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The Burden of Taxation

The burden of taxation represents the proportion of income, national or individual, that is paid in tax. The tax burden can be measured in a number of ways. This Research Paper looks at several datasets that provide different perspectives. It replaces Research Paper 97/50 produced in May 1997: however, in a number of respects the results are presented in a different format from previously.

Robert Twigger

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Summary of main points

- The burden of taxation is a measure of the proportion of income, either national or individual, which is paid in taxes. There are a number of different ways in which the tax burden can be defined and measured. This Research Paper summarises information from a number of sources.

- As measured by the national accounts the burden of taxation in 1999/00 is around 37½% of GDP compared to a peak of 39% in 1981/82. In the early 1960s the ratio was below 30%. See section II for details.

- Official projections suggest that, on unchanged policies, the burden of net taxes and social security contributions will be broadly stable at some 37% in the early years of the next decade. This compares with a peak of 39% in 1982/83 and a recent low of 33¼% in 1993/94. See section III for details.

- Data for hypothetical working households suggest rises in real take home pay over the period 1991/92 to 2001/02. Lower paid families with children will benefit significantly from the introduction of the working families tax credit in October 1999. Most, but not all, the families considered will face a lower burden of direct taxes at the end of this period than at the beginning. See section IV for details.

- Households with the top fifth of disposable incomes now pay a higher proportion of household taxes than in 1979. However, as the share of gross income received by this group has also increased, the incidence of tax they face has fallen. Taxes paid by the fifth of households with the lowest fifth of living standards now represent a higher proportion of income than in 1979. See section V for details.

- In 1996 the aggregate tax burden in the United Kingdom was significantly below the average for the EU15. It was, however, above the level in several major non-European countries including Australia, Japan and the United States. See section VI for details.

CONTENTS

I Introduction

The burden of taxation is a measure of the proportion of income, either national or individual, which is paid in taxes. The tax burden can change for a number of reasons: discretionary decisions by government, the state of the macro-economy (eg level of GDP relative to trend) and micro-economic factors such as changes in consumption patterns and the distribution of income. Each budget includes a raft of discretionary tax changes, some of which do not come into effect immediately. Details are published in each budget 'red book' together with estimates of the direct revenue implications.[1] The following table notes a selection of the major (in terms of revenue effect) tax changes coming into effect each year 1992/93 to 2001/02 organised by the budget in which they were announced.

Year	Budget	Change
1992/93	Mar 1992	Introduction of 20p income tax band
		Married couples allowance frozen for those under 65
		Car tax halved from 10% to 5%
		Additional transitional relief for business rates
1993/94	Mar 1993	Income tax allowances frozen
		Lower rate band for income tax extended
		Car tax abolished and offsetting increases in fuel duties (announced Nov 1982)
		Additional transitional relief for business rates
1994/95	Mar 1993	Married couples allowance restricted to 20%
		Mortgage tax relief restricted to 20%
		Lower rate band for income tax extended
		VAT on domestic fuel and power introduced at 8%
		Escalator introduced for road fuel duty at 3%[2]
		Standard rate of employees' NICs raised from 9% to 10%
	Nov 1993	Income tax allowances frozen
		Insurance premium tax introduced
		Air passenger duty introduced
		Employers' NICs reduced
1995/96	Nov 1993	Married couples allowance restricted to 15%
		Mortgage tax relief restricted to 15%
		Escalator for road fuel duty at raised to 5%
		Escalator introduced for tobacco duty at 3%
	Nov 1994	Additional transitional relief for business rates
		Additional increases in excise duties to offset decision not to increase VAT on domestic fuel and power to 17½%

1 See, for example, HM Treasury, *Budget 1999*, HC 298 1998-99 table 1.11

2 Duty escalators require the rate of duty to be increased in each subsequent budget by a specified number of percentage points above the rate of inflation. As such they have an on-going effect.

Year	Budget	Change
1996/97	Nov 1995	Income tax personal allowance over-indexed
		Basic rate of income tax reduced from 25% to 24%
		Landfill tax introduced
		Lower rate band for income tax extended
		Income tax on savings reduced to 20% for basic rate taxpayers
1997/98	Nov 1995	Employer NICs reduced
	Nov 1996	Basic rate of income tax reduced from 24% to 23%
		Income tax personal allowance over indexed
		Increase in insurance premium tax from 2½% to 4%
		Air passenger duty doubled
		Phased withdrawal of tax relief on profit related pay
	Jul 1997	VAT on domestic fuel and power reduced to 5%
		Payable tax credits abolished
		Corporation tax reduced from 33 to 31 percent
		Higher rates of stamp duty on property transfers introduced
		Windfall tax on privatised utilities
		Duty escalators raised to 6% for road fuels and 5% for tobacco
1998/99	Jul 1997	Mortgage tax relief restricted to 10%
	Mar 1998	Higher rates of stamp duty on property transfers increased
		Advance timing of increases in fuel duties
1999/00	Mar 1998	Advanced corporation tax abolished and quarterly corporation tax payments introduced
		Working families tax credit to replace family credit
		Entry fee for employee NICs abolished
		Married couples allowance restricted to 10%
		Corporation tax reduced from 31% to 30%
	Mar 1999	10p starting rate of income tax
		Higher rates of stamp duty on property transfers increased
		Advance timing of increases in tobacco duties
		Increase in insurance premium tax from 4% to 5%
2000/01	Mar 1999	Mortgage tax relief abolished.
		Married couples allowance abolished for those born after 1935
		Basic rate of income tax reduced to 22%
		Phased alignment of starting point for employee NICs with personal allowance and consequential increases in upper earnings limits
2001/02	Mar 1999	New children's tax credit
		Proposed climate change levy offset by 0.5% reduction in employer NICs

II National Accounts data

The national accounts are published by the Office for National Statistics with the aim of providing a coherent view of the UK economy. The accounts include details of the taxes paid by UK residents and received by government. Relating the level of tax revenues to gross domestic product (GDP) provides an aggregate measure of the tax burden. The advantages of this measure are that: consistent data are available from 1963, data are on internationally recognised definitions and all types of tax (eg direct and indirect) are included. The disadvantages are that, as far as households are concerned, there is no information about the distribution of the tax burden and no adjustments are made for the impact of structural changes to the tax and benefit system (eg the switch from child tax allowances to child benefit in the late 1970s).

A number of changes were made to the national accounts in September 1998 (see technical box on ESA95) which have affected both the numerator and denominator in the calculation.

Technical Box

ESA95

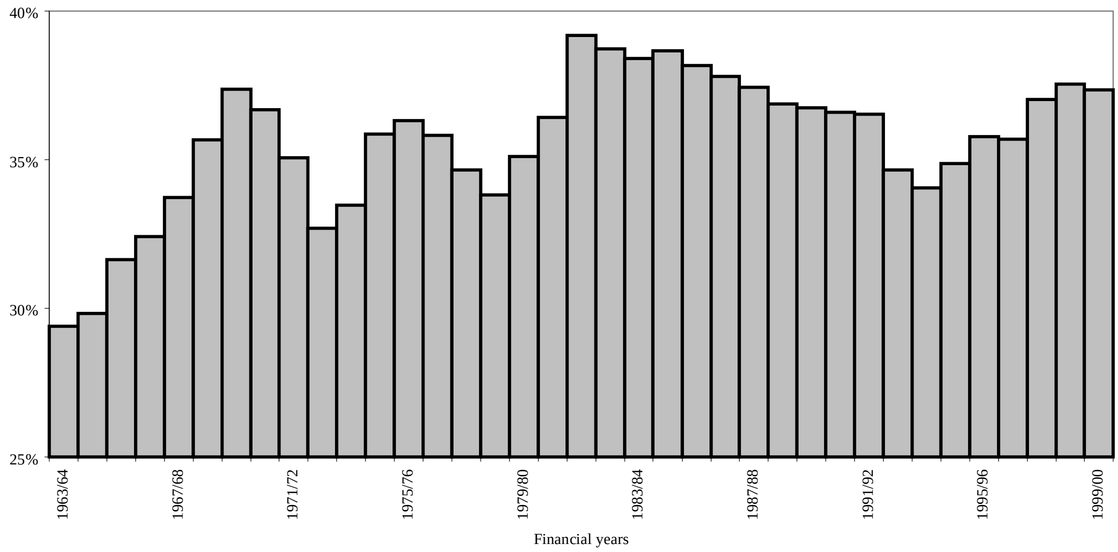
In September 1998 the UK national accounts underwent the most extensive set of changes since the publication of the first Blue Book in 1952. This included the adoption of the new European System of Accounts (ESA95), which is based on the United Nations System of National Accounts, 1993 edition (SNA93). A number of changes affected the measurement of burden of taxation. For example:

- some EU own resources (eg customs duties, agricultural levies and the VAT-based third resource) are now treated as being paid directly to the EU.
- the distinction between tax credits and public expenditure has been revised. For example the cost of mortgage tax relief is now classified as public expenditure since 1991/92 because eligibility ceased to be related to income tax liability.
- the distinction between fees and charges and taxes has been clarified.
- royalties, which were treated as analogous to taxes in the old system, are now treated as analogous to rent.
- the economic groupings into which taxes are classified has changed.
- the overall level of GDP was revised up by around 2% for the latest years with a consequent downward effect on the ratio of tax revenues to GDP.

The following chart shows movements in the aggregate tax burden since 1963. The supporting data, including an analysis by economic category, are set out in table 1 of appendix 2.[3]

[3] See ONS, *Financial Statistics*, October 1998 table S30 for further details

Taxes paid by UK residents to general government and the EU
Percent of GDP



At the start of the period covered, the ratio of taxes to GDP was under 30% and rising. This trend partly reflected the need to raise additional revenues to fund the steadily rising level of public expenditure that accompanied the development of the welfare state. There were sharp variations in the ratio during the 1970s reflecting both policy changes and the macro-economic situation. On this basis the burden peaked in 1981/82 at 39.2% of GDP.

In the early to mid-1980s revenues were boosted by substantial receipts relating to North Sea oil production. However, these declined rapidly after the world oil price fell sharply in 1986. The late 1980s saw a period of rapid economic growth and strong public finances. This allowed the government of the day to announce a series of tax reductions. Most notably in the 1988 budget when the basic rate of income tax was reduced to 25% (from 27%), higher rates of income tax above 40% were abolished and allowances were increased by more than indexed. The tax burden fell steadily to around 36½% of GDP at the end of the decade.

With the recession of the early 1990s the economy shrank (in real terms GDP in 1992/93 was lower than it had been in 1989/90) and the tax burden fell sharply, largely as the result of cyclical factors (see technical box on taxation and the cycle). This resulted in a series of phased tax increases announced in the two budgets of 1993, which were aimed at putting the public finances back on a sustainable basis. Further increases occurred before a peak of 37.6% was reached in 1998/99 reflecting factors such as the windfall tax, the abolition of payable tax credits and the continuing impact of the escalators for road fuel and tobacco duties. A slight reduction is expected in 1999/00 reflecting factors such as the completion of windfall tax payments, declining North Sea revenues and reductions in NICs (eg the abolition of the 'entry fee' for employees' contributions).

Technical box

Taxation and the cycle

Revenues from some taxes, most notably income tax and corporation tax, vary disproportionately with changes in GDP. Recent estimates published by the Treasury suggest that the long-term effect of a 1 per cent rise in output relative to trend could be an approximate 0.2 percentage point increase in the **ratio** of total tax receipts to GDP. This compares with an estimate of 0.3 percentage points published by the Treasury in a similar study in 1995. While significant, cyclical factors account for only a small proportion of the variation in the tax burden over the period covered by the graph.

Source: HM Treasury, *Fiscal Policy: public finances and the cycle*, Budget Publications March 1999

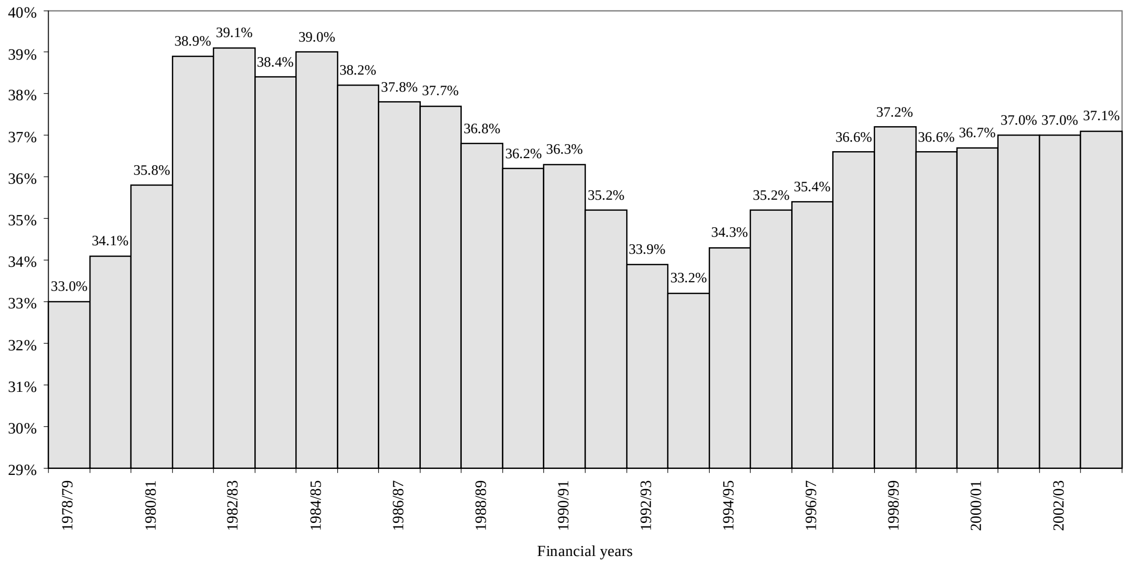
III Public finance presentation

For the purposes of presenting the public finances (eg in the budget documentation) the Treasury uses a slightly different measure of the aggregate tax burden: net taxes and social security contributions as a proportion of GDP. This indicator varies from the national accounts measure described in section II in a number of (mainly minor) respects:

- It is measured on a strict cash receipts basis whereas in the national accounts some revenues are on an accruals basis (ie revenues are shown against the period in which the liability arises and not when payment is made).
- Oil royalties are included.
- It is a public sector rather than a general government concept.
- It is measured net of certain tax credits that are classified as public expenditure in the national accounts. Such credits include mortgage tax relief (from 1991/92), life assurance premium relief and private medical insurance relief for the over 60s (from 1994/95). The working families tax credit (WFTC) and disabled persons tax credit will be included from October 1999 and the research and development tax credit and children's tax credit from April 2001. Family credit, for which the WFTC is a partial replacement, is not treated as a tax credit.

The following chart shows the trend in this measure of the tax burden since 1978/79 together with forecasts for years up to 2001/02.[4] The broad trends are much as described in section II above. On this basis the peak level was 39.1% of GDP in 1982/83. Official medium-term projections suggest that on unchanged policies the ratio will be broadly stable at some 37% of GDP in the early years of the next decade.

Net taxes and social security contributions
Percent of GDP



Technical box

Working families tax credit

The WFTC will be introduced in October 1999 to provide in-work support for low-paid families with children. It replaces the existing social security benefit, family credit, but, unlike family credit, it will be administered by the Inland Revenue rather than the DSS and it is intended that the normal method of payment will be through the pay packet. In a number of respects the WFTC is more generous than family credit. In particular, the rate at which the WFTC is withdrawn is 55% of any increase in earnings (net of tax and national insurance) compared to a rate of 70% for family credit. The Government considers the WFTC to be part of the income tax system and the cost of the WFTC is therefore deducted from gross tax revenues to calculate net taxes and social security contributions as shown above. However, for the purposes of the national accounts, the WFTC is being treated as public expenditure. Under ESA95 such a payment would only be classified as negative taxation in the national accounts if (a) the benefit to the individual taxpayer did not exceed the amount of tax paid by them, and (b) it was made as a matter of economic policy; and (c) the allowance was an integral part of the tax system.

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[4] Source: HM Treasury, *Budget 1999*, HC 298 1998-99 tables B6 & B27

IV Hypothetical families

From 1981 until 1996 the Treasury answered a series of parliamentary questions about the taxes paid by various hypothetical families on different multiples of average male earnings.[5] These answers included both direct taxes such as income tax and national insurance and indirect taxes such as VAT, excise duties and local government taxes. Similar questions since the 1997 General Election have only received substantive replies about direct taxes. For example, the following comments were made in answer to a question tabled after the 1998 Budget:

> Further consideration is being given to whether the information provided is typical of families in the UK. Similarly, estimating the impact of indirect taxes is imprecise as spending patterns vary widely between households with the same composition and income. The level of council tax payments will also vary depending on where families live. Further consideration is being given to whether the conventions, assumptions and sampling methods can be improved in order to provide information which is meaningful and reliable.[6]

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

> Estimating the impact of indirect taxes on the basis of average assumptions about household spending is imprecise as spending patterns vary widely between households with the same composition and income, with the consumption of the majority of goods and services far from universal. For example, only around one third of adults are smokers. This can be contrasted with direct taxes and benefits where at specified earnings and for particular household types there is a known benefit entitlement or tax liability.[7]

As a result, this Research Paper concentrates on the amounts of direct tax that would be paid by hypothetical families and the resulting measure of take-home pay. Those interested in the impact of indirect taxes in the years 1978/79 to 1997/98 are referred to previous versions of this Research Paper.[8]

The analysis here covers the period 1991/92 to 2001/02. A number of changes to the direct tax system for 2000/01 and 2001/02 have already been announced and the analysis provides data for these years on the basis that, where levels of allowances and benefits have not been announced, they are subject to the usual indexation procedure. Unlike previous versions of this Research Paper family credit and the working families tax credit are included. This reflects the Government's view that the WFTC is an integral part of the tax system (see

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

6 HC Deb 5 May 1998 c331W

7 HC Deb 24 May 1999 c56W

8 For example, *The Burden of Taxation*, Research Paper 97/50

technical box on WFTC above). Further details of the assumptions and methodology are set out in appendix 1. The three household types considered here are: a single person; a married couple (without children) both working; and a couple with two children under 11 where only the husband works. The detailed analysis below looks at families on 75% and 100% of median earnings (see technical box on mean and median earnings). Similar data for families on 50%, 150% and 200% of median earnings are set out in reference tables 2 to 4 in appendix 2.

Technical box

Median and mean earnings

The median and mean are both measures of average. The mean is the conventional arithmetic average where the earnings of all those in the sample are added together and divided by the sample size. The median, on the other hand, is the point that divides the earnings distribution in half (ie 50% of employees earn less than the median and 50% more than the median) and is often described as being the 'typical' level of earnings. Characteristically, distributions of earnings are positively skewed with a long 'tail' of high earners situated significantly above the median value. In this situation the mean value will exceed the median and a small number of very higher earners may have a disproportionate effect on the mean. During the 1980s mean earnings grew faster than median earnings suggesting that the distribution of earnings was becoming less equal.

The tables on the pages 16 and 17 set out the basic data. Some of the main features are:

- All the families experience rising real take home pay during both the periods 1991/92 to 1996/97 and from 1996/97 to 2001/02. This partly reflects rising gross earnings (real median gross earnings in 2001/02 are assumed to be nearly 13% above their level in 1991/92) and, for most families, a decline in the proportion of gross earnings taken by tax and NICs.

- In 2001/02 working couples on combined earnings of 75% of average earnings have a higher direct tax burden than in 1991/92 though lower than in a number of intervening years. This partly reflects the loss of the MCA

- Lower paid families with children gain significantly from the introduction of the working families tax credit, which is substantially more generous than family credit. Couples with children also gain from real increases in child benefit in 1999/00. Taking account of child benefit and FC/WFTC, take home pay exceeds gross earnings in 2000/01 and 2001/02.

- Married couples without children see smaller increases in real take home pay than either single people or couples with children. In part this reflects the fact that they lose the married couples allowance but do not benefit from the new children's tax credit (see technical box).

Technical Box

Married couples allowance and the children's tax credit

The married couples allowance (MCA) was introduced in its current form in 1990/91 at a rate of £1,720 (for those aged under 65) and could be set against income at a taxpayer's highest marginal rate. The concept of the MCA was seen by some commentators as sitting uneasily with the new system of independent taxation for husbands and wives. There were no increases in the nominal amount of the allowance until 1996/97. In 1994/95 it was transformed into a tax credit worth 20% of the nominal allowance (ies £344) which could be set against a taxpayer's final income tax liability. This was reduced to 15% in 1995/96 and to 10% in 1999/00 when the nominal value is £1,970. The MCA will be abolished in 2000/01.

The March 1999 Budget included a proposal to introduce a children's tax credit in 2001/02. This would have a nominal value of £4,160 per family payable at a rate of 10% (ie it would be worth £416). The child tax credit is to be withdrawn from those with higher incomes at rate of £1 for each £15 of income that is liable to income tax at the higher rate. On the basis of the assumed allowances and thresholds in this paper, this would be at a gross income level of £40,175 in 2001/02.

Two limitations of this analysis should be noted. First, 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. Second, 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.

The burden of direct taxes and real take home pay: 75% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Gross Earnings	Cash prices	£191.85	£201.75	£208.20	£214.58	£221.78	£231.00	£240.60	£250.20	£260.20	£270.60	£281.40
Single person												
Income Tax	Cash prices	£32.12	£31.95	£33.08	£34.20	£35.42	£35.06	£35.08	£36.51	£36.92	£37.41	£39.08
NICs	Cash prices	£13.63	£14.38	£14.82	£16.90	£17.54	£18.22	£19.10	£19.90	£19.42	£19.46	£19.44
Income tax + NICs	Cash prices	£45.75	£46.33	£47.90	£51.09	£52.96	£53.28	£54.18	£56.41	£56.34	£56.87	£58.52
Income tax + NICs	1998/99 prices	£55.55	£54.54	£55.44	£57.57	£57.79	£56.76	£55.86	£56.41	£55.65	£54.53	£54.61
Income tax + NICs	% of earnings	23.8%	23.0%	23.0%	23.8%	23.9%	23.1%	22.5%	22.5%	21.7%	21.0%	20.8%
Take-home pay	Cash prices	£146.10	£155.42	£160.30	£163.48	£168.82	£177.72	£186.42	£193.79	£203.86	£213.73	£222.88
Take-home pay	1998/99 prices	£177.42	£182.96	£185.54	£184.19	£184.21	£189.32	£192.21	£193.79	£201.34	£204.95	£208.00
Take-home pay	Index at 1998/99 prices	100.0	103.1	104.6	103.8	103.8	106.7	108.3	109.2	113.5	115.5	117.2
Married both working												
Income Tax	Cash prices	£8.01	£7.23	£8.52	£10.04	£12.46	£12.08	£11.73	£12.29	£11.27	£15.97	£16.85
NICs	Cash prices	£9.99	£10.60	£10.90	£12.34	£12.90	£13.34	£14.14	£14.78	£12.82	£11.86	£10.74
Income tax + NICs	Cash prices	£18.00	£17.83	£19.42	£22.38	£25.36	£25.42	£25.87	£27.07	£24.09	£27.83	£27.59
Income tax + NICs	1998/99 prices	£21.86	£20.99	£22.48	£25.21	£27.67	£27.07	£26.67	£27.07	£23.79	£26.68	£25.74
Income tax + NICs	% of earnings	9.4%	8.8%	9.3%	10.4%	11.4%	11.0%	10.8%	10.8%	9.3%	10.3%	9.8%
Take-home pay	Cash prices	£173.85	£183.92	£188.78	£192.20	£196.41	£205.59	£214.73	£223.13	£236.11	£242.77	£253.81
Take-home pay	1998/99 prices	£211.12	£216.51	£218.50	£216.54	£214.32	£219.00	£221.40	£223.13	£233.20	£232.79	£236.86
Take-home pay	Index at 1998/99 prices	100.0	102.6	103.5	102.6	101.5	103.7	104.9	105.7	110.5	110.3	112.2
Married plus 2 children												
Income Tax	Cash prices	£23.85	£23.68	£24.81	£27.58	£30.46	£29.90	£29.80	£31.03	£33.13	£37.41	£31.08
NICs	Cash prices	£13.63	£14.38	£14.82	£16.90	£17.54	£18.22	£19.10	£19.90	£19.42	£19.46	£19.44
Child benefit	Cash prices	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.75
FC/WFTC	Cash prices	£0.00	£0.00	£0.00	£0.00	£4.85	£4.87	£2.12	£2.13	£20.30	£40.24	£34.02
Income tax + NICs - CB-FC/WFTC	Cash prices	£21.35	£20.61	£21.53	£26.03	£24.29	£23.65	£26.74	£28.05	£8.26	-£8.37	-£9.26
Income tax + NICs - CB-FC/WFTC	1998/99 prices	£25.93	£24.26	£24.92	£29.33	£26.51	£25.19	£27.57	£28.05	£8.15	-£8.03	-£8.64
Income tax + NICs - CB-FC/WFTC	% of earnings	11.1%	10.2%	10.3%	12.1%	11.0%	10.2%	11.1%	11.2%	3.2%	-3.1%	-3.3%
Take-home pay	Cash prices	£170.50	£181.14	£186.67	£188.55	£197.48	£207.35	£213.86	£222.15	£251.94	£278.97	£290.66
Take-home pay	1998/99 prices	£207.05	£213.24	£216.06	£212.43	£215.49	£220.89	£220.51	£222.15	£248.83	£267.50	£271.25
Take-home pay	Index at 1998/99 prices	100.0	103.0	104.4	102.6	104.1	106.7	106.5	107.3	120.2	129.2	131.0

The burden of direct taxes and real take home pay: 100% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Gross Earnings	Cash prices	£255.80	£269.00	£277.60	£286.10	£295.70	£308.00	£320.80	£333.60	£346.90	£360.80	£375.20
Single person												
Income Tax	Cash prices	£48.11	£48.76	£50.43	£52.08	£53.90	£53.54	£53.53	£55.69	£56.86	£57.25	£59.71
NICs	Cash prices	£19.38	£20.43	£21.06	£24.05	£24.93	£25.92	£27.12	£28.24	£28.09	£28.48	£28.82
Income tax + NICs	Cash prices	£67.49	£69.19	£71.50	£76.13	£78.83	£79.46	£80.65	£83.93	£84.95	£85.73	£88.53
Income tax + NICs	1998/99 prices	£81.96	£81.46	£82.75	£85.77	£86.02	£84.65	£83.15	£83.93	£83.90	£82.21	£82.62
Income tax + NICs	% of earnings	26.4%	25.7%	25.8%	26.6%	26.7%	25.8%	25.1%	25.2%	24.5%	23.8%	23.6%
Take-home pay	Cash prices	£188.31	£199.81	£206.10	£209.97	£216.87	£228.54	£240.15	£249.67	£261.95	£275.07	£286.67
Take-home pay	1998/99 prices	£228.68	£235.21	£238.55	£236.56	£236.64	£243.45	£247.61	£249.67	£258.71	£263.76	£267.53
Take-home pay	Index at 1998/99 prices	100.0	102.9	104.3	103.4	103.5	106.5	108.3	109.2	113.1	115.3	117.0
Married both working												
Income Tax	Cash prices	£24.00	£22.01	£23.36	£26.49	£29.47	£28.97	£28.84	£30.07	£30.15	£35.13	£36.88
NICs	Cash prices	£15.74	£16.65	£17.14	£19.49	£20.29	£21.04	£22.16	£23.12	£21.49	£20.88	£20.12
Income tax + NICs	Cash prices	£39.74	£38.66	£40.51	£45.98	£49.76	£50.01	£51.00	£53.19	£51.64	£56.01	£57.00
Income tax + NICs	1998/99 prices	£48.26	£45.51	£46.88	£51.80	£54.29	£53.27	£52.59	£53.19	£51.00	£53.70	£53.19
Income tax + NICs	% of earnings	15.5%	14.4%	14.6%	16.1%	16.8%	16.2%	15.9%	15.9%	14.9%	15.5%	15.2%
Take-home pay	Cash prices	£216.06	£230.34	£237.09	£240.12	£245.94	£257.99	£269.80	£280.41	£295.26	£304.79	£318.20
Take-home pay	1998/99 prices	£262.38	£271.16	£274.42	£270.53	£268.37	£274.83	£278.18	£280.41	£291.61	£292.26	£296.95
Take-home pay	Index at 1998/99 prices	100.0	103.3	104.6	103.1	102.3	104.7	106.0	106.9	111.1	111.4	113.2
Married plus 2 children												
Income Tax	Cash prices	£39.84	£40.50	£42.16	£45.46	£48.94	£48.38	£48.25	£50.21	£53.07	£57.25	£51.71
NICs	Cash prices	£19.38	£20.43	£21.06	£24.05	£24.93	£25.92	£27.12	£28.24	£28.09	£28.48	£28.82
Child benefit	Cash prices	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.75
FC/WFTC	Cash prices	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£3.20	£6.50	£0.00
Income tax + NICs - CB-FC/WFTC	Cash prices	£43.10	£43.48	£45.13	£51.06	£55.02	£54.70	£55.32	£57.70	£53.97	£54.23	£54.78
Income tax + NICs - CB-FC/WFTC	1998/99 prices	£52.34	£51.18	£52.23	£57.53	£60.04	£58.27	£57.04	£57.70	£53.30	£52.00	£51.12
Income tax + NICs - CB-FC/WFTC	% of earnings	16.8%	16.2%	16.3%	17.8%	18.6%	17.8%	17.2%	17.3%	15.6%	15.0%	14.6%
Take-home pay	Cash prices	£212.70	£225.52	£232.47	£235.04	£240.68	£253.30	£265.48	£275.90	£292.93	£306.57	£320.42
Take-home pay	1998/99 prices	£258.30	£265.49	£269.07	£264.80	£262.63	£269.83	£273.73	£275.90	£289.32	£293.97	£299.02
Take-home pay	Index at 1998/99 prices	100.0	102.8	104.2	102.5	101.7	104.5	106.0	106.8	112.0	113.8	115.8

V 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 April 1999 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. The results are presented for each quintile (ie fifth) of households ranked by equivalised disposable income.[9] [10]

The following table shows each quintile's share of those direct and indirect taxes that can reasonably be allocated to households. Comparing 1997/98 with 1979, the shares of taxation paid by the top 20% of households appears to have risen with 41% of all taxes on households now being paid by this group compared to 35% in 1979. There have been modest falls in the shares paid by the second and third quintiles and the shares of the lowest and fourth quintiles are little changed.

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

10 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.

Shares of total direct and indirect taxes

Quintile of equivalised disposable household income	1977	1979	1981	1983	1985	1987	1989	1991 (a)	1993 (b)	1995/96 (b)	1996/97 (b) (c)	1997/98 (b) (c)
Highest	35%	36%	37%	38%	38%	40%	39%	40%	42%	41%	41%	41%
Fourth	26%	27%	26%	25%	26%	25%	26%	26%	24%	24%	25%	25%
Third	20%	20%	19%	19%	19%	18%	19%	18%	17%	17%	17%	17%
Second	12%	12%	11%	10%	10%	10%	10%	10%	9%	10%	10%	10%
Lowest	7%	6%	7%	7%	7%	7%	7%	6%	7%	8%	7%	7%
All	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Notes: (a) Income includes company cars.
(b) Income includes company cars and beneficial loans for house purchase from employers.
(c) Sample re-weighted to reflect total population.

Sources: ONS, "The effect of taxes and benefits on household income", *Economic Trends,* April 1999 and earlier editions

The overall burden of taxes on households, expressed as a proportion of gross income, was 36% in 1997/98 (see table below). This was marginally lower than the 37% reported for 1979. 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 tax burden 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. All the other quintiles have seen a decline in their tax burden. For the top quintile this is despite paying the larger share of taxes indicated in the table above. This is possible because this group has benefited from an increased share of gross income (up from 35% in 1979 to 42% in 1997/98).

Direct & indirect taxes as percent of gross income

Quintile of equivalised disposable household income	1977	1979	1981	1983	1985	1987	1989	1991 (a)	1993 (b)	1995/96 (b)	1996/97 (b) (c)	1997/98 (b) (c)
Highest	37%	37%	39%	40%	38%	37%	35%	34%	35%	37%	35%	35%
Fourth	40%	39%	41%	41%	40%	39%	37%	36%	37%	38%	37%	38%
Third	39%	38%	40%	40%	39%	38%	38%	37%	36%	37%	37%	36%
Second	37%	34%	36%	36%	35%	36%	36%	35%	34%	36%	35%	34%
Lowest	37%	31%	36%	37%	36%	37%	39%	38%	39%	42%	37%	38%
All	38%	37%	39%	39%	38%	37%	36%	35%	36%	37%	36%	36%

Notes: (a) Income includes company cars.
(b) Income includes company cars and beneficial loans for house purchase from employers.
(c) Sample re-weighted to reflect total population.

Sources: ONS, "The effect of taxes and benefits on household income", *Economic Trends,* April 1999 and earlier editions

VI International Comparisons

International comparisons of the tax burden are available from a number of sources. This section summarises the results of two regular studies published by the OECD. Eurostat (the Statistical Office of the European Communities) produce similar data for the members of the EU. Readers may also wish to consult annual articles by the ONS published in *Economic Trends* that are based on national accounts data.[11]

The table on the next page shows OECD countries ranked (from highest to lowest) by the ratio of total tax revenues (including social security contributions) to gross domestic product in 1996 together with provisional data for 1997 where available. On this basis the United Kingdom was ranked 17th of the 29 member states in 1996 and its ratio of 36.0% was below the unweighted average. There is a clear difference between the 'European model' and countries such as Australia, the United States and Japan. The nine countries with the highest ratios for 1996 were all EU member states and the unweighted average for the EU15 was 42.4% compared to an average for the other 14 countries of 32.6%.

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 these estimates 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.

The table on page 22 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 IV, the calculation of income tax only reflects standard allowances and reliefs and the exercise is subject to the same limitations. The table shows, for 1997, 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 25.2% is below the unweighted average for the OECD and is the 17th highest among the 29 member states. The United Kingdom's ratio for a couple with two children, 17.3%, is above the OECD average of 15.7% and is ranked 11th highest. (The negative figure for Iceland occurs because, at this level of earnings, child benefit payments more than offset the tax liability and social security contributions.)

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[11] See, "An International Comparison of Taxes and Social Security Contributions (1986-1996)", *Economic Trends*, March 1999 pp49-63

Tax revenues as percentage of GDP (a)

Rank in 1996	Country	1996	1997 (prov)
1	**Denmark**	52.2%	n.a.
2	**Sweden**	52.0%	53.3%
3	**Finland**	48.2%	47.3%
4	**Belgium**	46.0%	46.5%
5	**France**	45.7%	46.1%
6	**Luxembourg**	44.7%	45.6%
7	**Austria**	44.0%	44.4%
8	**Netherlands**	43.3%	43.4%
9	**Italy**	43.2%	44.9%
10	**Poland**	42.1%	41.0%
11	**Norway**	41.1%	42.5%
12	**Greece**	40.6%	n.a.
13	**Czech Republic**	40.5%	39.4%
14	**Hungary**	40.3%	39.1%
15	**Germany**	38.1%	37.5%
16	**Canada**	36.8%	n.a.
17	**United Kingdom**	36.0%	35.3%
18	**New Zealand**	35.8%	36.4%
19	**Portugal**	34.9%	34.5%
20	**Switzerland**	34.7%	34.6%
21	**Spain**	33.7%	35.3%
22	**Irish Republic**	33.7%	34.8%
23	**Iceland**	32.3%	32.0%
24	**Australia**	31.1%	30.3%
25	**United States**	28.5%	n.a.
26	**Japan**	28.4%	n.a.
27	**Turkey**	25.4%	27.7%
28	**Korea**	23.2%	n.a.
29	**Mexico**	16.3%	16.9%
Unweighted averages:			
	OECD Total	37.7%	n.a.
	OECD Europe	40.6%	n.a.
	EU 15	42.4%	n.a.

Note: (a) Including social security contributions.

Source: OECD, *Revenue Statistics*, 1965-1997 tables 1 & 127

Tax less cash benefits as percentage of gross earnings (a)
Average production worker 1997

Country	Single person	Couple with two children
Australia	24.8%	14.5%
Austria	28.3%	10.7%
Belgium	41.5%	20.2%
Canada	27.7%	18.2%
Czech Republic	22.9%	7.1%
Denmark	44.9%	31.1%
Finland	35.8%	25.7%
France	28.1%	15.3%
Germany	42.3%	22.1%
Greece	17.9%	18.4%
Hungary	29.3%	12.9%
Iceland	21.5%	-6.8%
Irish Republic	26.0%	14.6%
Italy	29.0%	17.0%
Japan	15.0%	9.6%
Korea	5.6%	4.7%
Luxembourg	26.4%	1.3%
Mexico	1.4%	1.4%
Netherlands	39.3%	27.9%
New Zealand	21.6%	16.2%
Norway	29.5%	15.4%
Poland	16.9%	9.5%
Portugal	18.2%	9.4%
Spain	20.2%	13.2%
Sweden	34.5%	27.2%
Switzerland	21.9%	8.2%
Turkey	33.5%	33.5%
United Kingdom	25.2%	17.3%
United States	25.8%	18.3%
Unweighted averages:		
OECD Total	26.0%	15.0%
OECD Europe	28.8%	16.0%
EU 15	30.5%	18.1%

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

Source: OECD, *The Tax/Benefit Position of Production Workers*, 1997 tables 9 & 12

VII Appendix 1: Assumptions and sources for calculation of taxes paid by typical families

The following notes summarise the assumptions and sources used to compile the figures on the taxes paid by typical families as described in section IV above.

- Income tax liability is calculated on the basis that tax units have no allowances other than their personal allowances. Earnings, child benefit and family credit/working families tax credit are the only sources of income. Where allowances and thresholds for 2000/01 and 2001/02 have not yet been announced they are assumed to increase in line with the appropriate uprating factors used in the official public finance projections. These assume increases in the all items RPI of 1¼% in September 1999 and 3% in September 2000. See overleaf below for details.

- National insurance contributions are assumed throughout to be Class 1 at the not contracted-out rate averaged over the financial year.

- Earnings relate to the median earnings of full-time adult employees whose pay was unaffected by absence. The median is the point that divides the earnings distribution in half (ie 50% of employees earn less than the median and 50% more than the median). 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 financial years are the averages of successive Aprils. For 1998/99 and later years earnings are assumed to grow at 4% per annum.

- 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.

- Child Benefit, where appropriate, has been treated as negative income tax. This is the normal approach in such exercises reflecting the replacement of child tax allowances and taxable family allowances by child benefit in the late 1970s. For years when child benefit rates have not yet been announced, the rates are assumed to increase in line with the appropriate uprating factors used in the office public finance projects. These assume increases in the all-items RPI of 1¼% in September 1999 and 3% in September 2000. See table overleaf for details.

- Family credit and the working families tax credit are calculated on the basis of a single earner couple with two children aged under 11. The family is therefore eligible for the 30-hour credit and is not eligible for the childcare credit. For years when WFTC rates have not yet been announced, the rates are assumed to increase in line with the appropriate uprating factors used in the official public finance projections. These assume increases in the so-called Rossi-index of 2% in both September 1999 and September 2000. See table below for details.

- Retail prices are measured by the all-items Retail Prices Index. This is assumed to rise in line with the September RPI data in the official public finance projections. These assume increases in the all-items RPI of 1¼% in September 1999 and 3% in September 2000 and 2¾% in September 2001. See table below for details.

Assumed tax and benefit rates for future years

	2000/01	2001/02
Income tax		
Personal allowance (pa)	4,395	4,535
Starting rate limit (£pa)	1,530	1,580
Basic rate limit (pa)	28,500	29,400
Starting rate rate	10%	10%
Basic rate	22%	22%
Higher rate	40%	40%
Children's tax credit		
Amount (£pa)		4,160
Rate		10%
Taper for higher rate taxpayers		£1 per £15
Employee NICs		
Starting point (£pw)	76	87
Upper earnings limit (£pw)	535	575
Rate	10%	10%
WFTC		
Taper	55%	55%
Adult credit (£pw)	53.35	54.40
30 hour credit (£pw)	11.25	11.50
Child credit (under 11) (£pw)	21.35	21.80
Applicable amount (£pw)	91.80	93.65
Child benefit		
First child (£pw)	15.00	15.45
Second child (£pw)	10.00	10.30

VIII Appendix 2: Reference tables

Table 1

Taxes paid by UK Residents to General Government and EU
Percent of GDP

Financial year	Taxes on production products & imports	Taxes on income & wealth	Other current taxes (a)	Social security cont'ns	Capital taxes	Total
1963/64	11.5%	10.8%	1.7%	4.4%	1.0%	29.4%
1964/65	11.8%	11.0%	1.7%	4.3%	0.9%	29.8%
1965/66	12.0%	12.1%	1.9%	4.9%	0.8%	31.6%
1966/67	12.5%	12.4%	2.0%	4.8%	0.8%	32.4%
1967/68	13.1%	13.0%	1.9%	4.9%	0.8%	33.7%
1968/69	13.9%	13.8%	2.0%	5.0%	1.0%	35.7%
1969/70	14.7%	14.9%	1.9%	4.9%	0.9%	37.4%
1970/71	14.2%	14.8%	1.9%	5.1%	0.7%	36.7%
1971/72	13.1%	14.2%	1.9%	5.1%	0.8%	35.1%
1972/73	12.2%	12.7%	1.9%	5.2%	0.7%	32.7%
1973/74	11.9%	13.6%	1.9%	5.5%	0.6%	33.5%
1974/75	11.5%	16.1%	1.8%	6.1%	0.4%	35.9%
1975/76	11.5%	16.1%	1.9%	6.5%	0.3%	36.3%
1976/77	11.2%	15.7%	1.8%	6.8%	0.3%	35.8%
1977/78	11.9%	14.1%	1.9%	6.5%	0.3%	34.6%
1978/79	12.2%	13.7%	1.8%	5.9%	0.2%	33.8%
1979/80	13.8%	13.6%	1.7%	5.8%	0.2%	35.1%
1980/81	14.0%	14.0%	1.9%	6.1%	0.4%	36.4%
1981/82	15.1%	15.3%	2.1%	6.4%	0.3%	39.2%
1982/83	14.5%	15.2%	2.2%	6.6%	0.2%	38.7%
1983/84	14.4%	14.8%	2.0%	7.0%	0.2%	38.4%
1984/85	14.3%	15.2%	2.0%	6.9%	0.2%	38.7%
1985/86	14.0%	15.1%	2.1%	6.8%	0.3%	38.2%
1986/87	14.4%	14.1%	2.2%	6.9%	0.3%	37.8%
1987/88	14.2%	14.3%	2.1%	6.6%	0.3%	37.4%
1988/89	14.0%	13.9%	2.2%	6.6%	0.2%	36.9%
1989/90	13.6%	14.3%	2.2%	6.4%	0.2%	36.7%
1990/91	13.4%	14.3%	2.4%	6.2%	0.2%	36.6%
1991/92	14.4%	14.1%	1.6%	6.2%	0.2%	36.5%
1992/93	13.9%	12.8%	1.7%	6.0%	0.2%	34.7%
1993/94	13.8%	12.2%	1.6%	6.2%	0.2%	34.0%
1994/95	13.9%	12.9%	1.6%	6.2%	0.2%	34.9%
1995/96	14.3%	13.4%	1.7%	6.2%	0.2%	35.8%
1996/97	14.2%	13.4%	1.7%	6.2%	0.2%	35.7%
1997/98	14.5%	14.2%	1.7%	6.3%	0.3%	37.0%
1998/99 (b)	14.5%	14.6%	1.8%	6.5%	0.2%	37.6%
1999/00 (b)	14.7%	14.2%	1.8%	6.4%	0.2%	37.4%

Notes: (a) Mainly domestic rates/community charge/council tax and motor vehicle duties paid by households.
(b) Budget forecasts.

Source: ONS - CSDB database

Table 2

The burden of direct taxes and real take home pay: 50% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Gross Earnings	Cash prices	£127.90	£134.50	£138.80	£143.05	£147.85	£154.00	£160.40	£166.80	£173.50	£180.40	£187.60
Single person												
Income Tax	Cash prices	£16.13	£15.14	£15.73	£16.32	£16.94	£16.58	£16.64	£17.33	£16.98	£17.56	£18.44
NICs	Cash prices	£7.87	£8.33	£8.57	£9.75	£10.15	£10.52	£11.08	£11.56	£10.75	£10.44	£10.06
Income tax + NICs	Cash prices	£24.00	£23.46	£24.31	£26.06	£27.08	£27.10	£27.72	£28.89	£27.73	£28.00	£28.50
Income tax + NICs	1998/99 prices	£29.15	£27.62	£28.13	£29.36	£29.55	£28.87	£28.58	£28.89	£27.39	£26.85	£26.60
Income tax + NICs	% of earnings	18.8%	17.4%	17.5%	18.2%	18.3%	17.6%	17.3%	17.3%	16.0%	15.5%	15.2%
Take-home pay	Cash prices	£103.90	£111.04	£114.49	£116.99	£120.77	£126.90	£132.68	£137.91	£145.77	£152.40	£159.10
Take-home pay	1998/99 prices	£126.17	£130.71	£132.52	£131.81	£131.78	£135.18	£136.81	£137.91	£143.97	£146.13	£148.48
Take-home pay	Index at 1998/99 prices	100.0	103.6	105.0	104.5	104.4	107.1	108.4	109.3	114.1	115.8	117.7
Married both working												
Income Tax	Cash prices	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£2.37	£2.53
NICs	Cash prices	£3.27	£3.48	£3.58	£5.19	£5.51	£5.64	£6.12	£6.44	£4.15	£3.22	£2.56
Income tax + NICs	Cash prices	£3.27	£3.48	£3.58	£5.19	£5.51	£5.64	£6.12	£6.44	£4.15	£5.60	£5.09
Income tax + NICs	1998/99 prices	£3.97	£4.10	£4.14	£5.84	£6.01	£6.01	£6.31	£6.44	£4.10	£5.37	£4.75
Income tax + NICs	% of earnings	2.6%	2.6%	2.6%	3.6%	3.7%	3.7%	3.8%	3.9%	2.4%	3.1%	2.7%
Take-home pay	Cash prices	£124.63	£131.02	£135.22	£137.87	£142.35	£148.36	£154.28	£160.36	£169.35	£174.80	£182.51
Take-home pay	1998/99 prices	£151.35	£154.23	£156.51	£155.33	£155.32	£158.04	£159.07	£160.36	£167.26	£167.62	£170.32
Take-home pay	Index at 1998/99 prices	100.0	101.9	103.4	102.6	102.6	104.4	105.1	106.0	110.5	110.7	112.5
Married plus 2 children												
Income Tax	Cash prices	£7.86	£7.03	£7.89	£9.70	£11.98	£11.42	£11.36	£11.85	£13.19	£17.56	£10.44
NICs	Cash prices	£7.87	£8.33	£8.57	£9.75	£10.15	£10.52	£11.08	£11.56	£10.75	£10.44	£10.06
Child benefit	Cash prices	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.75
FC/WFTC	Cash prices	£22.76	£25.02	£26.67	£30.37	£38.49	£40.45	£39.73	£41.25	£56.60	£73.97	£69.10
Income tax + NICs - CB-FC/WFTC	Cash prices	-£23.15	-£27.11	-£28.30	-£29.37	-£35.22	-£38.11	-£37.34	-£38.59	-£56.66	-£70.97	-£74.35
Income tax + NICs - CB-FC/WFTC	1998/99 prices	-£28.11	-£31.92	-£32.76	-£33.09	-£38.43	-£40.60	-£38.50	-£38.59	-£55.96	-£68.05	-£69.39
Income tax + NICs - CB-FC/WFTC	% of earnings	-18.1%	-20.2%	-20.4%	-20.5%	-23.8%	-24.7%	-23.3%	-23.1%	-32.7%	-39.3%	-39.6%
Take-home pay	Cash prices	£151.05	£161.61	£167.10	£172.42	£183.07	£192.11	£197.74	£205.39	£230.16	£251.37	£261.95
Take-home pay	1998/99 prices	£183.43	£190.25	£193.41	£194.26	£199.76	£204.65	£203.89	£205.39	£227.32	£241.03	£244.46
Take-home pay	Index at 1998/99 prices	100.0	103.7	105.4	105.9	108.9	111.6	111.2	112.0	123.9	131.4	133.3

Table 3

The burden of direct taxes and real take home pay: 150% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Gross Earnings	Cash prices	£383.70	£403.50	£416.40	£429.15	£443.55	£462.00	£481.20	£500.40	£520.40	£541.20	£562.80
Single person												
Income Tax	Cash prices	£80.08	£82.39	£85.13	£87.84	£90.86	£90.50	£90.42	£94.06	£96.77	£96.94	£100.98
NICs	Cash prices	£30.89	£32.54	£33.56	£38.36	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£47.58
Income tax + NICs	Cash prices	£110.98	£114.92	£118.69	£126.20	£130.22	£131.12	£131.96	£137.44	£140.17	£142.84	£148.56
Income tax + NICs	1998/99 prices	£134.77	£135.29	£137.38	£142.18	£142.10	£139.68	£136.06	£137.44	£138.44	£136.97	£138.64
Income tax + NICs	% of earnings	28.9%	28.5%	28.5%	29.4%	29.4%	28.4%	27.4%	27.5%	26.9%	26.4%	26.4%
Take-home pay	Cash prices	£272.72	£288.58	£297.71	£302.95	£313.33	£330.88	£349.24	£362.96	£380.23	£398.36	£414.24
Take-home pay	1998/99 prices	£331.19	£339.71	£344.58	£341.32	£341.89	£352.47	£360.09	£362.96	£375.54	£381.98	£386.58
Take-home pay	Index at 1998/99 prices	100.0	102.6	104.0	103.1	103.2	106.4	108.7	109.6	113.4	115.3	116.7
Married both working												
Income Tax	Cash prices	£55.97	£55.63	£57.90	£61.78	£65.88	£64.96	£64.88	£67.54	£70.06	£74.81	£78.15
NICs	Cash prices	£27.25	£28.76	£29.64	£33.80	£35.08	£36.44	£38.20	£39.80	£38.84	£38.92	£38.88
Income tax + NICs	Cash prices	£83.23	£84.39	£87.53	£95.57	£100.95	£101.40	£103.08	£107.34	£108.90	£113.73	£117.03
Income tax + NICs	1998/99 prices	£101.07	£99.34	£101.32	£107.68	£110.16	£108.02	£106.29	£107.34	£107.55	£109.06	£109.22
Income tax + NICs	% of earnings	21.7%	20.9%	21.0%	22.3%	22.8%	21.9%	21.4%	21.5%	20.9%	21.0%	20.8%
Take-home pay	Cash prices	£300.47	£319.11	£328.87	£333.58	£342.60	£360.60	£378.12	£393.06	£411.50	£427.47	£445.77
Take-home pay	1998/99 prices	£364.89	£375.66	£380.64	£375.82	£373.83	£384.13	£389.86	£393.06	£406.42	£409.89	£416.00
Take-home pay	Index at 1998/99 prices	100.0	103.0	104.3	103.0	102.5	105.3	106.8	107.7	111.4	112.3	114.0
Married plus 2 children												
Income Tax	Cash prices	£71.81	£74.12	£76.86	£81.23	£85.90	£85.34	£85.14	£88.58	£92.98	£96.94	£92.98
NICs	Cash prices	£30.89	£32.54	£33.56	£38.36	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£47.58
Child benefit	Cash prices	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.75
FC/WFTC	Cash prices	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Income tax + NICs - CB-FC/WFTC	Cash prices	£86.58	£89.21	£92.32	£101.13	£106.41	£106.36	£106.63	£111.21	£112.38	£117.84	£114.81
Income tax + NICs - CB-FC/WFTC	1998/99 prices	£105.14	£105.01	£106.86	£113.94	£116.11	£113.30	£109.94	£111.21	£110.99	£112.99	£107.15
Income tax + NICs - CB-FC/WFTC	% of earnings	22.6%	22.1%	22.2%	23.6%	24.0%	23.0%	22.2%	22.2%	21.6%	21.8%	20.4%
Take-home pay	Cash prices	£297.12	£314.29	£324.08	£328.02	£337.14	£355.64	£374.57	£389.19	£408.02	£423.36	£447.99
Take-home pay	1998/99 prices	£360.81	£369.99	£375.10	£369.56	£367.88	£378.85	£386.21	£389.19	£402.98	£405.96	£418.07
Take-home pay	Index at 1998/99 prices	100.0	102.5	104.0	102.4	102.0	105.0	107.0	107.9	111.7	112.5	115.9

Table 4

The burden of direct taxes and real take home pay: 200% of median earnings

		1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Gross Earnings	Cash prices	£511.60	£538.00	£555.20	£572.20	£591.40	£616.00	£641.60	£667.30	£694.00	£721.80	£750.70
Single person												
Income Tax	Cash prices	£112.06	£118.41	£124.81	£131.13	£136.27	£135.98	£137.83	£143.57	£148.97	£152.73	£159.98
NICs	Cash prices	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80
Income tax + NICs	Cash prices	£143.52	£151.08	£158.69	£169.57	£175.63	£176.60	£179.37	£186.95	£192.37	£198.63	£208.78
Income tax + NICs	1998/99 prices	£174.29	£177.85	£183.68	£191.05	£191.65	£188.12	£184.94	£186.95	£189.99	£190.46	£194.84
Income tax + NICs	% of earnings	28.1%	28.1%	28.6%	29.6%	29.7%	28.7%	28.0%	28.0%	27.7%	27.5%	27.8%
Take-home pay	Cash prices	£368.08	£386.92	£396.51	£402.63	£415.77	£439.40	£462.23	£480.35	£501.63	£523.17	£541.92
Take-home pay	1998/99 prices	£446.99	£455.48	£458.94	£453.62	£453.68	£468.08	£476.59	£480.35	£495.44	£501.66	£505.73
Take-home pay	Index at 1998/99 prices	100.0	101.9	102.7	101.5	101.5	104.7	106.6	107.5	110.8	112.2	113.1
Married both working												
Income Tax	Cash prices	£87.95	£89.26	£92.60	£97.54	£102.84	£101.92	£101.78	£105.93	£109.98	£114.55	£119.49
NICs	Cash prices	£38.76	£40.86	£42.13	£48.10	£49.86	£51.84	£54.24	£56.49	£56.20	£56.98	£57.67
Income tax + NICs	Cash prices	£126.71	£130.12	£134.73	£145.64	£152.70	£153.76	£156.02	£162.42	£166.18	£171.53	£177.16
Income tax + NICs	1998/99 prices	£153.88	£153.18	£155.94	£164.09	£166.62	£163.80	£160.86	£162.42	£164.13	£164.47	£165.33
Income tax + NICs	% of earnings	24.8%	24.2%	24.3%	25.5%	25.8%	25.0%	24.3%	24.3%	23.9%	23.8%	23.6%
Take-home pay	Cash prices	£384.89	£407.88	£420.47	£426.56	£438.70	£462.24	£485.58	£504.88	£527.82	£550.27	£573.54
Take-home pay	1998/99 prices	£467.40	£480.16	£486.67	£480.58	£478.70	£492.41	£500.67	£504.88	£521.30	£527.65	£535.24
Take-home pay	Index at 1998/99 prices	100.0	102.7	104.1	102.8	102.4	105.4	107.1	108.0	111.5	112.9	114.5
Married plus 2 children												
Income Tax	Cash prices	£103.79	£107.75	£111.58	£124.51	£131.31	£130.81	£132.55	£138.09	£145.18	£152.73	£158.52
NICs	Cash prices	£31.46	£32.67	£33.88	£38.44	£39.36	£40.62	£41.54	£43.38	£43.40	£45.90	£48.80
Child benefit	Cash prices	£16.13	£17.45	£18.10	£18.45	£18.85	£19.60	£20.05	£20.75	£24.00	£25.00	£25.75
FC/WFTC	Cash prices	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Income tax + NICs - CB-FC/WFTC	Cash prices	£119.12	£122.97	£127.36	£144.50	£151.82	£151.83	£154.04	£160.72	£164.58	£173.63	£181.57
Income tax + NICs - CB-FC/WFTC	1998/99 prices	£144.66	£144.75	£147.41	£162.81	£165.66	£161.74	£158.83	£160.72	£162.55	£166.49	£169.45
Income tax + NICs - CB-FC/WFTC	% of earnings	23.3%	22.9%	22.9%	25.3%	25.7%	24.6%	24.0%	24.1%	23.7%	24.1%	24.2%
Take-home pay	Cash prices	£392.48	£415.03	£427.84	£427.70	£439.58	£464.17	£487.56	£506.58	£529.42	£548.17	£569.13
Take-home pay	1998/99 prices	£476.61	£488.58	£495.20	£481.86	£479.66	£494.46	£502.70	£506.58	£522.89	£525.64	£531.13
Take-home pay	Index at 1998/99 prices	100.0	102.5	103.9	101.1	100.6	103.7	105.5	106.3	109.7	110.3	111.4