



Research Note 102 | 30 January 2012

Total Lifetime Tax

January 31st is the deadline for UK taxpayers to file their tax returns. But how much tax will they pay over their lifetime? The reality for families around the country is that they face a vast tax bill this year and in the future too.

This research note provides an estimate of the total amount of tax paid by different types of households over their lifetimes. The figure includes both direct and indirect taxes and is calculated on the basis of the current level of taxes applying over a working lifetime of 40 years and 15 years of retirement. The findings are also broken down by income quintiles (household incomes broken down into five groups ranging from least to most income). The results show that taxes are an enormous lifetime burden.

The key findings of this research are:

- Over a lifetime, an **average household** will pay **£656,000** in direct and indirect taxes.
- Over a lifetime, an average household in the **lowest income quintile** will pay **£235,000** in direct and indirect taxes.
- Over a lifetime, an average household in the **second income quintile** will pay **£392,000** in direct and indirect taxes.
- Over a lifetime, an average household in the **third income quintile** will pay **£556,000** in direct and indirect taxes.
- Over a lifetime, an average household in the **fourth income quintile** will pay **£755,000** in direct and indirect taxes.
- Over a lifetime, an average household in the **highest income quintile** will **pay over £1.3 million** in direct and indirect taxes.
- The four most burdensome individual taxes over a lifetime are income tax, VAT, employee national insurance contributions and council tax.
- For average households, income tax and VAT are the most burdensome taxes. An average household pays **£250,000** in income tax and **£101,000** in VAT over a lifetime.
- For poorer households, VAT and council tax are the most onerous. A household in the lowest quintile pays **£57,000** in VAT and **£55,000** in council tax over a lifetime.

Source and method of calculation

- The calculation is based on Office for National Statistics data taken from Tables 6, 12, 16A and 18A in the ONS report *The Effects of Taxes and Benefits on Household Income 2009-10* (released May 2011).¹
- Total taxes are assessed on the basis of a non-retired household's total direct and indirect taxes per year multiplied by 40 years, plus a retired household's total direct and indirect taxes per year multiplied by 15 years.
- A poor household is taken to be a lowest quintile household, measured by equivalised disposable income. Households are assumed not to move up or down quintiles.
- Calculations are based on current direct and indirect taxes multiplied over a notional lifetime and current prices are used throughout. This does not take into account changes in taxation in the past or in the future, but has the advantage of illustrating the current tax burden.
- In the tables, each income quintile is accompanied by an average gross income for all households in 2009/10 for that group. This is taken from page 43 of *The effects of taxes and benefits on household income, 2009/10: Further analysis and methodology*.²
- Direct taxes include Income Tax, Employees' National Insurance Contributions and Council Tax. Indirect taxes include things like Value Added Tax, duties on flights, tobacco, alcohol and Stamp Duty on house purchases.

To arrange broadcast interviews, please contact:

Robert Oxley

Campaign Manager, TaxPayers' Alliance

robert.oxley@taxpayersalliance.com

07544 933 215

To discuss the research, please contact:

John O'Connell

Research Director, TaxPayers' Alliance

john.oconnell@taxpayersalliance.com

07708 506 643

¹ [The effects of taxes and benefits on household income, 2009/10](#)

² [The effects of taxes and benefits on household income, 2009/10: Further analysis and methodology](#)

Table 1: The lifetime cost of the four most burdensome taxes, by income quintile

Income quintile (with average gross annual income, £)	Income Tax (£)	VAT (£)	National Insurance Contributions (£)	Council Tax (£)
Lowest (£11,730)	21,225	56,795	11,245	55,460
2 nd (£19,133)	82,095	78,105	46,950	57,500
3 rd (£29,227)	167,350	95,115	83,770	61,215
4 th (£41,886)	282,640	112,405	123,350	66,490
Highest (£79,888)	697,900	162,950	187,415	79,520
Average (£36,372)	250,220	101,080	90,535	64,045

Table 2: Total taxes paid over a lifetime

Income quintile (with average gross annual income, £)	Working				Retired				Total direct and indirect taxes paid over lifetime (£)
	Total direct taxes per year (£)	Total indirect taxes per year (£)	Total taxes per year (£)	Total taxes over working lifetime (£)	Total direct taxes per year (£)	Total indirect taxes per year (£)	Total taxes per year (£)	Total taxes over retirement (£)	
Lowest (£11,730)	1,370	3,318	4,688	187,520	950	2,225	3,175	47,625	235,145
2 nd (£19,133)	3,955	4,469	8,424	336,960	1,103	2,541	3,644	54,660	391,620
3 rd (£29,227)	7,121	5,307	12,428	497,120	1,277	2,635	3,912	58,680	555,800
4 th (£41,886)	10,848	5,998	16,846	673,840	2,284	3,146	5,430	81,450	755,290
Highest (£79,888)	22,121	7,874	29,995	1,199,800	5,180	4,279	9,459	141,885	1,341,685
Average (£36,372)	9,083	5,393	14,476	579,040	2,159	2,966	5,125	76,875	655,915