

EMPLOYERS' BURDEN

2016/17 Adjusted for Tax credits and cash benefits

Tax Rates		Year 2016/17		
		% of		
		Gross	max	
Employers N.I.				
a	0.00 ---	8112.00	0%	0.00
b	8112.00 --- no limit		13.8%	
Employees N.I.				
a	0.00 ---	8112.00	0%	0.00
b	8112.01 ---	43000.00	12%	4186.56
c	43000.01		2%	
Income Tax				
a	0.00 ---	11000.00	0%	0.00
b	11000.00 -	32000.00	20%	6400.00
c	32000.00 ---	150000.00	40%	47200.00
d	100000.00 ---	122000.00	40%+	
e	150000.01 --- no limit		45%	
Self-employed N.I.				
a	0 ---	8060.00	0%	0.00
b	8060.01 ---	43000.00	9.0%	3144.60
c	43000 no limit		2%	

Gross Pay	Indirect Tax	Tax Credits	Net effect
10000	40%	70%	-30%
20000	26%	36%	-10%
30000	21%	15%	6%
40000	17%	8%	9%
50000	16%	7%	9%
60000	15%	4%	11%
70000	13%	3%	10%
80000	13%	3%	10%
90000	13%	3%	10%
100000	10%	2%	8%
300000	10%	2%	8%
500000	10%	2%	8%

Note.

Indirect tax as a percentage of total income, and cash benefits taken from ONS paper "The effects of taxes and benefits on household incomes 2013/14 table 16.

EMPLOYER'S BURDEN

2015/16

Adjusted for Tax credits and cash benefits

Employed Person

	10000	25000	30000	40000	50000	60000	70000	80000	90000	100000	300000	500000
Gross pay												
Employer's NIC												
a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b	260.54	2330.54	3020.54	4400.54	5780.54	7160.54	8540.54	9920.54	11300.54	12680.54	40280.54	67880.54
	<u>260.54</u>	<u>2330.54</u>	<u>3020.54</u>	<u>4400.54</u>	<u>5780.54</u>	<u>7160.54</u>	<u>8540.54</u>	<u>9920.54</u>	<u>11300.54</u>	<u>12680.54</u>	<u>40280.54</u>	<u>67880.54</u>
	10260.54	27330.54	33020.54	44400.54	55780.54	67160.54	78540.54	89920.54	101300.54	112680.54	340280.54	567880.54
Employee's NIC												
a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b	226.56	2026.56	2626.56	3826.56	4186.56	4186.56	4186.56	4186.56	4186.56	4186.56	4186.56	4186.56
c	0.00	0.00	0.00	0.00	140.00	340.00	540.00	740.00	940.00	1140.00	5140.00	9140.00
	<u>226.56</u>	<u>2026.56</u>	<u>2626.56</u>	<u>3826.56</u>	<u>4326.56</u>	<u>4526.56</u>	<u>4726.56</u>	<u>4926.56</u>	<u>5126.56</u>	<u>5326.56</u>	<u>9326.56</u>	<u>13326.56</u>
Income Tax												
a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b	0.00	2800.00	3800.00	6400.00	6400.00	6400.00	6400.00	6400.00	6400.00	6400.00	6400.00	6400.00
c	0.00	0.00	0.00	3200.00	7200.00	11200.00	15200.00	19200.00	23200.00	27200.00	47200.00	47200.00
d+e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	67500.00	157500.00
	<u>0.00</u>	<u>2800.00</u>	<u>3800.00</u>	<u>9600.00</u>	<u>13600.00</u>	<u>17600.00</u>	<u>21600.00</u>	<u>25600.00</u>	<u>29600.00</u>	<u>33600.00</u>	<u>121100.00</u>	<u>211100.00</u>
Total Deductions	226.56	4826.56	6426.56	13426.56	17926.56	22126.56	26326.56	30526.56	34726.56	38926.56	130426.56	224426.56
Take Home pay	9773.44	20173.44	23573.44	26573.44	32073.44	37873.44	43673.44	49473.44	55273.44	61073.44	169573.44	275573.44
Indirect Tax % net of benefits as % of gross	-30%	-10%	6%	9%	9%	11%	10%	10%	10%	8%	8%	8%
	<u>-2932.03</u>	<u>-2017.34</u>	<u>1414.41</u>	<u>2391.61</u>	<u>2886.61</u>	<u>4166.08</u>	<u>4367.34</u>	<u>4947.34</u>	<u>5527.34</u>	<u>4885.88</u>	<u>13565.88</u>	<u>22045.88</u>
Reward for work	12705.47	22190.78	22159.03	24181.83	29186.83	33707.36	39306.10	44526.10	49746.10	56187.56	156007.56	253527.56
Total Taxes	-2444.93	5139.76	10861.51	20218.71	26593.71	33453.18	39234.45	45394.45	51554.45	56492.98	184272.98	314352.98
Employer's Burden (%)	-19	23	49	84	91	99	100	102	104	101	118	124

Self Employed

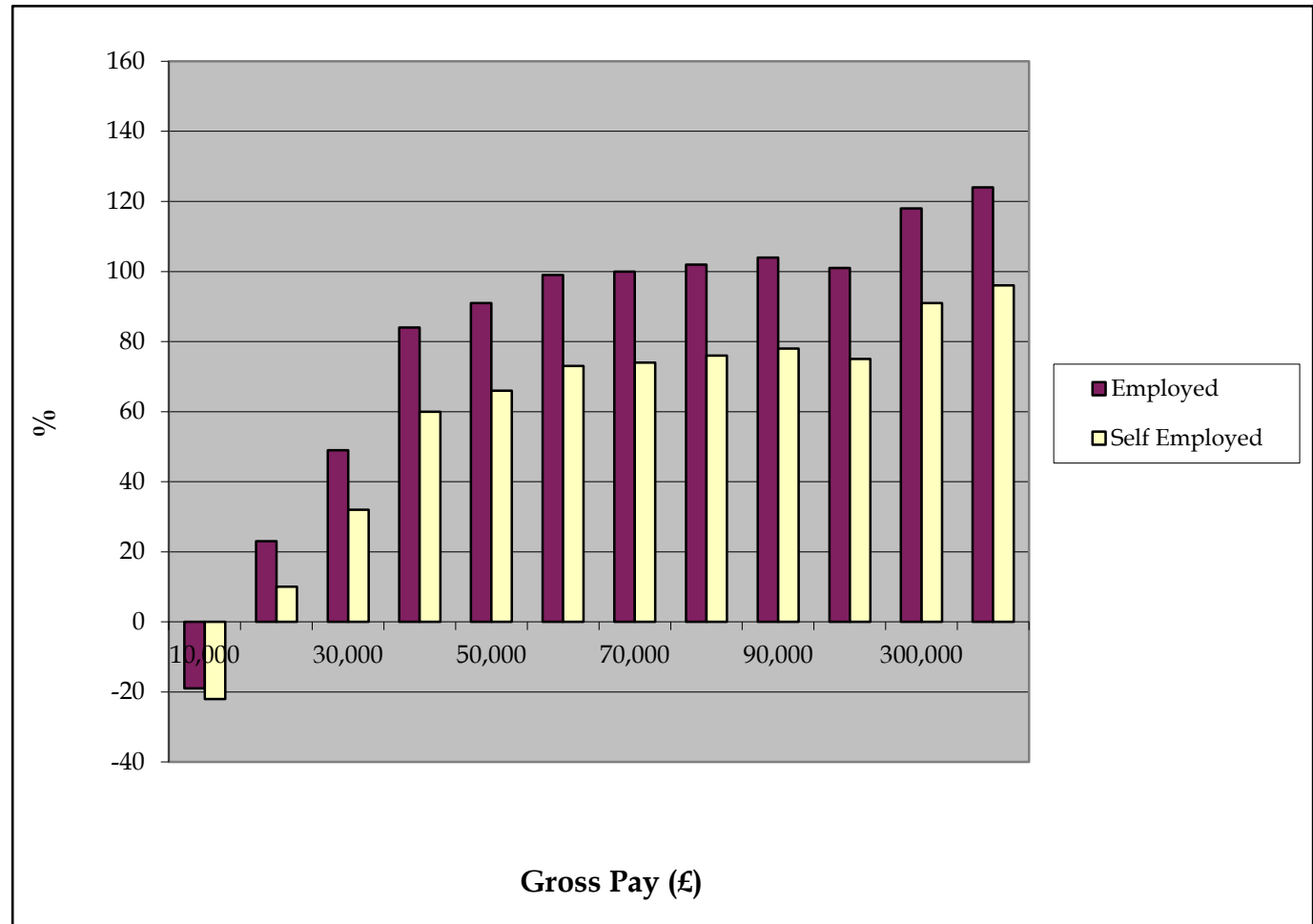
	10000	25000	30000	40000	50000	60000	70000	80000	90000	100000	300000	500000
Nominal Gross Pay												
Employee's NIC												
a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b	174.60	1524.60	1974.60	2874.60	3144.60	3144.60	3144.60	3144.60	3144.60	3144.60	3144.60	3144.60
c	0.00	0.00	0.00	0.00	140.00	340.00	540.00	740.00	940.00	1140.00	5140.00	9140.00
	<u>174.60</u>	<u>1524.60</u>	<u>1974.60</u>	<u>2874.60</u>	<u>3284.60</u>	<u>3484.60</u>	<u>3684.60</u>	<u>3884.60</u>	<u>4084.60</u>	<u>4284.60</u>	<u>8284.60</u>	<u>12284.60</u>
Income Tax												
as above	0.00	2800.00	3800.00	9600.00	13600.00	17600.00	21600.00	25600.00	29600.00	33600.00	121100.00	211100.00
Total Deductions	174.60	4324.60	5774.60	12474.60	16884.60	21084.60	25284.60	29484.60	33684.60	37884.60	129384.60	223384.60
Take Home pay	9825.40	20675.40	24225.40	27525.40	33115.40	38915.40	44715.40	50515.40	56315.40	62115.40	170615.40	276615.40
Indirect Tax % net of benefits as % of gross	-30%	-10%	6%	9%	9%	11%	10%	10%	10%	8%	8%	8%
	<u>-2947.62</u>	<u>-2067.54</u>	<u>1453.52</u>	<u>2477.29</u>	<u>2980.39</u>	<u>4280.69</u>	<u>4471.54</u>	<u>5051.54</u>	<u>5631.54</u>	<u>4969.23</u>	<u>13649.23</u>	<u>22129.23</u>
Reward for work	12773.02	22742.94	22771.88	25048.11	30135.01	34634.71	40243.86	45463.86	50683.86	57146.17	156966.17	254486.17
Total Taxes	-2773.02	2257.06	7228.12	14951.89	19864.99	25365.29	29756.14	34536.14	39316.14	42853.83	143033.83	245513.83
Employer's Burden (%)	-22	10	32	60	66	73	74	76	78	75	91	96

Employers' Burden

Gross Pay (£)	Employed	Self Employed
	%	%
10,000	-19	-22
25,000	23	10
30,000	49	32
40,000	84	60
50,000	91	66
60,000	99	73
70,000	100	74
80,000	102	76
90,000	104	78
100,000	101	75
300,000	118	91
500,000	124	96

2015/16

Adjusted for Tax credits and cash benefits



EMPLOYERS BURDEN. COMMENTARY

Members may like to see a paper recently updated showing the differences between the cost of employment and the “Reward for Work”

This is based on tax tables, but also from ONS paper describing how much of “take home Pay” is spent on indirect taxation. The surprise was that the lowest quintile of incomes spent about double the highest quintile, thus cancelling out some of the lower income tax rates.

For this reason we called the final result “Reward for Work” to distinguish from “Take home pay.”

The conclusion is that it cost employers roughly 100% of Reward for Work to take on an employee, and a bit less to take on “self employed” workers.

Here are some suggestions as to the possible effects of this situation:

1. A sharp distinction of the view of wages from the points of view of employers and employees.
2. A bias against labour intensive industries.
3. A constant impulse to replace people by machines.
4. Unemployment as a constant factor in the economy.
5. The effect of taxation at the margin, leading to more tax required to mitigate those effects.
6. In the cycle of production, employment based taxation rolls up until paid by the final consumer. His gross pay has to be sufficient to pay the taxes and leave him enough to live on.
7. Government expenditure is mostly wages, and is thus doubled under the same rules.
8. In order to cover the cost, an employee has to be able to add value to an amount twice what he needs to live on. Those who cannot meet this criteria will find their jobs at risk.

Two new tables have been added. "**Total Employer Costs**" shows the cost of employment broken down into constituent parts, first as actual figures, then as percentages.

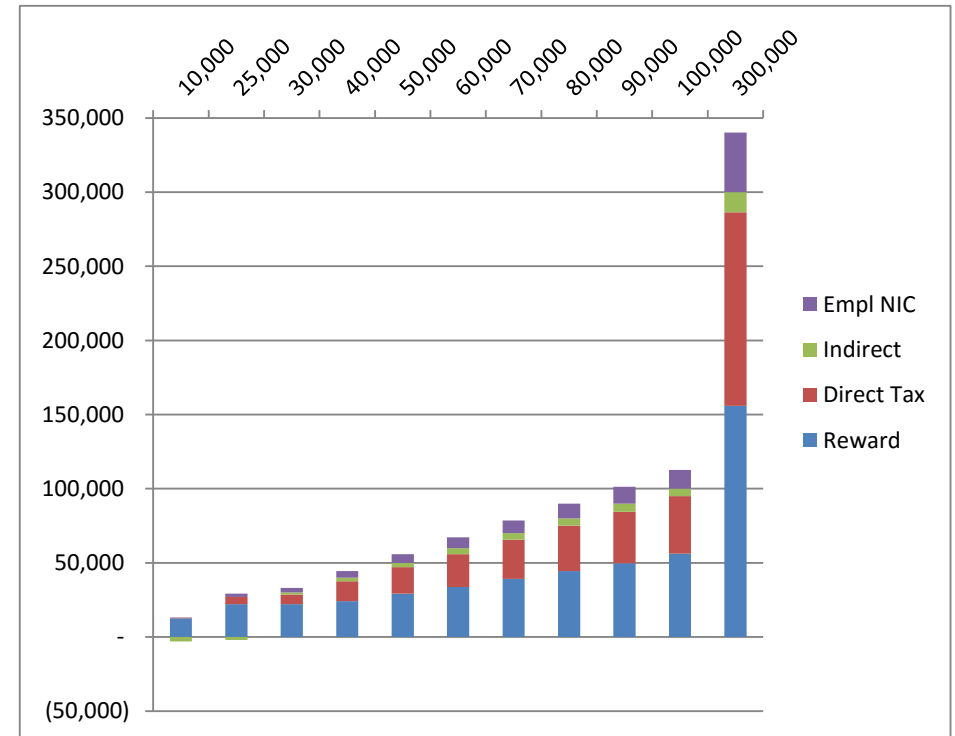
Sheet 2 is a summary of all the tables since 2006/07 to date for employed persons. This is interesting as it shows the gradual reduction in the lower paid area, and the gradual increase in the higher paid area. But bear in mind that the average pay in 2006/07 was less than now.

Employers' Burden

2015/16

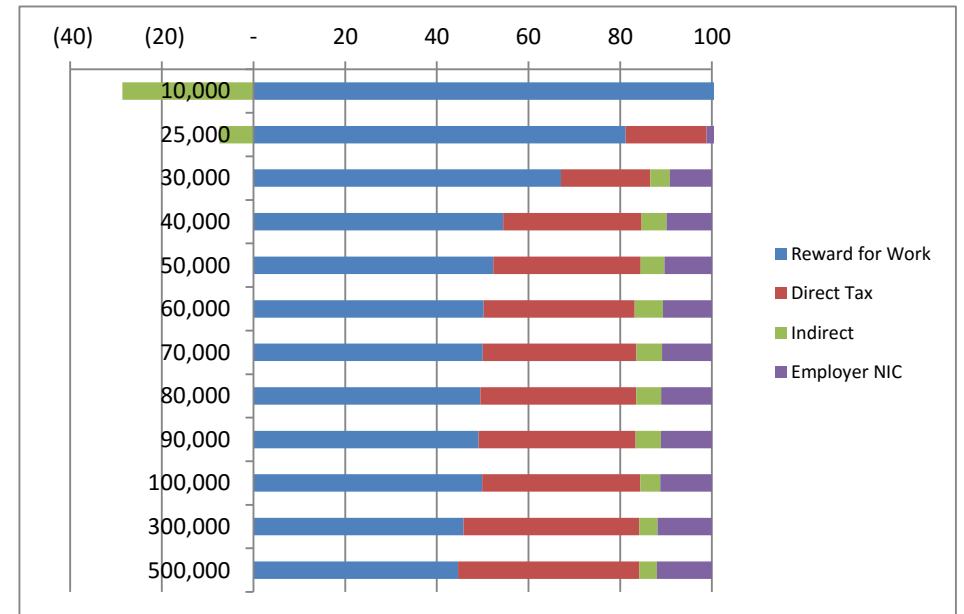
Adjusted for Tax credits and cash benefits

Gross Pay (£)	Reward for Work	Direct Taxation	Indirect Taxation	NIC	Total
10,000	12,705.47	226.56	- 2,932.03	260.54	10,261
25,000	22,190.78	4,826.56	- 2,017.34	2330.54	27,331
30,000	22,159.03	6,426.56	1,414.41	3020.54	33,021
40,000	24,181.83	13,426.56	2,391.61	4400.54	44,401
50,000	29,186.83	17,926.56	2,886.61	5780.54	55,781
60,000	33,707.36	22,126.56	4,166.08	7160.54	67,161
70,000	39,306.10	26,326.56	4,367.34	8540.54	78,541
80,000	44,526.10	30,526.56	4,947.34	9920.54	89,921
90,000	49,746.10	34,726.56	5,527.34	11300.54	101,301
100,000	56,187.56	38,926.56	4,885.88	12680.54	112,681
300,000	156,007.56	130,426.56	13,565.88	40280.54	340,281
500,000	253,527.56	224,426.56	22,045.88	67880.54	567,881



Percentages

Gross Pay (£)	Reward for Work	Direct Taxation	Indirect Taxation	NIC	Total %
10,000	123.83	2.21	- 28.58	2.54	100.00
25,000	81.19	17.66	- 7.38	8.53	100.00
30,000	67.11	19.46	4.28	9.15	100.00
40,000	54.46	30.24	5.39	9.91	100.00
50,000	52.32	32.14	5.17	10.36	100.00
60,000	50.19	32.95	6.20	10.66	100.00
70,000	50.05	33.52	5.56	10.87	100.00
80,000	49.52	33.95	5.50	11.03	100.00
90,000	49.11	34.28	5.46	11.16	100.00
100,000	49.86	34.55	4.34	11.25	100.00
300,000	45.85	38.33	3.99	11.84	100.00
500,000	44.64	39.52	3.88	11.95	100.00



EMPLOYERS BURDEN

SUMMARY FOR EMPLOYED PERSONS

Adjusted for Tax credits and cash benefits 2016/17

GROSS PAY	10000	25000	30000	40000	50000	60000	70000	80000	90000	100000	300000	500000
2006/07	87	92	93	89	97	103	95	98	100	102		118
2007/08	75	91	93	90	98	104	103	107	109	102		118
2008/09	74	87	89	96	103	108	107	110	113	104		119
2009/10	73	82	82	84	91	97	92	95	98	100		115
2010/11	60	53	50	92	99	103	98	100	102	104	133	113
2011/12	64	81	81	97	104	109	103	105	107	109	140	152
2012/13	60	79	79	97	105	110	104	106	108	110	140	152
2013/14	55	77	77	101	108	112	106	108	110	111	130	137
2014/15	52	76	76	101	108	113	106	108	110	111	130	137
2015/16	51	74	75	106	114	118	110	112	114	115	134	137
2016/17	52	71	77	112	102	106	109	111	113	115	133	137
Adjusted	-19	23	49	84	91	99	100	102	104	101	118	124

TABLE 16: Average incomes, taxes and benefits by decile groups of NON-RETIRED households, 2013/14

Decile groups of non-retired households ranked by equivalised ¹ disposable income										
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Average per household (£ per year)										
<i>Decile points (equivalised £)</i>	12 490	16 797	20 128	23 069	26 853	31 316	35 968	42 918	55 456	
Number of households in the population ('000s)	1 948	1 960	1 956	1 953	1 959	1 953	1 955	1 958	1 951	1 960
Original income										
Wages and salaries	3 136	9 779	15 316	20 355	25 373	33 066	37 239	47 286	54 750	87 019
Imputed income from benefits in kind	11	18	37	102	215	360	232	651	670	2 068
Self-employment income	938	1 511	2 501	2 318	2 515	3 449	5 112	4 237	5 856	14 578
Private pensions, annuities ²	124	226	434	730	1 201	1 376	1 759	2 342	2 692	3 202
Investment income	150	107	146	367	239	478	829	1 009	2 155	6 125
Other income	302	212	343	263	306	187	263	440	503	413
Total	4 661	11 854	18 777	24 135	29 848	38 917	45 435	55 965	66 627	113 405
Direct benefits in cash										
Job seeker's allowance (Contribution based)	206	123	3	0	3	14	1	19	2	1
Job seeker's allowance (Income based)	491	316	101	53	11	1	1	1	-	-
Employment and support allowance	340	446	289	218	228	78	8	16	-	12
Incapacity Benefit	29	84	132	82	98	59	17	33	15	-
Income Support	205	766	337	130	135	37	124	12	-	-
Statutory Maternity Pay/Allowance	-	33	42	147	123	176	287	199	321	429
Child benefit	598	993	925	750	598	542	501	347	219	101
Tax credits ³	1 164	2 649	2 189	1 394	838	325	367	137	25	3
Housing benefit	1 710	1 802	1 266	982	574	170	184	69	60	-
State pension	88	190	592	796	1 039	1 232	1 210	998	1 007	961
Pension Credit	21	59	50	53	4	36	35	-	2	-
Widows' benefits	32	22	10	-	47	36	-	42	15	10
War pensions/War widows' pensions	-	-	-	7	-	-	-	131	126	26
Carer's allowance	112	127	105	119	89	53	105	44	7	-
Attendance allowance	-	-	5	3	9	12	19	4	-	13
Disability living allowance ⁴	279	491	516	460	469	224	272	147	122	84
Severe disablement allowance	9	26	9	44	45	38	15	16	-	-
Industrial injury disablement benefit	1	-	9	59	10	6	32	17	14	20
Student support	323	102	127	136	67	48	41	17	67	34
Other non-contributory benefits ⁵	18	24	48	40	53	40	47	34	28	67
Total cash benefits	5 624	8 253	6 755	5 472	4 441	3 128	3 270	2 282	2 028	1 763
Gross income	10 285	20 107	25 532	29 607	34 290	42 044	48 705	58 247	68 655	115 167
Direct taxes and Employees' NIC										
Income Tax	275	975	1 500	2 290	3 118	4 662	5 472	7 798	10 305	22 142
<i>less: Tax credits³</i>	64	284	370	321	246	117	94	57	2	-
Employees' NI contributions	127	539	918	1 367	1 759	2 451	2 874	3 623	4 207	5 225
Council tax and Northern Ireland rates ⁶	1 003	1 046	1 099	1 124	1 145	1 235	1 272	1 388	1 411	1 569
<i>less: Council Tax Support/Rates rebates</i>	333	309	154	110	80	27	14	7	3	-
Total	1 009	1 968	2 992	4 349	5 696	8 205	9 510	12 745	15 919	28 936

Disposable income	9 277	18 139	22 540	25 258	28 594	33 840	39 195	45 503	52 736	86 232
<i>Equivalised disposable income</i>	8 337	14 750	18 425	21 634	24 925	28 846	33 507	39 528	48 381	78 876
Indirect taxes										
Taxes on final goods and services										
VAT	1 325	1 893	1 928	2 231	2 612	3 059	3 328	3 933	4 044	5 346
Duty on tobacco	376	617	482	462	470	354	365	273	239	209
Duty on beer and cider	78	77	101	109	145	164	175	197	188	208
Duty on wines & spirits	159	130	126	147	205	211	238	313	316	414
Duty on hydrocarbon oils	293	395	478	482	634	646	647	780	691	694
Vehicle Excise Duty	85	112	132	140	172	218	200	232	210	250
Television licences	127	137	136	132	139	136	136	138	140	143
Stamp Duty on house purchase	54	66	56	87	87	131	209	287	397	649
Customs duties	24	28	29	31	34	37	39	46	46	59
Betting taxes	31	29	34	52	67	90	95	55	73	70
Insurance Premium Tax	27	41	42	53	61	66	70	88	89	118
Air Passenger Duty	17	30	34	40	51	56	65	164	149	246
Camelot National Lottery Fund	38	48	48	71	84	76	73	60	68	64
Other	8	69	33	25	25	17	182	34	30	46
Intermediate taxes										
Commercial and industrial rates	229	261	271	293	315	346	366	434	435	557
Employers' NI contributions	394	449	466	504	543	596	630	746	748	958
Duty on hydrocarbon oils	124	141	147	158	171	187	198	235	235	301
Vehicle Excise Duty	10	12	12	13	14	15	16	19	19	25
Other	223	255	266	290	312	344	365	436	439	570
Total indirect taxes	3 622	4 789	4 821	5 320	6 140	6 751	7 396	8 470	8 556	10 927
Post-tax income	5 655	13 350	17 719	19 938	22 454	27 088	31 799	37 032	44 180	75 305
Benefits in kind										
Education	4 303	5 501	5 217	4 347	3 332	2 764	3 019	2 263	1 612	1 419
National Health Service	2 980	3 818	3 677	3 680	3 513	3 635	3 763	3 635	3 423	3 365
Housing subsidy	13	15	7	8	5	3	3	2	1	0
Rail travel subsidy	71	49	42	57	64	74	126	155	199	273
Bus travel subsidy	76	74	63	82	57	62	58	78	64	51
School meals and Healthy Start Vouchers ⁷	109	209	115	31	29	4	15	4	1	0
Total	7 552	9 665	9 120	8 205	7 001	6 543	6 985	6 138	5 300	5 108
Final income	13 207	23 015	26 839	28 143	29 455	33 632	38 785	43 170	49 480	80 413

Notes:

Source: Office for Na

1 Using the modified-OECD scale.

2 Including all workplace pensions, individual personal pensions and annuities.

3 Child tax credit and working tax credit.

4 Including Personal Independence Payments

5 Including government training scheme allowances.

6 Council tax and Northern Ireland rates after deducting discounts.

7 Including nursery milk.

All
house-
holds

19 553

33 332

436

4 302

1 409

1 161

Extract from Table 16 2013/14
Average incomes, taxes and benefits by decile groups of NON-RETIRED households

	Bottom	2nd	3rd	4th	
323					
40 962	Original income total	4 661	11 854	18 777	24 135
	Total cash benefits	5 624	8 253	6 755	5 472
37	Total indirect taxes	3 622	4 789	4 821	5 320
98	Cash benefit as % of total income	1.21	0.70	0.36	0.23
163	Indirect taxes as % of total income	0.78	0.40	0.26	0.22
55					
174					
176					
557					
909					
682					
811					
26					
21					
29					
76					
7					
306					
20					
17					
96					
40					

4 302

45 264

5 854

155

2 309

1 229

104

9 133

36 131

31 721

2 970

385

144

226

574

175

136

202

37

60

65

85

63

47

351

603

190

16

350

6 679

29 452

3 378

3 549

6

111

66

52

7 162

36 614

5th	6th	7th	8th	9th	Top	holds
29 848	38 917	45 435	55 965	66 627	113 405	40 962
4 441	3 128	3 270	2 282	2 028	1 763	4 302
6 140	6 751	7 396	8 470	8 556	10 927	6 679
0.15	0.08	0.07	0.04	0.03	0.02	0.11
0.21	0.17	0.16	0.15	0.13	0.10	0.16