Are the rich paying their fair share of taxes?

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An IFS public talk  #IFStalks
Should *five per cent* appear too small

Be thankful I don't take it all

'Cause I'm the taxman, ...

And you're working for no one but me
Broadly, do you think the UK tax system is fair?

- Yes
- No – rich people don’t pay enough
- No – rich people pay too much
- I don’t know
Results

Don’t know: 22%
Yes system fair: 16%
No rich pay too little: 51%
No rich pay too much: 11%
No - rich people don’t pay enough

Before any information, 51% think unfair.

33% of the 'Rich pay a lot' group agree.
72% of the 'Rich don’t pay a lot' group agree.

Rich pay a lot
Rich don’t pay a lot
Tip 1: Know who’s currently paying tax
Who pays income tax?
Income tax revenue

£175bn
4 in 10 adults don’t pay income tax

10% of income tax

25% of income tax

12% of income

30% of income tax

Income tax revenue
£162,000 gets you into top 1%

£51,400 gets you into top 10%

Income tax revenue
“people think wealthy people are people earning about £10,000 a year more than them”

Ben Page, Ipsos MORI
Tip 2: Don’t get hung up on any one tax – all taxes are part of a system
Which taxes are fair?

- **Tax on cigarettes**: Not fair
- **Income tax**: Fair
- **Inheritance tax**: Fair
<table>
<thead>
<tr>
<th>Category</th>
<th>Unemployed Annie</th>
<th>Penny pensioner</th>
<th>Minimum wage Mark</th>
<th>Well-to-do Sue</th>
<th>Richy Rich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from work</td>
<td>£0</td>
<td>£0</td>
<td>£13,650</td>
<td>£70,000</td>
<td>£200,000</td>
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<tr>
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<td>-£912</td>
<td>-£2,000</td>
<td>-£22,535</td>
<td>-£84,235</td>
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<tr>
<td>Benefits</td>
<td>+£10,147</td>
<td>+£14,932</td>
<td>+£486</td>
<td>+£0</td>
<td>+£0</td>
</tr>
<tr>
<td>Net income</td>
<td>£9,235</td>
<td>£14,020</td>
<td>£12,136</td>
<td>£47,465</td>
<td>£115,765</td>
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<tr>
<td></td>
<td>Unemployed Annie</td>
<td>Minimum wage Annie</td>
<td>Annie with a family</td>
<td>Well-to-do Annie</td>
<td>Pensioner Annie</td>
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<tr>
<td>Pre-tax income</td>
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<td>£13,650</td>
<td>£13,650</td>
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The UK tax and benefit system

Top 10% of households pay 30% of all tax

Tax and benefits together:

- *increase* income by 27% for poorest 10%
- *decrease* income by 33% for richest 10%

About 60% of redistribution is across periods of life
Tip 3: Remember, people respond to taxes
Are the rich paying their fair share of taxes?
Tip 1: Know who’s currently paying tax

Tip 2: Don’t get hung up on any one part of the system

Tip 3: Remember, people respond to taxes

THANK YOU!