

Exactly how much tax do we pay?

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By Emma-Lou Montgomery, 15/04/2009 00:00

So, how much tax do you pay? I know, it sounds like a silly question. The answer is obviously: 'too much'.

But brace yourself, because while you may already think you pay too much tax, the chances are the real amount you're actually paying is far more than you think.

That's because we tend to focus mostly on income tax. But don't forget VAT, fuel duty, stamp duty, National Insurance, duty built into alcohol and cigarette prices, air travel surcharges, inheritance tax and council tax.

They're all taxes. And these are the ones that can really bump up the total amount of tax that you pay.

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Find out if you're due a tax rebate;

There's no avoiding it as that list shows, we pay tax on all sorts of things, many of which are unavoidable to most people.

Take petrol. The 2p a litre rise in fuel duty that began on April 1 means the Treasury now gets about 66p more for every tank of fuel sold. Raising the fuel by another penny would add £500 million to the Treasury's coffers every year. It's a nice little government earner.

Then there's the tax we pay on cigarettes and alcohol. For every penny that's added to the rate on booze, the Treasury rakes in £100 million.

Also, the property market may have stalled of late, but anyone buying a home worth over £500,000 has to pay an additional tax of 4% of the value in stamp duty to the taxman. There are taxes to pay at every corner, or so it seems.

Are we better or worse off now?

The big question is: are we paying more in taxes today than in the past? According to the latest calculations by which; on average around 35% of the money we earn goes on tax.

Around 20% is taken by direct taxes such as income tax, National Insurance and council tax. The rest goes on VAT, duty on alcohol and petrol and other indirect taxes. That means that while the typical household earned £32,779 last year, it had only £21,277 left after tax - a £11,500 difference.

But your actual total tax liability could very well be far more than 35%.

While the government claims we're better off than we were, thanks to the above-inflation rise in the personal allowance to £6,475 in the current tax year (from £6,035), the truth is that we're paying more for pretty much everything, so the small rise here doesn't make much of a difference at all.

Take National Insurance as a starting point. Because the upper threshold for NI contributions is now in line with income tax, for higher rate taxpayers any good news on the income tax front is cancelled out by the hike in national insurance.

What would you like to be in the Budget?

National Insurance is the killer; a favourite of the government is National Insurance as it's not as likely to grab the headlines as a rise in income tax. But a percentage rise in National Insurance, which is tantamount to the same thing, often escapes our notice.

Already set to go up by half a percentage point in 2011, the rise will generate a significant £5 billion a year for the Treasury's coffers.

We can also expect to see VAT increase in the future, and possibly over and above the previous 17.5% level, according to some experts.

Documents released last year revealed the government previously considered increasing VAT to 20%, although such a move isn't expected to happen until the economy has recovered and we're all feeling a little more flush. After all, the Treasury only earns when we spend.

Then there's a potential rise in the top band of stamp duty, from 4% to 5%, on properties that sell for more than £500,000. It may not be an issue now, but stamp duty is a big earner for the Treasury and an added tax burden for buyers once the property market picks up again.

Considering all the taxes we're forced to pay, maybe the recession does have one glimmer of brightness in it.

Because, if you're not buying expensive property or new cars, getting a hefty salary rise and splashing out on living the high life, more of the money you do have stays in your pockets and doesn't find its way into the taxman's coffers.

Then again, perhaps with all these substantial tax hikes inevitable in the future, now could be a better time than any to buy that new car, or whatever you've got your eye on. Because 15% in VAT is easier to stomach than 20%.

Either way you can bet your bottom dollar that we'll feel the pinch even more in years to come.

Total tax percentage paid by the above average US citizen, 2005 – 54.4%

<i>Item</i>	<i>Rate</i>	<i>Notes</i>
<i>Federal personal income tax</i>	<i>17%</i>	<i>Top 25% rate. It ranges from a credit up to well over 40%. Source</i>
<i>State & local income taxes</i>	<i>10.1%</i>	<i>State taxes range from under 6% to over 12%. Local taxes run from zero to 2.75%. Source, source, source2008 source</i>
<i>Social security & Medicaid</i>	<i>7.65%</i>	<i>Total rate is actually 15.3% since half is paid by the employer, but we're ignoring that to be kind. Source, box 1</i>

Federal corporate income tax share	3%	Based on corporate taxes being approximately 1/6 of personal taxes, and that they are paid by individuals in the final analysis. Source
Property tax	2.5%	Yearly average actual costs range from under \$200 in Alaska to almost \$1900 in New Jersey. Source
Fuel/gasoline tax	.5%	Approximately 23% of the 2005 gasoline price is for federal & state taxes. The federal excise tax is 18.4 cents per gallon. Per the CPI, about 6% of the average budget is for transportation. Estimated. Source
Other	5%	Includes estate tax, fees, licenses, inflation losses, inheritance, deficit allowance, gift, and others too numerous to mention. Estimated.

- **Accounts Receivable Tax**
- **Building Permit Tax**
- **Capital Gains Tax**
- **CDL license Tax**
- **Cigarette Tax**
- **Corporate Income Tax**
- **Court Fines (indirect taxes)**
 - **Deficit spending**
 - **Dog License Tax**
 - **Federal Income Tax**
- **Federal Unemployment Tax (FUTA)**
 - **Fishing License Tax**
 - **Food License Tax**
 - **Fuel permit tax**
 - **Gasoline Tax**
 - **Hunting License Tax**
 - **Inflation**
- **Inheritance Tax Interest expense (tax on the money)**
- **Inventory tax IRS Interest Charges (tax on top of tax)**
- **IRS Penalties (tax on top of tax)**
 - **Liquor Tax**
 - **Local Income Tax**
 - **Luxury Taxes**
 - **Marriage License Tax**
 - **Medicare Tax**
 - **Property Tax**
 - **Real Estate Tax**
 - **Septic Permit Tax**
- **Service Charge Taxes**
- **Social Security Tax**
- **Road Usage Taxes (Truckers)**
 - **Sales Taxes**
- **Recreational Vehicle Tax**
- **Road Toll Booth Taxes**
 - **School Tax**
 - **State Income Tax**
- **State Unemployment Tax (SUTA)**
 - **Telephone federal excise tax**
- **Telephone federal universal service fee tax**
- **Telephone federal, state and local surcharge taxes**
- **Telephone minimum usage surcharge tax**
- **Telephone recurring and non-recurring charges tax**
 - **Telephone state and local tax**
 - **Telephone usage charge tax**
 - **Toll Bridge Taxes**
 - **Toll Tunnel Taxes**
- **Traffic Fines (indirect taxation)**
 - **Trailer Registration Tax**
 - **Utility Taxes**
- **Vehicle License Registration Tax**
 - **Vehicle Sales Tax**
- **Watercraft Registration Tax**
 - **Well Permit Tax**
- **Workers Compensation**

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