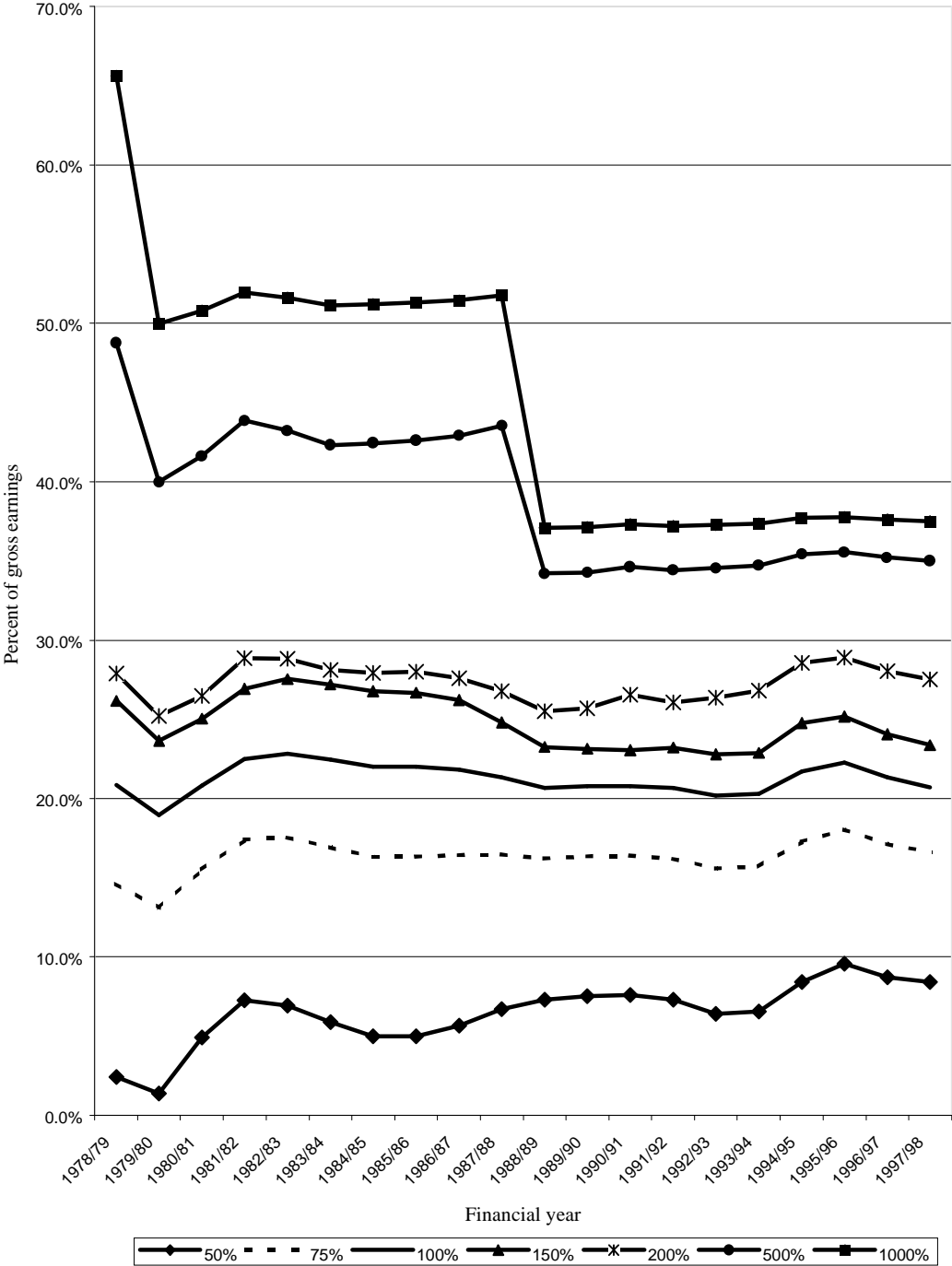


Chart 3

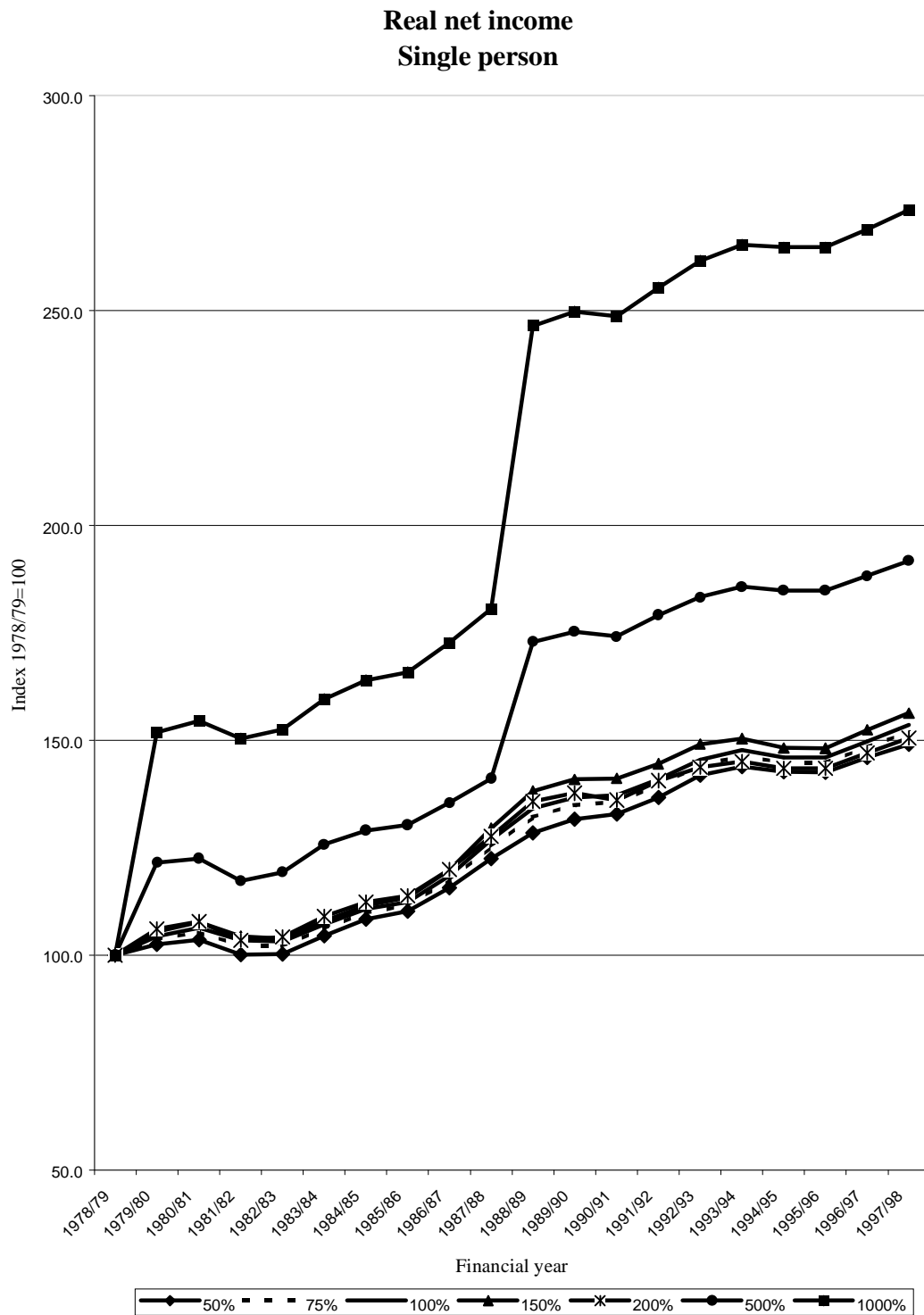


Chart 4

Real net income
Married couple with 2 children

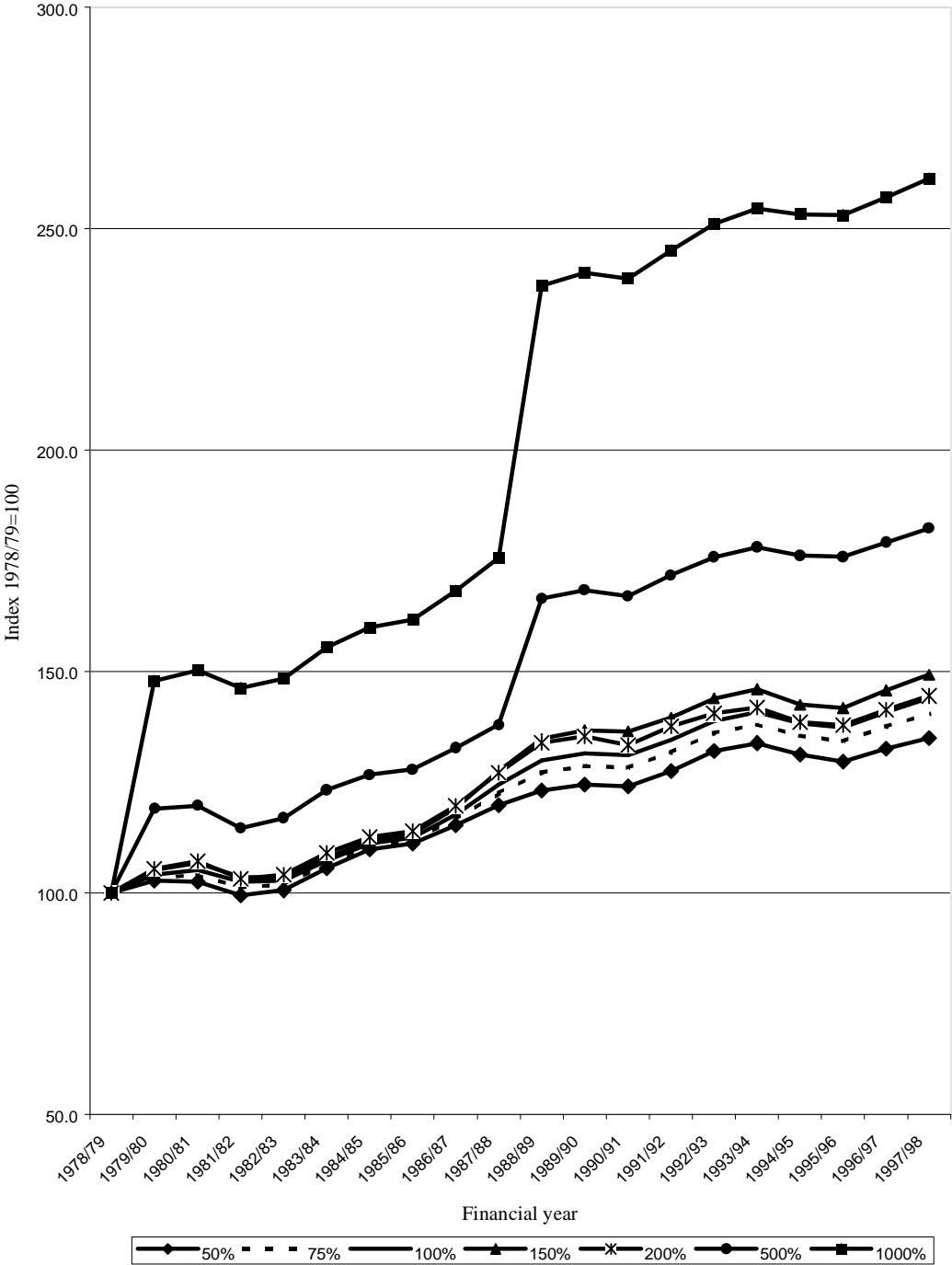


Chart 5(a)

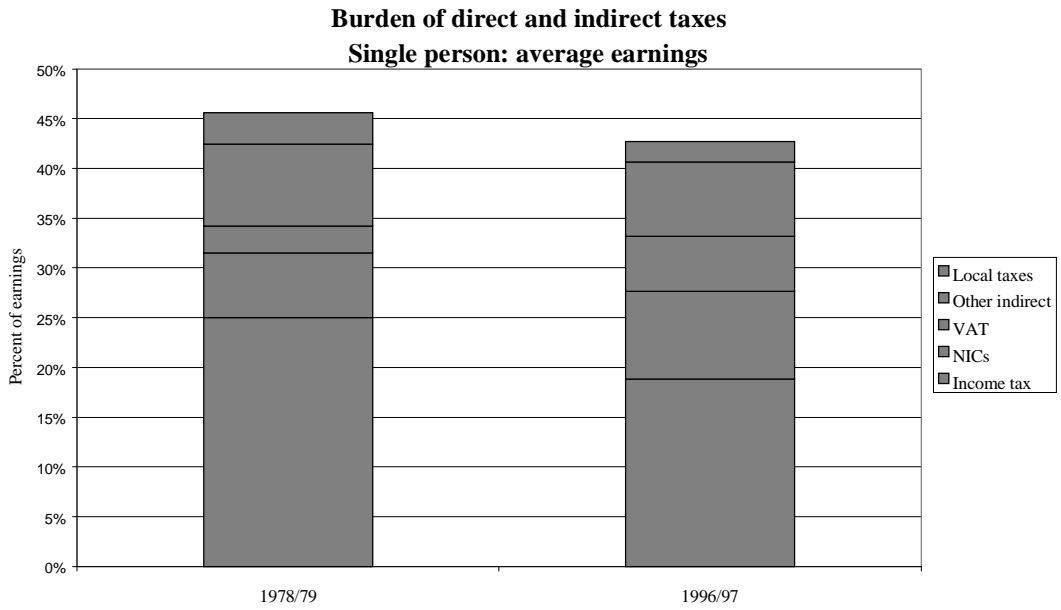


Chart 5(b)

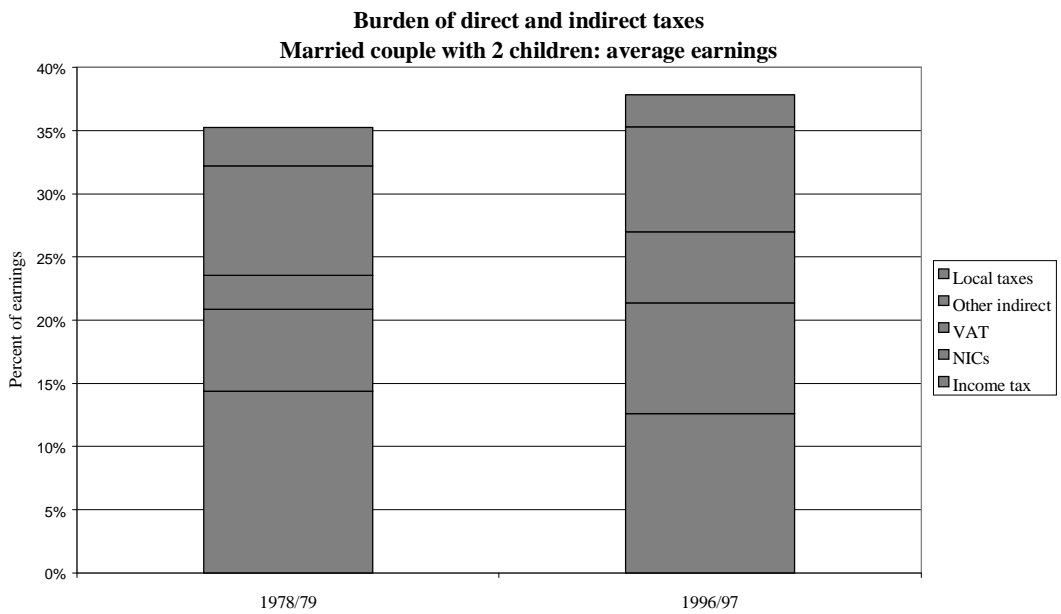


Table 1.1

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£46.40	£78.70	£106.90	£153.10	£164.35	£173.85	£179.55	£184.55	£190.60	£197.75	£205.65
Single person												
Income Tax	Cash prices	£7.91	£14.58	£17.98	£23.83	£25.25	£24.98	£25.92	£26.69	£27.63	£27.08	£27.04
NICs	Cash prices	£3.02	£6.89	£9.62	£10.56	£11.15	£11.87	£12.24	£13.90	£14.42	£14.90	£15.61
Income tax + NICs	Cash prices	£10.92	£21.47	£27.60	£34.39	£36.40	£36.84	£38.16	£40.59	£42.05	£41.98	£42.65
Income tax + NICs	1996/97 prices	£32.85	£40.15	£42.95	£41.06	£41.49	£40.71	£41.46	£42.92	£43.07	£41.98	£41.62
Income tax + NICs	% of earnings	23.5%	27.3%	25.8%	22.5%	22.1%	21.2%	21.3%	22.0%	22.1%	21.2%	20.7%
Net income	Cash prices	£35.48	£57.23	£79.30	£118.71	£127.95	£137.01	£141.39	£143.96	£148.55	£155.77	£163.00
Net income	1996/97 prices	£106.70	£107.05	£123.41	£141.75	£145.86	£151.40	£153.62	£152.26	£152.17	£155.77	£159.08
Net income	Index at 1996/97 prices	100.0	100.3	115.7	132.9	136.7	141.9	144.0	142.7	142.6	146.0	149.1
Married both working												
Income Tax	Cash prices	£0.00	£0.48	£0.00	£1.11	£1.14	£1.65	£2.79	£3.79	£6.04	£5.43	£4.74
NICs	Cash prices	£3.02	£6.89	£6.63	£7.34	£7.51	£8.09	£8.32	£9.34	£9.78	£10.02	£10.65
Income tax + NICs	Cash prices	£3.02	£7.36	£6.63	£8.45	£8.65	£9.74	£11.11	£13.13	£15.82	£15.44	£15.38
Income tax + NICs	1996/97 prices	£9.07	£13.77	£10.31	£10.09	£9.86	£10.76	£12.08	£13.89	£16.21	£15.44	£15.01
Income tax + NICs	% of earnings	6.5%	9.4%	6.2%	5.5%	5.3%	5.6%	6.2%	7.1%	8.3%	7.8%	7.5%
Net income	Cash prices	£43.38	£71.34	£100.27	£144.65	£155.70	£164.11	£168.44	£171.42	£174.78	£182.31	£190.27
Net income	1996/97 prices	£130.48	£133.43	£156.05	£172.72	£177.50	£181.35	£183.01	£181.30	£179.03	£182.31	£185.70
Net income	Index at 1996/97 prices	100.0	102.3	119.6	132.4	136.0	139.0	140.3	138.9	137.2	139.7	142.3
Married plus 2 children												
Income Tax	Cash prices	£3.26	£9.50	£10.62	£15.56	£16.98	£16.71	£17.65	£20.08	£22.66	£21.92	£21.76
NICs	Cash prices	£3.02	£6.89	£9.62	£10.56	£11.15	£11.87	£12.24	£13.90	£14.42	£14.90	£15.61
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£1.13	£5.45	£6.04	£11.62	£12.00	£11.12	£11.79	£15.52	£18.23	£17.21	£17.32
Income tax + NICs - CB	1996/97 prices	£3.41	£10.19	£9.40	£13.87	£13.68	£12.29	£12.81	£16.41	£18.68	£17.21	£16.90
Income tax + NICs - CB	% of earnings	2.4%	6.9%	5.6%	7.6%	7.3%	6.4%	6.6%	8.4%	9.6%	8.7%	8.4%
Net income	Cash prices	£45.27	£73.25	£100.86	£141.48	£152.35	£162.73	£167.76	£169.03	£172.37	£180.54	£188.33
Net income	1996/97 prices	£136.14	£137.01	£156.97	£168.94	£173.67	£179.82	£182.27	£178.77	£176.56	£180.54	£183.80
Net income	Index at 1996/97 prices	100.0	100.6	115.3	124.1	127.6	132.1	133.9	131.3	129.7	132.6	135.0

Table 1.2

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£69.60	£118.05	£160.35	£229.65	£246.53	£260.78	£269.33	£276.83	£285.90	£296.63	£308.48
Single person												
Income Tax	Cash prices	£15.56	£26.39	£33.48	£42.97	£45.79	£46.71	£48.36	£49.76	£51.45	£50.81	£50.69
NICs	Cash prices	£4.52	£10.33	£14.43	£17.45	£18.55	£19.69	£20.32	£23.12	£23.95	£24.78	£25.89
Income tax + NICs	Cash prices	£20.09	£36.72	£47.91	£60.41	£64.34	£66.40	£68.68	£72.88	£75.40	£75.60	£76.58
Income tax + NICs	1996/97 prices	£60.41	£68.67	£74.56	£72.14	£73.34	£73.37	£74.63	£77.08	£77.23	£75.60	£74.74
Income tax + NICs	% of earnings	28.9%	31.1%	29.9%	26.3%	26.1%	25.5%	25.5%	26.3%	26.4%	25.5%	24.8%
Net income	Cash prices	£49.51	£81.33	£112.44	£169.24	£182.19	£194.38	£200.64	£203.94	£210.50	£221.03	£231.89
Net income	1996/97 prices	£148.91	£152.13	£174.99	£202.08	£207.69	£214.80	£218.00	£215.69	£215.62	£221.03	£226.32
Net income	Index at 1996/97 prices	100.0	102.2	117.5	135.7	139.5	144.2	146.4	144.8	144.8	148.4	152.0
Married both working												
Income Tax	Cash prices	£5.28	£12.28	£13.10	£20.25	£21.68	£19.97	£21.46	£24.36	£27.21	£26.42	£26.15
NICs	Cash prices	£4.52	£10.33	£13.15	£14.23	£14.91	£15.91	£16.40	£18.56	£19.31	£19.90	£20.93
Income tax + NICs	Cash prices	£9.81	£22.61	£26.24	£34.48	£36.59	£35.88	£37.86	£42.92	£46.52	£46.33	£47.08
Income tax + NICs	1996/97 prices	£29.50	£42.29	£40.84	£41.17	£41.71	£39.65	£41.13	£45.39	£47.66	£46.33	£45.95
Income tax + NICs	% of earnings	14.1%	19.2%	16.4%	15.0%	14.8%	13.8%	14.1%	15.5%	16.3%	15.6%	15.3%
Net income	Cash prices	£59.79	£95.44	£134.11	£195.17	£209.94	£224.89	£231.47	£233.91	£239.38	£250.30	£261.39
Net income	1996/97 prices	£179.82	£178.51	£208.71	£233.05	£239.32	£248.52	£251.49	£247.38	£245.20	£250.30	£255.11
Net income	Index at 1996/97 prices	100.0	99.3	116.1	129.6	133.1	138.2	139.9	137.6	136.4	139.2	141.9
Married plus 2 children												
Income Tax	Cash prices	£10.80	£21.31	£26.12	£34.70	£37.52	£38.44	£40.10	£43.14	£46.49	£45.65	£45.41
NICs	Cash prices	£4.52	£10.33	£14.43	£17.45	£18.55	£19.69	£20.32	£23.12	£23.95	£24.78	£25.89
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£10.19	£20.70	£26.35	£37.64	£39.94	£40.68	£42.31	£47.82	£51.59	£50.83	£51.25
Income tax + NICs - CB	1996/97 prices	£30.64	£38.71	£41.01	£44.95	£45.53	£44.95	£45.98	£50.57	£52.84	£50.83	£50.02
Income tax + NICs - CB	% of earnings	14.6%	17.5%	16.4%	16.4%	16.2%	15.6%	15.7%	17.3%	18.0%	17.1%	16.6%
Net income	Cash prices	£59.41	£97.35	£134.00	£192.01	£206.58	£220.10	£227.01	£229.01	£234.31	£245.79	£257.22
Net income	1996/97 prices	£178.69	£182.09	£208.54	£229.26	£235.50	£243.22	£246.65	£242.20	£240.01	£245.79	£251.04
Net income	Index at 1996/97 prices	100.0	101.9	116.7	128.3	131.8	136.1	138.0	135.5	134.3	137.6	140.5

Table 1.3

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£92.80	£157.40	£213.80	£306.20	£328.70	£347.70	£359.10	£369.10	£381.20	£395.50	£411.30
Single person												
Income Tax	Cash prices	£23.22	£38.19	£48.98	£62.10	£66.33	£68.44	£70.81	£72.83	£75.28	£74.54	£74.34
NICs	Cash prices	£6.03	£13.77	£19.24	£24.34	£25.94	£27.51	£28.40	£32.35	£33.48	£34.67	£36.17
Income tax + NICs	Cash prices	£29.25	£51.96	£68.22	£86.44	£92.28	£95.95	£99.21	£105.18	£108.76	£109.21	£110.51
Income tax + NICs	1996/97 prices	£87.97	£97.19	£106.17	£103.22	£105.19	£106.03	£107.79	£111.24	£111.40	£109.21	£107.86
Income tax + NICs	% of earnings	31.5%	33.0%	31.9%	28.2%	28.1%	27.6%	27.6%	28.5%	28.5%	27.6%	26.9%
Net income	Cash prices	£63.55	£105.44	£145.58	£219.76	£236.42	£251.75	£259.89	£263.92	£272.44	£286.29	£300.79
Net income	1996/97 prices	£191.13	£197.21	£226.56	£262.40	£269.52	£278.20	£282.38	£279.13	£279.07	£286.29	£293.56
Net income	Index at 1996/97 prices	100.0	103.2	118.5	137.3	141.0	145.6	147.7	146.0	146.0	149.8	153.6
Married both working												
Income Tax	Cash prices	£12.32	£24.09	£28.60	£39.39	£42.22	£41.68	£43.57	£46.77	£50.29	£49.00	£48.81
NICs	Cash prices	£6.03	£13.77	£17.53	£21.12	£22.30	£23.73	£24.48	£27.79	£28.84	£29.79	£31.21
Income tax + NICs	Cash prices	£18.36	£37.86	£46.13	£60.50	£64.53	£65.42	£68.05	£74.56	£79.13	£78.79	£80.02
Income tax + NICs	1996/97 prices	£55.21	£70.81	£71.79	£72.25	£73.56	£72.29	£73.94	£78.85	£81.05	£78.79	£78.09
Income tax + NICs	% of earnings	19.8%	24.1%	21.6%	19.8%	19.6%	18.8%	19.0%	20.2%	20.8%	19.9%	19.5%
Net income	Cash prices	£74.44	£119.54	£167.67	£245.70	£264.17	£282.28	£291.05	£294.54	£302.07	£316.71	£331.28
Net income	1996/97 prices	£223.89	£223.59	£260.95	£293.37	£301.15	£311.94	£316.23	£311.52	£309.42	£316.71	£323.32
Net income	Index at 1996/97 prices	100.0	99.9	116.5	131.0	134.5	139.3	141.2	139.1	138.2	141.5	144.4
Married plus 2 children												
Income Tax	Cash prices	£18.46	£33.11	£41.62	£53.83	£58.06	£60.17	£62.54	£66.21	£70.31	£69.38	£69.06
NICs	Cash prices	£6.03	£13.77	£19.24	£24.34	£25.94	£27.51	£28.40	£32.35	£33.48	£34.67	£36.17
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£19.35	£35.95	£46.66	£63.67	£67.88	£70.23	£72.84	£80.11	£84.94	£84.45	£85.18
Income tax + NICs - CB	1996/97 prices	£58.20	£67.23	£72.62	£76.03	£77.38	£77.61	£79.14	£84.73	£87.01	£84.45	£83.14
Income tax + NICs - CB	% of earnings	20.9%	22.8%	21.8%	20.8%	20.7%	20.2%	20.3%	21.7%	22.3%	21.4%	20.7%
Net income	Cash prices	£73.45	£121.45	£167.14	£242.53	£260.82	£277.47	£286.26	£288.99	£296.26	£311.05	£326.12
Net income	1996/97 prices	£220.90	£227.17	£260.12	£289.59	£297.32	£306.62	£311.03	£305.64	£303.46	£311.05	£318.28
Net income	Index at 1996/97 prices	100.0	102.8	117.8	131.1	134.6	138.8	140.8	138.4	137.4	140.8	144.1

Table 1.4

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£139.20	£236.10	£320.70	£459.30	£493.05	£521.55	£538.65	£553.65	£571.80	£593.25	£616.95
Single person												
Income Tax	Cash prices	£38.53	£61.80	£79.98	£100.89	£107.42	£111.90	£118.19	£123.71	£128.43	£126.88	£127.97
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Income tax + NICs	Cash prices	£46.33	£81.05	£105.63	£129.17	£138.88	£144.57	£152.07	£162.15	£167.79	£167.50	£169.51
Income tax + NICs	1996/97 prices	£139.34	£151.60	£164.39	£154.24	£158.32	£159.76	£165.23	£171.49	£171.87	£167.50	£165.44
Income tax + NICs	% of earnings	33.3%	34.3%	32.9%	28.1%	28.2%	27.7%	28.2%	29.3%	29.3%	28.2%	27.5%
Net income	Cash prices	£92.87	£155.05	£215.07	£330.13	£354.17	£376.98	£386.58	£391.50	£404.01	£425.75	£447.44
Net income	1996/97 prices	£279.31	£290.00	£334.71	£394.19	£403.74	£416.59	£420.03	£414.06	£413.83	£425.75	£436.68
Net income	Index at 1996/97 prices	100.0	103.8	119.8	141.1	144.6	149.2	150.4	148.2	148.2	152.4	156.3
Married both working												
Income Tax	Cash prices	£27.64	£47.70	£59.60	£77.66	£83.31	£85.15	£88.46	£92.90	£97.94	£96.46	£96.11
NICs	Cash prices	£9.05	£20.66	£28.86	£34.90	£37.09	£39.38	£40.64	£46.25	£47.90	£49.57	£51.78
Income tax + NICs	Cash prices	£36.68	£68.35	£88.46	£112.56	£120.41	£124.53	£129.10	£139.15	£145.84	£146.03	£147.88
Income tax + NICs	1996/97 prices	£110.33	£127.85	£137.67	£134.40	£137.26	£137.61	£140.27	£147.17	£149.39	£146.03	£144.33
Income tax + NICs	% of earnings	26.4%	29.0%	27.6%	24.5%	24.4%	23.9%	24.0%	25.1%	25.5%	24.6%	24.0%
Net income	Cash prices	£102.52	£167.75	£232.24	£346.74	£372.64	£397.02	£409.55	£414.50	£425.96	£447.22	£469.07
Net income	1996/97 prices	£308.32	£313.75	£361.43	£414.03	£424.80	£438.74	£444.99	£438.39	£436.32	£447.22	£457.79
Net income	Index at 1996/97 prices	100.0	101.8	117.2	134.3	137.8	142.3	144.3	142.2	141.5	145.1	148.5
Married plus 2 children												
Income Tax	Cash prices	£33.77	£56.72	£72.62	£92.11	£99.15	£103.63	£107.43	£117.09	£123.47	£121.71	£122.69
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£36.43	£65.03	£84.07	£105.89	£114.49	£118.85	£123.21	£137.08	£143.98	£142.73	£144.18
Income tax + NICs - CB	1996/97 prices	£109.57	£121.64	£130.84	£126.44	£130.51	£131.34	£133.87	£144.98	£147.48	£142.73	£140.72
Income tax + NICs - CB	% of earnings	26.2%	27.5%	26.2%	23.1%	23.2%	22.8%	22.9%	24.8%	25.2%	24.1%	23.4%
Net income	Cash prices	£102.77	£171.07	£236.63	£353.41	£378.56	£402.70	£415.44	£416.57	£427.82	£450.52	£472.77
Net income	1996/97 prices	£309.08	£319.96	£368.26	£421.99	£431.55	£445.01	£451.39	£440.57	£438.23	£450.52	£461.40
Net income	Index at 1996/97 prices	100.0	103.5	119.1	136.5	139.6	144.0	146.0	142.5	141.8	145.8	149.3

Table 1.5

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£185.60	£314.80	£427.60	£612.40	£657.40	£695.40	£718.20	£738.20	£762.40	£791.00	£822.60
Single person												
Income Tax	Cash prices	£54.74	£89.27	£116.69	£162.13	£169.25	£181.37	£190.01	£197.53	£204.67	£205.98	£210.23
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Income tax + NICs	Cash prices	£62.54	£108.52	£142.34	£190.41	£200.71	£214.04	£223.89	£235.97	£244.03	£246.60	£251.77
Income tax + NICs	1996/97 prices	£188.09	£202.97	£221.53	£227.36	£228.80	£236.53	£243.26	£249.57	£249.97	£246.60	£245.72
Income tax + NICs	% of earnings	33.7%	34.5%	33.3%	31.1%	30.5%	30.8%	31.2%	32.0%	32.0%	31.2%	30.6%
Net income	Cash prices	£123.06	£206.28	£285.26	£421.99	£456.69	£481.36	£494.31	£502.23	£518.37	£544.40	£570.83
Net income	1996/97 prices	£370.11	£385.83	£443.94	£503.88	£520.61	£531.94	£537.08	£531.17	£530.98	£544.40	£557.11
Net income	Index at 1996/97 prices	100.0	104.2	119.9	136.1	140.7	143.7	145.1	143.5	143.5	147.1	150.5
Married both working												
Income Tax	Cash prices	£42.95	£71.31	£90.60	£115.94	£124.40	£128.61	£133.35	£139.04	£145.59	£143.92	£143.41
NICs	Cash prices	£12.06	£27.55	£38.48	£47.11	£51.49	£53.92	£55.82	£63.41	£65.22	£67.38	£69.48
Income tax + NICs	Cash prices	£55.01	£98.85	£129.08	£163.04	£175.88	£182.53	£189.16	£202.45	£210.81	£211.30	£212.89
Income tax + NICs	1996/97 prices	£165.45	£184.89	£200.89	£194.68	£200.50	£201.71	£205.53	£214.11	£215.93	£211.30	£207.77
Income tax + NICs	% of earnings	29.6%	31.4%	30.2%	26.6%	26.8%	26.2%	26.3%	27.4%	27.7%	26.7%	25.9%
Net income	Cash prices	£130.59	£215.95	£298.52	£449.36	£481.52	£512.87	£529.04	£535.75	£551.59	£579.70	£609.71
Net income	1996/97 prices	£392.75	£403.91	£464.58	£536.56	£548.91	£566.76	£574.81	£566.62	£565.01	£579.70	£595.05
Net income	Index at 1996/97 prices	100.0	102.8	118.3	136.6	139.8	144.3	146.4	144.3	143.9	147.6	151.5
Married plus 2 children												
Income Tax	Cash prices	£49.08	£82.50	£106.54	£148.90	£156.02	£168.14	£176.78	£190.91	£199.71	£200.81	£204.95
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£51.74	£90.81	£117.99	£162.68	£171.35	£183.36	£192.56	£210.90	£220.22	£221.83	£226.44
Income tax + NICs - CB	1996/97 prices	£155.62	£169.85	£183.63	£194.25	£195.34	£202.63	£209.22	£223.06	£225.58	£221.83	£221.00
Income tax + NICs - CB	% of earnings	27.9%	28.8%	27.6%	26.6%	26.1%	26.4%	26.8%	28.6%	28.9%	28.0%	27.5%
Net income	Cash prices	£133.86	£223.99	£309.61	£449.72	£486.05	£512.04	£525.64	£527.30	£542.18	£569.17	£596.16
Net income	1996/97 prices	£402.58	£418.96	£481.84	£536.99	£554.08	£565.84	£571.12	£557.68	£555.37	£569.17	£581.83
Net income	Index at 1996/97 prices	100.0	104.1	119.7	133.4	137.6	140.6	141.9	138.5	138.0	141.4	144.5

Table 1.6

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

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£464.00	£787.00	£1,069.00	£1,531.00	£1,643.50	£1,738.50	£1,795.50	£1,845.50	£1,906.00	£1,977.50	£2,056.50
Single person												
Income Tax	Cash prices	£234.37	£342.03	£462.59	£529.57	£563.69	£598.61	£620.93	£640.45	£662.11	£680.58	£703.79
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Income tax + NICs	Cash prices	£242.17	£361.28	£488.24	£557.85	£595.15	£631.28	£654.81	£678.89	£701.47	£721.20	£745.33
Income tax + NICs	1996/97 prices	£728.34	£675.73	£759.84	£666.11	£678.45	£697.61	£711.47	£718.01	£718.53	£721.20	£727.42
Income tax + NICs	% of earnings	52.2%	45.9%	45.7%	36.4%	36.2%	36.3%	36.5%	36.8%	36.8%	36.5%	36.2%
Net income	Cash prices	£221.83	£425.72	£580.76	£973.15	£1,048.35	£1,107.22	£1,140.69	£1,166.61	£1,204.53	£1,256.30	£1,311.17
Net income	1996/97 prices	£667.16	£796.27	£903.82	£1,161.99	£1,195.09	£1,223.56	£1,239.39	£1,233.83	£1,233.82	£1,256.30	£1,279.65
Net income	Index at 1996/97 prices	100.0	119.4	135.5	174.2	179.1	183.4	185.8	184.9	184.9	188.3	191.8
Married both working												
Income Tax	Cash prices	£157.63	£252.82	£334.71	£433.52	£456.75	£488.59	£510.43	£536.08	£556.86	£564.99	£579.71
NICs	Cash prices	£15.60	£38.50	£51.30	£56.56	£62.92	£65.34	£67.76	£76.88	£78.72	£81.24	£83.08
Income tax + NICs	Cash prices	£173.23	£291.32	£386.01	£490.08	£519.67	£553.93	£578.19	£612.96	£635.58	£646.23	£662.79
Income tax + NICs	1996/97 prices	£520.98	£544.88	£600.74	£585.18	£592.40	£612.14	£628.22	£648.28	£651.04	£646.23	£646.85
Income tax + NICs	% of earnings	37.3%	37.0%	36.1%	32.0%	31.6%	31.9%	32.2%	33.2%	33.3%	32.7%	32.2%
Net income	Cash prices	£290.77	£495.68	£682.99	£1,040.92	£1,123.83	£1,184.57	£1,217.31	£1,232.54	£1,270.42	£1,331.27	£1,393.71
Net income	1996/97 prices	£874.51	£927.12	£1,062.92	£1,242.92	£1,281.14	£1,309.04	£1,322.64	£1,303.55	£1,301.32	£1,331.27	£1,360.21
Net income	Index at 1996/97 prices	100.0	106.0	121.5	142.1	146.5	149.7	151.2	149.1	148.8	152.2	155.5
Married plus 2 children												
Income Tax	Cash prices	£223.55	£331.87	£447.36	£516.34	£550.46	£585.38	£607.70	£633.83	£657.15	£675.41	£698.51
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£226.21	£340.18	£458.81	£530.12	£565.79	£600.60	£623.48	£653.82	£677.66	£696.43	£720.00
Income tax + NICs - CB	1996/97 prices	£680.34	£636.28	£714.04	£633.00	£644.99	£663.71	£677.43	£691.50	£694.14	£696.43	£702.70
Income tax + NICs - CB	% of earnings	48.8%	43.2%	42.9%	34.6%	34.4%	34.5%	34.7%	35.4%	35.6%	35.2%	35.0%
Net income	Cash prices	£237.79	£446.82	£610.19	£1,000.88	£1,077.71	£1,137.90	£1,172.02	£1,191.68	£1,228.34	£1,281.07	£1,336.50
Net income	1996/97 prices	£715.15	£835.73	£949.63	£1,195.10	£1,228.55	£1,257.47	£1,273.43	£1,260.34	£1,258.21	£1,281.07	£1,304.37
Net income	Index at 1996/97 prices	100.0	116.9	132.8	167.1	171.8	175.8	178.1	176.2	175.9	179.1	182.4

Table 1.7

The burden of direct taxes and real net income
1000% of average earnings

		1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Gross Earnings	Cash prices	£928.00	£1,574.00	£2,138.00	£3,062.00	£3,287.00	£3,477.00	£3,591.00	£3,691.00	£3,812.00	£3,955.00	£4,113.00
Single person												
Income Tax	Cash prices	£618.17	£814.23	£1,103.99	£1,141.97	£1,221.09	£1,294.01	£1,339.13	£1,378.65	£1,424.51	£1,471.58	£1,526.39
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Income tax + NICs	Cash prices	£625.97	£833.48	£1,129.64	£1,170.25	£1,252.55	£1,326.68	£1,373.01	£1,417.09	£1,463.87	£1,512.20	£1,567.93
Income tax + NICs	1996/97 prices	£1,882.63	£1,558.93	£1,758.04	£1,397.35	£1,427.87	£1,466.08	£1,491.81	£1,498.74	£1,499.47	£1,512.20	£1,530.24
Income tax + NICs	% of earnings	67.5%	53.0%	52.8%	38.2%	38.1%	38.2%	38.2%	38.4%	38.4%	38.2%	38.1%
Net income	Cash prices	£302.03	£740.52	£1,008.36	£1,891.75	£2,034.45	£2,150.32	£2,217.99	£2,273.91	£2,348.13	£2,442.80	£2,545.07
Net income	1996/97 prices	£908.36	£1,385.07	£1,569.29	£2,258.85	£2,319.21	£2,376.27	£2,409.90	£2,404.93	£2,405.24	£2,442.80	£2,483.89
Net income	Index at 1996/97 prices	100.0	152.5	172.8	248.7	255.3	261.6	265.3	264.8	264.8	268.9	273.4
Married both working												
Income Tax	Cash prices	£475.02	£684.37	£925.18	£1,045.92	£1,114.15	£1,183.99	£1,228.63	£1,274.28	£1,319.26	£1,355.99	£1,402.31
NICs	Cash prices	£15.60	£38.50	£51.30	£56.56	£62.92	£65.34	£67.76	£76.88	£78.72	£81.24	£83.08
Income tax + NICs	Cash prices	£490.62	£722.87	£976.48	£1,102.48	£1,177.07	£1,249.33	£1,296.39	£1,351.16	£1,397.98	£1,437.23	£1,485.39
Income tax + NICs	1996/97 prices	£1,475.56	£1,352.05	£1,519.69	£1,316.42	£1,341.82	£1,380.61	£1,408.56	£1,429.02	£1,431.98	£1,437.23	£1,449.68
Income tax + NICs	% of earnings	52.9%	45.9%	45.7%	36.0%	35.8%	35.9%	36.1%	36.6%	36.7%	36.3%	36.1%
Net income	Cash prices	£437.38	£851.13	£1,161.52	£1,959.52	£2,109.93	£2,227.67	£2,294.61	£2,339.84	£2,414.02	£2,517.77	£2,627.61
Net income	1996/97 prices	£1,315.43	£1,591.96	£1,807.65	£2,339.78	£2,405.26	£2,461.74	£2,493.15	£2,474.66	£2,472.73	£2,517.77	£2,564.45
Net income	Index at 1996/97 prices	100.0	121.0	137.4	177.9	182.8	187.1	189.5	188.1	188.0	191.4	195.0
Married plus 2 children												
Income Tax	Cash prices	£606.20	£804.07	£1,088.76	£1,128.74	£1,207.86	£1,280.78	£1,325.90	£1,372.03	£1,419.55	£1,466.41	£1,521.11
NICs	Cash prices	£7.80	£19.25	£25.65	£28.28	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54
Child benefit	Cash prices	£5.14	£10.94	£14.20	£14.50	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05
Income tax + NICs - CB	Cash prices	£608.86	£812.38	£1,100.21	£1,142.52	£1,223.19	£1,296.00	£1,341.68	£1,392.02	£1,440.06	£1,487.43	£1,542.60
Income tax + NICs - CB	1996/97 prices	£1,831.17	£1,519.48	£1,712.24	£1,364.23	£1,394.40	£1,432.18	£1,457.77	£1,472.23	£1,475.08	£1,487.43	£1,505.52
Income tax + NICs - CB	% of earnings	65.6%	51.6%	51.5%	37.3%	37.2%	37.3%	37.4%	37.7%	37.8%	37.6%	37.5%
Net income	Cash prices	£319.14	£761.62	£1,037.79	£1,919.48	£2,063.81	£2,181.00	£2,249.32	£2,298.98	£2,371.94	£2,467.57	£2,570.40
Net income	1996/97 prices	£959.82	£1,424.53	£1,615.09	£2,291.96	£2,352.68	£2,410.17	£2,443.95	£2,431.44	£2,429.63	£2,467.57	£2,508.61
Net income	Index at 1996/97 prices	100.0	148.4	168.3	238.8	245.1	251.1	254.6	253.3	253.1	257.1	261.4

Table 2.1

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

	1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95 A	1994/95 B	1995/96	1996/97	1997/98
Gross Earnings	£69.60	£118.05	£160.35	£229.65	£246.53	£260.78	£269.33	£276.83	£276.83	£285.90	£296.63	£308.48
Single person												
a) Income tax	22.4%	22.4%	20.9%	18.7%	18.6%	17.9%	18.0%	18.0%	18.0%	18.0%	17.1%	16.4%
b) NICs	6.5%	8.8%	9.0%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%	8.4%	8.4%
c) a + b	28.9%	31.1%	29.9%	26.3%	26.1%	25.5%	25.5%	26.3%	26.3%	26.4%	25.5%	24.8%
d) VAT	2.6%	4.0%	4.7%	4.9%	5.4%	5.5%	5.5%	5.8%	5.4%	5.3%	5.5%	5.6%
e) Other indirect	9.0%	8.6%	8.3%	7.4%	7.5%	7.2%	7.3%	7.5%	7.2%	7.6%	7.8%	8.1%
f) c + d + e	40.5%	43.7%	42.8%	38.6%	38.9%	38.2%	38.3%	39.6%	38.9%	39.2%	38.9%	38.5%
g) Local taxes (1)	3.5%	4.2%	4.0%	3.7%	2.8%	2.8%	na	2.2%	2.6%	2.6%	2.6%	na
h) f + g	44.0%	47.9%	46.8%	42.3%	41.7%	41.0%	na	41.9%	41.5%	41.9%	41.5%	na
Married both working												
a) Income tax	7.6%	10.4%	8.2%	8.8%	8.8%	7.7%	8.0%	8.8%	8.8%	9.5%	8.9%	8.5%
b) NICs	6.5%	8.8%	8.2%	6.2%	6.0%	6.1%	6.1%	6.7%	6.7%	6.8%	6.7%	6.8%
c) a + b	14.1%	19.2%	16.4%	15.0%	14.8%	13.8%	14.1%	15.5%	15.5%	16.3%	15.6%	15.3%
d) VAT	3.0%	4.3%	5.1%	5.1%	5.7%	6.6%	5.8%	6.1%	6.0%	5.8%	6.1%	6.1%
e) Other indirect	11.9%	11.2%	11.0%	9.5%	9.6%	9.8%	9.5%	9.8%	9.0%	9.4%	9.8%	10.1%
f) c + d + e	29.0%	34.7%	32.4%	29.6%	30.1%	30.2%	29.3%	31.4%	30.5%	31.5%	31.5%	31.4%
g) Local taxes (1)	4.2%	5.1%	4.9%	6.5%	4.7%	4.5%	na	3.5%	3.4%	3.5%	3.5%	na
h) f + g	33.2%	39.7%	37.3%	36.1%	34.9%	34.7%	na	34.9%	33.9%	35.1%	35.0%	na
Married plus 2 children												
a) Income tax less CB	8.1%	8.8%	7.4%	8.8%	8.7%	8.0%	8.2%	8.9%	8.9%	9.7%	8.8%	8.2%
b) NICs	6.5%	8.8%	9.0%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%	8.4%	8.4%
c) a + b	14.6%	17.5%	16.4%	16.4%	16.2%	15.6%	15.7%	17.3%	17.3%	18.0%	17.1%	16.6%
d) VAT	2.7%	4.1%	4.5%	4.3%	4.9%	5.1%	5.0%	5.2%	5.5%	5.4%	5.6%	5.6%
e) Other indirect	10.1%	9.7%	9.4%	8.0%	8.2%	8.0%	8.1%	8.4%	9.0%	9.6%	10.0%	10.3%
f) c + d + e	27.4%	31.3%	30.3%	28.8%	29.4%	28.7%	28.8%	30.8%	31.8%	33.0%	32.7%	32.6%
g) Local taxes (1)	3.5%	4.2%	3.9%	6.2%	4.4%	4.4%	na	2.6%	3.2%	3.2%	3.2%	na
h) f + g	30.9%	35.5%	34.3%	34.9%	33.7%	33.1%	na	33.5%	35.0%	36.2%	35.9%	na

Table 2.2

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

	1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95 A	1994/95 B	1995/96	1996/97	1997/98
Gross Earnings	£92.80	£157.40	£213.80	£306.20	£328.70	£347.70	£359.10	£369.10	£369.10	£381.20	£395.50	£411.30
Single person												
a) Income tax	25.0%	24.3%	22.9%	20.3%	20.2%	19.7%	19.7%	19.7%	19.7%	19.7%	18.8%	18.1%
b) NICs	6.5%	8.8%	9.0%	7.9%	7.9%	7.9%	7.9%	8.8%	8.8%	8.8%	8.8%	8.8%
c) a + b	31.5%	33.0%	31.9%	28.2%	28.1%	27.6%	27.6%	28.5%	28.5%	28.5%	27.6%	26.9%
d) VAT	2.7%	4.2%	4.7%	4.9%	5.4%	5.5%	5.5%	5.7%	5.4%	5.3%	5.5%	5.6%
e) Other indirect	8.2%	7.9%	7.7%	6.9%	6.9%	6.7%	6.7%	6.9%	6.9%	7.3%	7.5%	7.8%
f) c + d + e	42.4%	45.1%	44.2%	40.0%	40.4%	39.8%	39.8%	41.2%	40.8%	41.1%	40.6%	40.3%
g) Local taxes (1)	3.1%	3.8%	3.6%	2.9%	2.1%	2.2%	na	1.8%	2.0%	2.0%	2.0%	na
h) f + g	45.6%	49.0%	47.9%	43.0%	42.5%	42.0%	na	43.0%	42.8%	43.1%	42.7%	na
Married both working												
a) Income tax	13.3%	15.3%	13.4%	12.9%	12.8%	12.0%	12.1%	12.7%	12.7%	13.2%	12.4%	11.9%
b) NICs	6.5%	8.8%	8.2%	6.9%	6.8%	6.8%	6.8%	7.5%	7.5%	7.6%	7.5%	7.6%
c) a + b	19.8%	24.1%	21.6%	19.8%	19.6%	18.8%	19.0%	20.2%	20.2%	20.8%	19.9%	19.5%
d) VAT	3.1%	4.5%	5.2%	5.3%	5.9%	6.6%	6.0%	6.2%	6.0%	5.8%	6.1%	6.1%
e) Other indirect	10.4%	9.7%	9.5%	8.3%	8.4%	8.5%	8.2%	8.5%	8.1%	8.6%	8.8%	9.2%
f) c + d + e	33.2%	38.3%	36.4%	33.4%	33.9%	33.9%	33.2%	34.9%	34.3%	35.2%	34.9%	34.7%
g) Local taxes (1)	3.4%	4.1%	3.9%	4.9%	3.6%	3.5%	na	2.7%	2.6%	2.7%	2.7%	na
h) f + g	36.6%	42.4%	40.2%	38.3%	37.5%	37.4%	na	37.6%	36.9%	37.9%	37.6%	na
Married plus 2 children												
a) Income tax less CB	14.4%	14.1%	12.8%	12.8%	12.8%	12.3%	12.4%	12.9%	12.9%	13.5%	12.6%	11.9%
b) NICs	6.5%	8.8%	9.0%	7.9%	7.9%	7.9%	7.9%	8.8%	8.8%	8.8%	8.8%	8.8%
c) a + b	20.9%	22.8%	21.8%	20.8%	20.7%	20.2%	20.3%	21.7%	21.7%	22.3%	21.4%	20.7%
d) VAT	2.7%	4.1%	4.8%	4.8%	5.4%	5.5%	5.4%	5.6%	5.5%	5.4%	5.6%	5.7%
e) Other indirect	8.6%	8.4%	8.2%	7.1%	7.2%	7.0%	7.1%	7.3%	7.6%	8.0%	8.3%	8.7%
f) c + d + e	32.2%	35.4%	34.8%	32.7%	33.2%	32.7%	32.8%	34.6%	34.8%	35.7%	35.3%	35.1%
g) Local taxes (1)	3.0%	3.7%	3.5%	4.8%	3.5%	3.5%	na	2.2%	2.5%	2.5%	2.5%	na
h) f + g	35.2%	39.1%	38.3%	37.5%	36.7%	36.2%	na	36.8%	37.3%	38.2%	37.8%	na

Table 2.3

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

	1978/79	1982/83	1986/87	1990/91	1991/92	1992/93	1993/94	1994/95 A	1994/95 B	1995/96	1996/97	1997/98
Gross Earnings	£139.20	£236.10	£320.70	£459.30	£493.05	£521.55	£538.65	£553.65	£553.65	£571.80	£593.25	£616.95
Single person												
a) Income tax	27.7%	26.2%	24.9%	22.0%	21.8%	21.5%	21.9%	22.3%	22.3%	22.5%	21.4%	20.7%
b) NICs	5.6%	8.2%	8.0%	6.2%	6.4%	6.3%	6.3%	6.9%	6.9%	6.9%	6.8%	6.7%
c) a + b	33.3%	34.3%	32.9%	28.1%	28.2%	27.7%	28.2%	29.3%	29.3%	29.3%	28.2%	27.5%
d) VAT	2.8%	4.4%	4.8%	5.1%	5.6%	5.7%	5.6%	5.8%	5.5%	5.4%	5.7%	5.7%
e) Other indirect	7.5%	7.3%	7.1%	6.6%	6.5%	6.3%	6.3%	6.5%	6.7%	7.0%	7.3%	7.6%
f) c + d + e	43.6%	46.1%	44.8%	39.8%	40.3%	39.8%	40.1%	41.5%	41.5%	41.8%	41.2%	40.8%
g) Local taxes (1)	2.8%	3.5%	3.3%	2.2%	1.5%	1.6%	na	1.4%	1.4%	1.5%	1.4%	na
h) f + g	46.5%	49.6%	48.1%	41.9%	41.8%	41.3%	na	43.0%	42.9%	43.2%	42.6%	na
Married both working												
a) Income tax	19.9%	20.2%	18.6%	16.9%	16.9%	16.3%	16.4%	16.8%	16.8%	17.1%	16.3%	15.6%
b) NICs	6.5%	8.8%	9.0%	7.6%	7.5%	7.6%	7.5%	8.4%	8.4%	8.4%	8.4%	8.4%
c) a + b	26.4%	29.0%	27.6%	24.5%	24.4%	23.9%	24.0%	25.1%	25.1%	25.5%	24.6%	24.0%
d) VAT	3.1%	4.7%	5.3%	5.5%	6.1%	6.6%	6.2%	6.3%	6.0%	5.8%	6.1%	6.2%
e) Other indirect	8.7%	8.3%	8.0%	7.2%	7.2%	7.1%	6.9%	7.2%	7.2%	7.7%	7.9%	8.2%
f) c + d + e	38.2%	41.9%	40.9%	37.2%	37.6%	37.6%	37.1%	38.7%	38.3%	39.0%	38.6%	38.3%
g) Local taxes (1)	2.5%	3.0%	2.9%	3.3%	2.4%	2.5%	na	1.8%	1.8%	1.9%	1.9%	na
h) f + g	40.7%	45.0%	43.8%	40.5%	40.0%	40.1%	na	40.5%	40.2%	40.9%	40.5%	na
Married plus 2 children												
a) Income tax less CB	20.6%	19.4%	18.2%	16.9%	16.8%	16.5%	16.6%	17.8%	17.8%	18.3%	17.2%	16.6%
b) NICs	5.6%	8.2%	8.0%	6.2%	6.4%	6.3%	6.3%	6.9%	6.9%	6.9%	6.8%	6.7%
c) a + b	26.2%	27.5%	26.2%	23.1%	23.2%	22.8%	22.9%	24.8%	24.8%	25.2%	24.1%	23.4%
d) VAT	2.7%	4.2%	5.3%	5.4%	6.0%	6.2%	6.1%	6.2%	5.6%	5.4%	5.7%	5.8%
e) Other indirect	7.2%	7.2%	7.0%	6.3%	6.3%	6.1%	6.2%	6.3%	6.2%	6.6%	6.8%	7.1%
f) c + d + e	36.1%	39.0%	38.5%	34.8%	35.5%	35.1%	35.2%	37.3%	36.6%	37.2%	36.6%	36.3%
g) Local taxes (1)	2.7%	3.3%	3.1%	3.4%	2.6%	2.6%	na	1.8%	1.9%	1.9%	1.9%	na
h) f + g	38.8%	42.2%	41.6%	38.2%	38.1%	37.7%	na	39.1%	38.4%	39.1%	38.5%	na

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 Office for National Statistics' 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 1996/97 and 1997/98 reflect the official assumptions in the 1996 budget of increases of 3¾% in 1996/97 and 4% in 1997/98.
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 1978/79 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 for 1994/95 to 1997/98 are based on expenditure patterns derived from the 1994/95 *Family Expenditure Survey* up-rated to other years on the basis of aggregate tax receipts. Figures for local taxes include water charges. The heading "other indirect taxes" covers central government taxes only, but includes the indirect effects of taxes levied on business. Estimates are based on the illustrative assumption that 10% of disposable income is saved. In practice amounts of indirect taxes will vary considerably between families with the same income and

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composition and the data used here are therefore only illustrative. Estimates for earlier years are generally based on expenditure patterns derived from the 1985 *Family Expenditure Survey*. Further details of the methodology were set out in a written answer in 1988.¹¹ Estimates cannot reliably be made outside the income range for which figures are shown (75 to 150 percent of average male earnings).

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 are based on an analysis of the 1994/95 *Family Expenditure Survey*. 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 1997/98 are not yet available.
10. **Retail Prices** are measured by the all-items Retail Prices Index. This is assumed to rise by 2½% between 1996/97 and 1997/98.

Sources: Deposited paper NS 4884
HM Treasury, *Tax Benefit Reference Manual 1996/97*, 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 c.944W; 1/2/95 c.666W; 11/12/96 c.190W

¹¹ HC Deb 19 May 1988 c.577W

IV Household survey data

The Office for National Statistics conducts a regular analysis of the “effects of taxes and benefits on household income” that enables some conclusions to be drawn about the changing burden of taxation on different types of household and on households with different income levels. The latest results were published in the March 1997 edition of *Economic Trends* and this source should be consulted for details of the methodology. In broad terms, the ONS 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 by employers for house purchase (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 (i.e. fifth) of households ranked by equivalised disposable income.^{12 13} Table 3.1 shows the shares of those direct and indirect taxes that can reasonably be allocated to households. Comparing 1979 with 1995/96, the shares of taxation paid by the top 20% and bottom 20% of households appears to have risen while there have been falls in the shares paid by the second, third and fourth quintiles.

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

¹³ 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**

Quantile of equivalised disposable household income	1977	1979	1981	1983	1985	1987	1989	1991 (a)	1992 (b)	1993 (b)	1994/95 (b)	1995/96 (b)
Highest quintile	35%	36%	37%	38%	38%	40%	39%	40%	40%	42%	42%	41%
Fourth quintile	26%	27%	26%	25%	26%	25%	26%	26%	25%	24%	25%	24%
Third quintile	20%	20%	19%	19%	19%	18%	19%	18%	18%	17%	17%	17%
Second quintile	12%	12%	11%	10%	10%	10%	10%	10%	10%	9%	9%	10%
Lowest quintile	7%	6%	7%	7%	7%	7%	7%	6%	7%	7%	7%	8%
All	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 3.2**Direct & indirect taxes as percent of gross income**

Quantile of equivalised disposable household income	1977	1979	1981	1983	1985	1987	1989	1991 (a)	1992 (b)	1993 (b)	1994/95 (b)	1995/96 (b)
Highest quintile	37%	37%	39%	40%	38%	37%	35%	34%	34%	35%	36%	37%
Fourth quintile	40%	39%	41%	41%	40%	39%	37%	36%	36%	37%	37%	38%
Third quintile	39%	38%	40%	40%	39%	38%	38%	37%	37%	36%	36%	37%
Second quintile	37%	34%	36%	36%	35%	36%	36%	35%	34%	34%	34%	36%
Lowest quintile	37%	31%	36%	37%	36%	37%	39%	38%	39%	39%	39%	42%
All	38%	37%	39%	39%	38%	37%	36%	35%	35%	36%	36%	37%

Notes: (a) Income includes company cars.

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

Sources: ONS, "Economic Trends", March 1997 and earlier editions

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 in table 3.2 which shows the taxes paid by each quintile are shown as proportions 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 are 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, at present, there is no great variation between quintiles in the average tax bill as a proportion of gross income except that the ratio for the bottom quintile is rather above the average.

The overall burden of taxes on households in 1995/96 was 37% - the same as in 1979. 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 35% in 1979 to 42% in 1995/96). 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 in 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 each year 1973/74 to 1997/98.¹⁵ The data are shown at both current and constant 1995/96 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 1997/98 the ratio (including oil and gas revenues) is forecast to be 36¼% compared to 34¼% in 1978/79 and 33¾% in 1973/74.¹⁶

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 1996/97 and 1997/98 are forecasts as published in the November 1996 Budget *Redbook*.

¹⁶ In the budget *Redbook* (HC 90 1996/97 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 3¼% in 1996/97 compared with 34¾% in 1978/79 and 33¾% in 1973/74.

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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

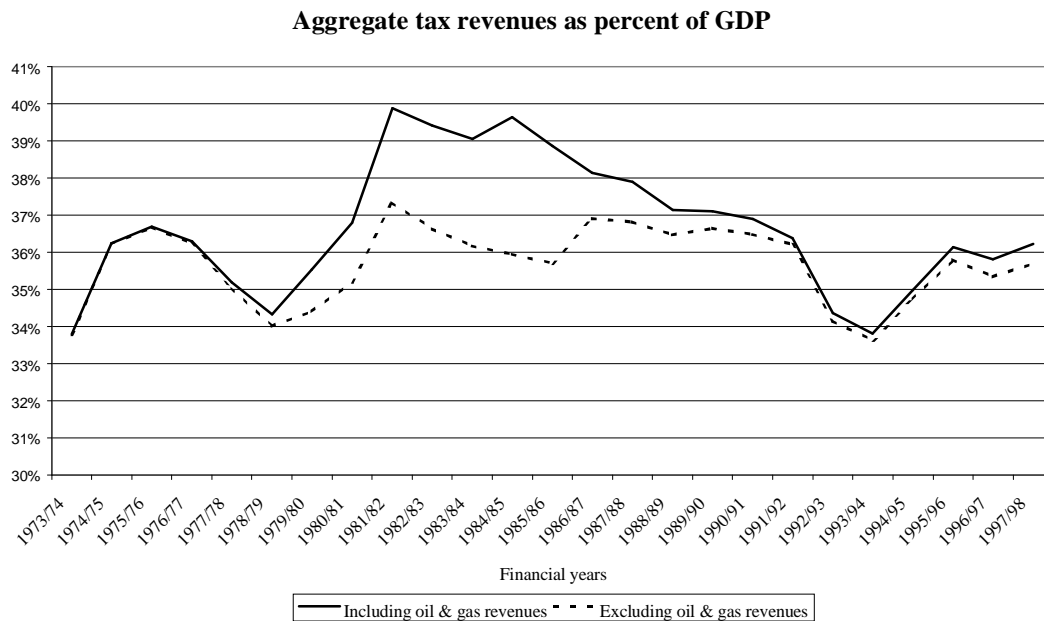


Table 4.1**Aggregate tax revenues (a)**

Financial year	Including oil & gas revenues			Excluding oil & gas revenues		
	At cash prices (£ billion)	At 1995/96 prices (c) (£ billion)	As percent of GDP (d)	At cash prices (£ billion)	At 1995/96 prices (c) (£ billion)	As percent of GDP (d)
1973/74	24.9	160.4	33.8%	24.9	160.3	33.8%
1974/75	31.8	171.4	36.2%	31.8	171.3	36.2%
1975/76	40.1	172.0	36.7%	40.0	171.9	36.7%
1976/77	46.3	175.3	36.3%	46.3	175.0	36.2%
1977/78	52.3	174.2	35.2%	52.1	173.4	35.0%
1978/79	58.6	175.5	34.3%	58.0	173.8	34.0%
1979/80	72.8	186.9	35.5%	70.5	181.0	34.4%
1980/81	85.9	186.3	36.8%	82.2	178.2	35.2%
1981/82	102.2	202.1	39.9%	95.7	189.2	37.3%
1982/83	110.6	204.2	39.4%	102.8	189.8	36.6%
1983/84	118.9	209.8	39.1%	110.1	194.2	36.2%
1984/85	129.3	217.2	39.6%	117.2	196.9	35.9%
1985/86	139.3	221.8	38.9%	127.9	203.7	35.7%
1986/87	147.1	227.5	38.1%	142.4	220.1	36.9%
1987/88	161.8	237.5	37.9%	157.2	230.8	36.8%
1988/89	176.5	242.9	37.1%	173.4	238.5	36.5%
1989/90	191.8	246.7	37.1%	189.4	243.6	36.6%
1990/91	205.4	244.6	36.9%	203.0	241.8	36.5%
1991/92	211.4	236.6	36.4%	210.4	235.5	36.2%
1992/93	208.5	223.9	34.4%	207.2	222.5	34.1%
1993/94	216.3	225.7	33.8%	215.0	224.4	33.6%
1994/95	236.6	242.7	35.0%	235.0	241.1	34.7%
1995/96	256.1	256.1	36.1%	253.8	253.8	35.8%
1996/97 (b)	267.0	260.5	35.8%	263.5	257.1	35.3%
1997/98 (b)	285.0	272.6	36.2%	280.9	268.7	35.7%

- Notes: (a) Including social security contributions, community charge/council tax & royalties.
(b) As forecast in the November 1996 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: ONS - CSDB database
HM Treasury, "Financial Statement & Budget Report 1997/98", HC 90 1996/97

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 at cash prices						
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	28.1	3.3	53.3	17.1	161.8
1988/89	63.5	31.5	4.4	57.9	19.3	176.5
1989/90	72.0	33.5	4.3	61.1	20.9	191.8
1990/91	77.9	35.0	4.0	64.9	23.5	205.4
1991/92	76.6	36.7	3.1	73.6	21.5	211.4
1992/93	73.0	37.0	2.5	73.6	22.4	208.5
1993/94	74.8	40.3	2.3	77.5	21.3	216.3
1994/95	84.8	42.7	2.6	84.9	21.6	236.6
1995/96	93.9	44.9	2.7	91.6	23.1	256.1
1996/97 (a)	96.9	46.8	3.3	96.0	24.0	267.0
1997/98 (a)	102.0	49.2	3.8	104.8	25.2	285.0
{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	37.1%	17.4%	2.0%	32.9%	10.6%	100.0%
1988/89	36.0%	17.9%	2.5%	32.8%	10.9%	100.0%
1989/90	37.6%	17.5%	2.2%	31.8%	10.9%	100.0%
1990/91	37.9%	17.0%	2.0%	31.6%	11.4%	100.0%
1991/92	36.2%	17.3%	1.5%	34.8%	10.2%	100.0%
1992/93	35.0%	17.8%	1.2%	35.3%	10.8%	100.0%
1993/94	34.6%	18.6%	1.1%	35.8%	9.9%	100.0%
1994/95	35.8%	18.1%	1.1%	35.9%	9.1%	100.0%
1995/96	36.7%	17.5%	1.0%	35.7%	9.0%	100.0%
1996/97 (a)	36.3%	17.5%	1.2%	36.0%	9.0%	100.0%
1997/98 (a)	35.8%	17.3%	1.3%	36.8%	8.8%	100.0%

Notes: (a) As forecast in the November 1996 Budget.

(b) Excluding national non-domestic rates.

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

Sources: ONS - CSDB database

HM Treasury, "FSBR 1997/98" HC 90 1996/97 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 1994 together with provisional data for 1995 where available. On this basis the United Kingdom was ranked 20th of the 28 member states in 1994¹⁷ and its ratio of 34.1% 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 25 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 South Korea has subsequently joined the OECD.

Table 5.1

Tax revenues as percentage of GDP (a)

Rank in 1994	Country	1994	1995 (prov)
1	Denmark	51.6%	51.7%
2	Sweden	51.0%	50.2%
3	Czech Republic	47.3%	45.8%
4	Finland	47.3%	45.8%
5	Belgium	46.6%	45.9%
6	Netherlands	45.9%	44.4%
7	Luxembourg	45.0%	43.7%
8	France	44.1%	44.5%
9	Poland	43.2%	43.6%
10	Austria	42.8%	42.0%
11	Greece	42.5%	n.a.
12	Italy	41.7%	41.8%
13	Norway	41.2%	41.7%
14	Hungary	41.0%	n.a.
15	Germany	39.3%	39.1%
16	Irish Republic	37.5%	35.4%
17	New Zealand	37.0%	38.1%
18	Canada	36.1%	n.a.
19	Spain	35.8%	34.2%
20	United Kingdom	34.1%	35.2%
21	Switzerland	33.9%	34.4%
22	Portugal	33.0%	33.9%
23	Iceland	30.9%	30.9%
24	Australia	29.9%	31.3%
25	Japan	27.8%	n.a.
26	United States	27.6%	n.a.
27	Turkey	22.2%	21.1%
28	Mexico	18.8%	n.a.
Unweighted averages:			
	OECD Total	38.4%	n.a.
	OECD Europe	40.8%	n.a.
	EU 15	42.5%	n.a.

Note: (a) Including social security contributions.

Source: OECD "Revenue Statistics" 1965-1995 tables 3 & 124

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 15	29.8%	17.1%

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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