



UK Tax Burden

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The UK tax burden for 2008/09 is estimated at 35.3% of GDP and is projected to increase to 36.0% by 2013/14. The highest recorded figure is 38.2% in 1984/85.

In 2008/09, income tax accounted for 29% of tax receipts, with national insurance contributions accounting for 19%.

This note will be included as Chapter 2 of the Research Paper, *The Burden of Taxation 2009*. This will be published in January 2009.

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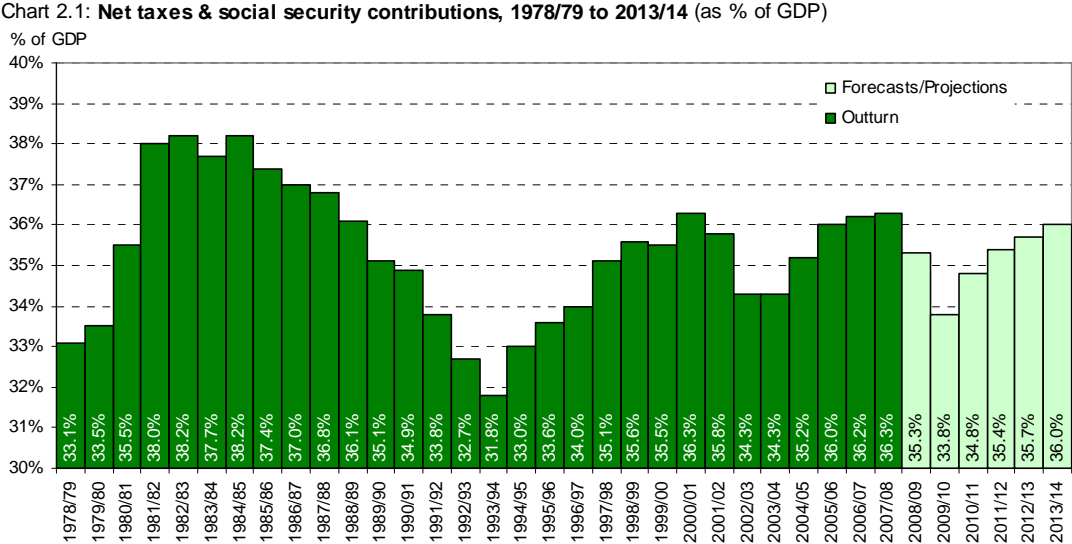
2 UK Tax Burden

There are two main ways of expressing the UK’s tax burden ratio: the public finances basis, used by the Treasury in Budget documentation, and the national accounts basis, based on data from the Office for National Statistics.¹

2.1 Public finances basis

For public finances purposes the Treasury presents the tax burden in terms of the aggregate measure of ‘net taxes and social security contributions’ (NTSSC) expressed as a proportion of GDP. NTSSC is a measure of net cash payments to UK government, and includes the majority of revenues: all HM Revenue & Customs tax receipts, vehicle excise duties, oil royalties, business rates, council tax and some ‘other taxes’ and royalties.

Chart 2.1 shows the tax burden on the public finances basis since 1978/79. This series is revised and printed in each Budget *Red Book* and *Pre-Budget Report*. These latest figures from the 2008 Pre-Budget Report include an estimate for 2008/09 (based on expected receipts and GDP), while figures for 2009/10 through to 2013/14 are projections.



Source: HM Treasury, *Pre-Budget Report 2008*, Cm 7484, November 2008

2.2 The UK tax burden: national accounts basis

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

There are differences between the national accounts and public finances measures of the tax burden. In the national accounts some revenues are on an accruals basis, i.e. revenues are shown against the period in which the liability arises and not when payment is actually made. The public finances basis excludes accruals adjustments (on income tax, NICs and VAT) which are made for the national accounts measure. Also:

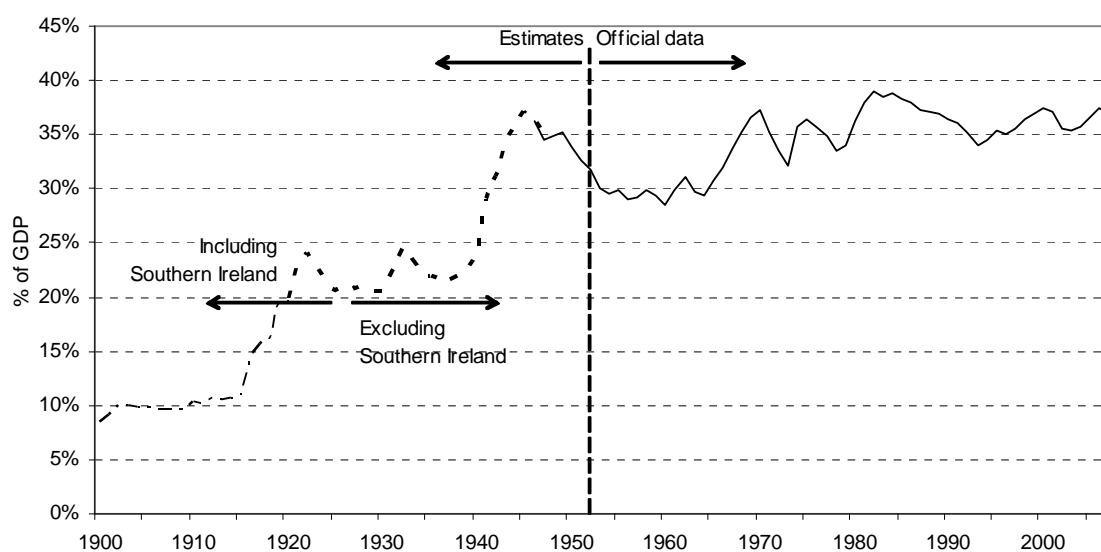
¹ The official UK statistical office.

- transfers to the EU from own resources² are subtracted from the NTSSC measure in the national accounts measure;
- taxes paid by public corporations which are included in NTSSC are subtracted for the national accounts as they have no impact on overall public sector receipts;
- NTSSC excludes interest and other non-tax receipts, apart from oil royalties which are included, but treated as rent in the national accounts;
- the treatment of tax credits: in the public finances measure, receipts are measured net of certain tax credits that the national accounts measure treats as public expenditure, for example Working Families' Tax Credit and Disabled Persons Tax Credit from October 1999 until April 2003.³

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

Chart 2.2 illustrates this measure of the tax burden for each calendar year since 1900. The data for 1948 onwards are derived from official figures. Figures for earlier years are either Library estimates or taken from other sources [see Table A2.2].

Chart 2.2: Taxes & Social Security Contributions, 1900-2007 (as % of GDP)



This shows that the tax burden has gone from around 10% in the early 1900s to ratios of between 34% and 39% over the last two decades. Allowing for shorter-term cyclical factors, a major influence on the tax burden is the overall level of public spending, and the chart clearly outlines the financial demands of the two world wars and the upward pressure on

² That is revenue raised by the UK Government for the EU, but retained by the UK Government for earmarked EU expenditure

³ Also, mortgage tax relief (1991/92 until 2000), life assurance premium relief and private medical insurance relief for the over 60s (1994/95 until 1997 Budget); note that Family Credit (for which the WFTC was a partial replacement) was not treated as a tax credit. For further details see page 11 of RP 03/74

expenditure from the growth of the welfare state – education, health, social security and social housing.

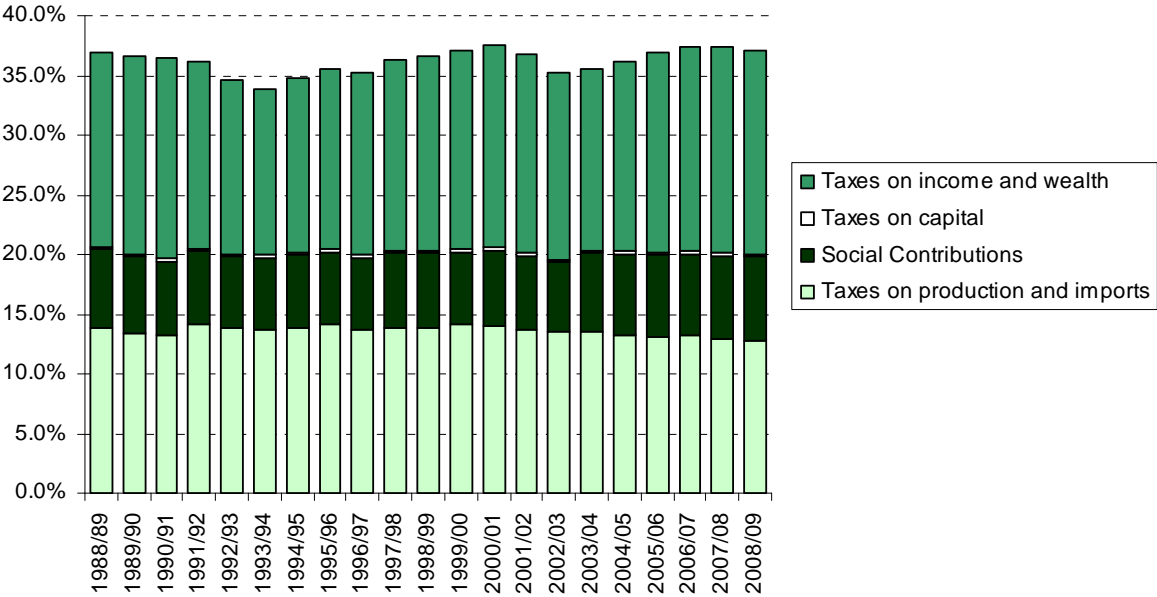
2.3 Breakdown by tax category

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

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

Chart 2.3 shows data broken down in this way for each financial year since 1988/89. Forecast data are included for 2007/08 and 2008/09 from the 2008 Pre-Budget Report, as these are broadly comparable with the earlier figures:

Chart 2.3: Taxes by category: 1988/98-2008/09 (national accounts basis)



[Sources: see Table A2.3]

2.4 Breakdown by tax

Table 2.1 shows how much is raised by the main taxes. In 2008/09, income tax raised an estimated £151.2 billion, 29% of the total, the same proportion as in 2000/01.

Table 2.1: **Tax receipts by tax: 2000/01 to 2007/08**

	£ billion		% of total		% increase
	2000/01 outturn	2008/09 estimate	2000/01 outturn	2008/09 estimate	2000/01- 2008/09
Income Tax (net)	105.2	151.2	29%	29%	44%
National Insurance Contributions	60.6	97.7	17%	19%	61%
Value Added Tax	58.5	82.6	16%	16%	41%
Corporation Tax	32.4	44.9	9%	9%	39%
Fuel duties	22.6	25.1	6%	5%	11%
Council Tax	14.3	24.6	4%	5%	72%
Business rates	16.4	23.5	5%	5%	43%
Stamp duties	8.2	8.3	2%	2%	1%
Other taxes and duties	41.2	58.7	11%	11%	42%
Total	359.4	516.6	100%	100%	44%

Source: *Public Finances Databank, HM Treasury, Table C4*
Pre-Budget Report 2008, HM Treasury, Cm 7484, Tables B14 and B21

Between 2000/01 and 2008/09, total tax receipts increased by 44%. Of the individual taxes shown, stamp duties, council tax and National Insurance Contributions had the highest percentage increases of the individual taxes shown.

2.5 Additional tables

Table A2.1 Net taxes and social security contributions: 1963/64-2012/13

Table A2.2 Taxes & Social Contributions: as % of GDP: 1900-2006

Table A2.3 Taxes by category (national accounts measure): 1988/89-2007/08

These tables are also available as Excel files for readers with access to the Parliamentary Intranet⁴

⁴ at: <http://hcl1.hclibrary.parliament.uk/notes/epas/snep-03395.xls>

Table A2.1: **Net taxes and social security contributions: 1963/64-2012/13**

		Current receipts		Net taxes and social security contributions		North Sea
		£ billion	% of GDP	£ billion	% of GDP	Oil revenues % of GDP
1963/64	outturn	11.1	35.7	9.1	29.2	0.0
1964/65	outturn	12.3	36.2	10.0	29.6	0.0
1965/66	outturn	13.9	38.1	11.4	31.3	0.0
1966/67	outturn	15.0	38.9	12.3	31.9	0.0
1967/68	outturn	16.6	40.6	13.8	33.7	0.0
1968/69	outturn	19.0	42.8	15.6	35.1	0.0
1969/70	outturn	21.2	44.3	17.7	37.1	0.0
1970/71	outturn	23.0	43.3	19.3	36.3	0.0
1971/72	outturn	24.6	41.5	20.8	35.0	0.0
1972/73	outturn	26.3	39.0	22.0	32.6	0.0
1973/74	outturn	29.7	39.5	24.0	31.9	0.0
1974/75	outturn	37.9	42.1	31.1	34.5	0.0
1975/76	outturn	47.9	42.8	39.5	35.3	0.0
1976/77	outturn	56.5	43.2	46.0	35.1	0.1
1977/78	outturn	63.0	41.4	52.0	34.1	0.2
1978/79	outturn	69.9	40.1	57.8	33.1	0.3
1979/80	outturn	85.1	40.6	70.3	33.5	1.1
1980/81	outturn	101.0	42.2	84.9	35.5	1.5
1981/82	outturn	119.7	45.5	100.0	38.0	1.5
1982/83	outturn	129.9	45.2	109.7	38.2	1.6
1983/84	outturn	138.0	44.1	117.9	37.7	2.7
1984/85	outturn	147.8	43.9	128.6	38.2	3.2
1985/86	outturn	158.0	42.7	138.2	37.4	2.8
1986/87	outturn	164.7	41.6	146.8	37.0	0.9
1987/88	outturn	178.9	40.6	162.1	36.8	0.9
1988/89	outturn	197.1	40.2	176.8	36.1	0.5
1989/90	outturn	211.3	39.4	189.8	35.1	0.3
1990/91	outturn	221.7	38.4	201.2	34.9	0.3
1991/92	outturn	231.7	38.1	205.3	33.8	0.1
1992/93	outturn	227.6	36.3	205.4	32.7	0.1
1993/94	outturn	235.3	35.4	211.8	31.8	0.2
1994/95	outturn	255.9	36.4	232.2	33.0	0.2
1995/96	outturn	276.7	37.2	250.0	33.6	0.2
1996/97	outturn	288.8	36.4	269.4	34.0	0.4
1997/98	outturn	316.2	37.5	296.1	35.1	0.3
1998/99	outturn	335.3	37.7	316.6	35.6	0.2
1999/00	outturn	358.5	37.9	335.4	35.5	0.2
2000/01	outturn	382.3	38.6	359.4	36.3	0.4
2001/02	outturn	389.4	37.8	369.0	35.8	0.5
2002/03	outturn	396.1	36.3	374.9	34.3	0.4
2003/04	outturn	422.5	36.5	396.9	34.3	0.4
2004/05	outturn	453.2	37.4	426.6	35.2	0.4
2005/06	outturn	486.8	38.4	456.6	36.0	0.8
2006/07	outturn	519.5	38.6	486.2	36.2	0.7
2007/08	outturn	547.5	38.5	515.9	36.3	0.5
2008/09	estimate	545.5	37.3	516.6	35.3	0.9
2009/10	projection	535	36.2		33.8	0.6
2010/11	projection	576	37.2		34.8	0.6
2011/12	projection	621	37.9		35.4	0.5
2012/13	projection	664	38.3		35.7	0.5
2013/14	projection	708	38.6		36.0	0.4

Sources: *Public Finance Databank, HM Treasury, Table C1*
Pre-Budget Report 2008, HM Treasury, Cm 7484, Tables B14 and B21

Table A2.2: Taxes & Social Contributions: as % of GDP: 1900-2007

Library estimates			Library estimates				
Year	Including Southern Ireland	Excluding Southern Ireland	Year	Excluding Southern Ireland	Official data	Year	Official data
1900	8.5%		1940	24.3%		1980	36.2%
1901	9.1%		1941	29.0%		1981	37.9%
1902	10.0%		1942	31.1%		1982	39.0%
1903	10.0%		1943	34.2%		1983	38.5%
1904	9.8%		1944	36.0%		1984	38.8%
1905	9.7%		1945	37.1%		1985	38.4%
1906	9.6%		1946	36.6%	36.2%	1986	38.0%
1907	9.6%		1947	34.9%	34.5%	1987	37.2%
1908	9.7%		1948	34.8%	34.8%	1988	37.0%
1909	9.6%		1949		35.1%	1989	36.9%
1910	10.2%		1950		33.9%	1990	36.5%
1911	10.1%		1951		32.7%	1991	36.1%
1912	10.6%		1952		31.8%	1992	35.2%
1913	10.6%		1953		30.1%	1993	34.0%
1914	10.7%		1954		29.5%	1994	34.5%
1915	11.1%		1955		29.8%	1995	35.4%
1916	14.6%		1956		29.0%	1996	35.0%
1917	15.6%		1957		29.3%	1997	35.5%
1918	16.2%		1958		29.9%	1998	36.5%
1919	19.4%		1959		29.4%	1999	36.9%
1920	19.5%	19.9%	1960		28.5%	2000	37.4%
1921		23.2%	1961		29.8%	2001	37.1%
1922		24.0%	1962		31.1%	2002	35.6%
1923		23.1%	1963		29.7%	2003	35.3%
1924		21.3%	1964		29.5%	2004	35.7%
1925		20.7%	1965		30.8%	2005	36.6%
1926		21.4%	1966		31.9%	2006	37.4%
1927		20.9%	1967		33.7%	2007	36.9%
1928		21.1%	1968		35.1%		
1929		20.5%	1969		36.7%		
1930		20.7%	1970		37.2%		
1931		22.5%	1971		35.2%		
1932		24.6%	1972		33.4%		
1933		23.5%	1973		32.1%		
1934		22.4%	1974		35.7%		
1935		21.9%	1975		36.4%		
1936		21.6%	1976		35.6%		
1937		21.5%	1977		34.9%		
1938		21.9%	1978		33.6%		
1939		22.4%	1979		34.0%		

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

Table A2.3: Taxes by category (national accounts measure) (c): 1988/89-2008/09

% of GDP

		Taxes on production and imports (a)			Taxes on income, & wealth (b)	Taxes on capital	Social contributions	Total
		Paid to general government	Paid to EU	Total				
1988/89	outturn	12.9%	0.9%	13.9%	16.2%	0.2%	6.5%	36.8%
1989/90	outturn	12.4%	1.1%	13.5%	16.6%	0.2%	6.3%	36.6%
1990/91	outturn	12.1%	1.1%	13.2%	16.8%	0.2%	6.2%	36.4%
1991/92	outturn	13.3%	0.9%	14.2%	15.7%	0.2%	6.1%	36.2%
1992/93	outturn	12.9%	1.0%	13.9%	14.6%	0.2%	6.0%	34.7%
1993/94	outturn	12.6%	1.0%	13.6%	13.9%	0.2%	6.1%	33.8%
1994/95	outturn	13.0%	0.8%	13.8%	14.6%	0.2%	6.2%	34.8%
1995/96	outturn	13.1%	1.0%	14.1%	15.1%	0.2%	6.1%	35.5%
1996/97	outturn	12.8%	0.9%	13.7%	15.2%	0.2%	6.1%	35.2%
1997/98	outturn	13.2%	0.7%	13.9%	16.0%	0.2%	6.2%	36.3%
1998/99	outturn	13.1%	0.7%	13.9%	16.3%	0.2%	6.2%	36.5%
1999/00	outturn	13.5%	0.6%	14.1%	16.6%	0.2%	6.1%	37.0%
2000/01	outturn	13.3%	0.7%	14.0%	17.0%	0.2%	6.4%	37.6%
2001/02	outturn	13.1%	0.6%	13.7%	16.5%	0.2%	6.2%	36.7%
2002/03	outturn	13.1%	0.4%	13.5%	15.6%	0.2%	5.9%	35.3%
2003/04	outturn	13.1%	0.4%	13.5%	15.2%	0.2%	6.6%	35.5%
2004/05	outturn	13.0%	0.3%	13.3%	15.8%	0.2%	6.8%	36.1%
2005/06	outturn	12.7%	0.3%	13.1%	16.8%	0.3%	6.8%	37.0%
2006/07	outturn	12.8%	0.3%	13.2%	17.0%	0.3%	6.8%	37.3%
2007/08	outturn	12.6%	0.4%	13.0%	17.2%	0.3%	6.9%	37.3%
2008/09	projection	12.5%	0.3%	12.8%	17.1%	0.2%	7.0%	37.1%

Notes: (a) Includes non-domestic rates

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

(c) projections based on Budget 2007, Tables C8, C9, C23

Sources: ONS Database (series NZGX, FJWB, NMZL, NMGI, AIH, GCSU & BKTL)

Pre-Budget Report 2008, HM Treasury, Cm 7484, Tables B14 and B21