

EMPLOYERS' BURDEN

2011/12

Tax Rates		Year 2011/12		
		<i>% of</i>		
		<i>Gross</i>	<i>max</i>	
Employers N.I.				
a	0.00 ---	7225.00	0%	0.00
b	7226.00 ---	no limit	13.8%	
Employees N.I.				
a	0.00 ---	7225.00	0%	0.00
b	7225.01 ---	40040.00	12%	3937.80
c	40040.01		2%	
Income Tax				
a	0.00 ---	7475.00	0%	0.00
b	7475.00 _	35000.00	20%	7000.00
c	35000.00 ---	150000.00	40%	46000.00
d	100000.00 ---	112950.00	40%+	
e	150000.01 ---	no limit	50%	
Self-employed N.I.				
a	0 ---	7225.00	0%	0.00
b	7225.01 ---	42475.00	9.0%	3172.50
c	43875	no limit	2%	

<i>Gross Pay</i>	<i>Indirect Tax</i>
10000	31%
20000	22%
30000	20%
40000	17%
50000	17%
60000	17%
70000	13%
80000	13%
90000	13%
100000	13%
300000	13%
500000	13%

Note.
Indirect tax as a percentage of take-home pay,
taken from ONS paper "The effects of taxes
and benefits on household income, 2007-08"
page 9.

EMPLOYER'S BURDEN

2011/12

Employed Person

	10000	27000	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	382.95	2728.95	3142.95	4522.95	5902.95	7282.95	8662.95	10042.95	11422.95	12802.95	40402.95	68002.95
	<u>382.95</u>	<u>2728.95</u>	<u>3142.95</u>	<u>4522.95</u>	<u>5902.95</u>	<u>7282.95</u>	<u>8662.95</u>	<u>10042.95</u>	<u>11422.95</u>	<u>12802.95</u>	<u>40402.95</u>	<u>68002.95</u>
	10382.95	29728.95	33142.95	44522.95	55902.95	67282.95	78662.95	90042.95	101422.95	112802.95	340402.95	568002.95
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	333.00	2373.00	2733.00	3933.00	3937.80	3937.80	3937.80	3937.80	3937.80	3937.80	3937.80	3937.80
c	0.00	0.00	0.00	0.00	199.20	399.20	599.20	799.20	999.20	1199.20	5199.20	9199.20
	<u>333.00</u>	<u>2373.00</u>	<u>2733.00</u>	<u>3933.00</u>	<u>4137.00</u>	<u>4337.00</u>	<u>4537.00</u>	<u>4737.00</u>	<u>4937.00</u>	<u>5137.00</u>	<u>9137.00</u>	<u>13137.00</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	505.00	3905.00	4505.00	7000.00	7000.00	7000.00	7000.00	7000.00	7000.00	7000.00	7000.00	7000.00
c	0.00	0.00	0.00	2000.00	6000.00	10000.00	14000.00	18000.00	22000.00	26000.00	46000.00	46000.00
d+e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	75000.00	175000.00
	<u>505.00</u>	<u>3905.00</u>	<u>4505.00</u>	<u>9000.00</u>	<u>13000.00</u>	<u>17000.00</u>	<u>21000.00</u>	<u>25000.00</u>	<u>29000.00</u>	<u>33000.00</u>	<u>128000.00</u>	<u>228000.00</u>
Total Deductions	838.00	6278.00	7238.00	12933.00	17137.00	21337.00	25537.00	29737.00	33937.00	38137.00	137137.00	241137.00
Take Home pay	9162.00	20722.00	22762.00	27067.00	32863.00	38663.00	44463.00	50263.00	56063.00	61863.00	162863.00	258863.00
Indirect Tax % of net	31%	22%	20%	17%	17%	17%	13%	13%	13%	13%	13%	13%
	<u>2812.73</u>	<u>4455.23</u>	<u>4438.59</u>	<u>4520.19</u>	<u>5488.12</u>	<u>6456.72</u>	<u>5691.26</u>	<u>6433.66</u>	<u>7176.06</u>	<u>7918.46</u>	<u>20846.46</u>	<u>33652.19</u>
Reward for work	6349.27	16266.77	18323.41	22546.81	27374.88	32206.28	38771.74	43829.34	48886.94	53944.54	142016.54	225210.81
Total Taxes	4033.68	13462.18	14819.54	21976.14	28528.07	35076.67	39891.21	46213.61	52536.01	58858.41	198386.41	342792.14
Employer's Burden (%)	64	83	81	97	104	109	103	105	107	109	140	152

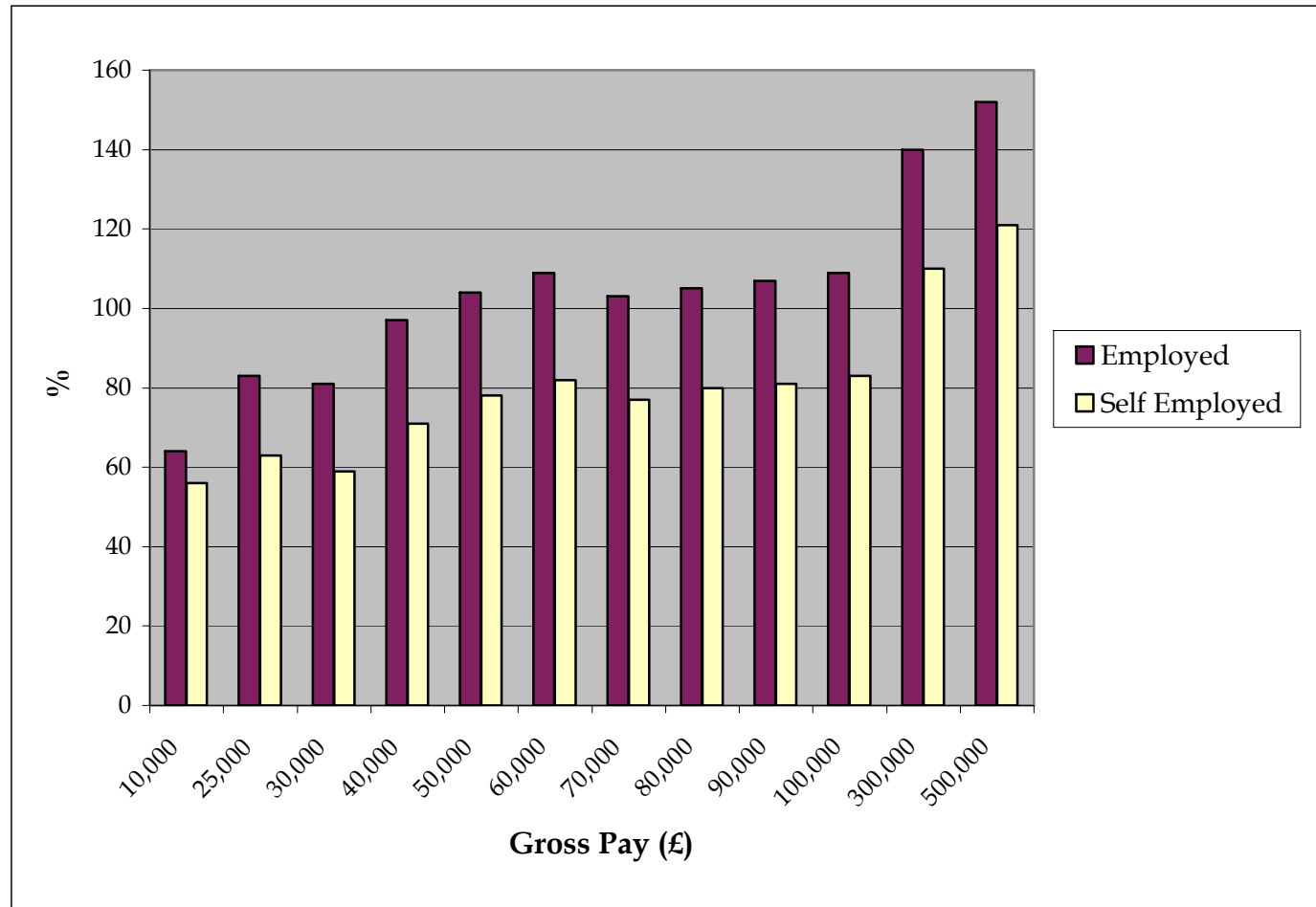
Self Employed

	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	249.75	1599.75	2049.75	2949.75	3172.50	3172.50	3172.50	3172.50	3172.50	3172.50	3172.50	3172.50
c	0.00	0.00	0.00	0.00	150.50	350.50	550.50	750.50	950.50	1150.50	5150.50	9150.50
	<u>249.75</u>	<u>1599.75</u>	<u>2049.75</u>	<u>2949.75</u>	<u>3323.00</u>	<u>3523.00</u>	<u>3723.00</u>	<u>3923.00</u>	<u>4123.00</u>	<u>4323.00</u>	<u>8323.00</u>	<u>12323.00</u>
Income Tax												
as above	505.00	3905.00	4505.00	9000.00	13000.00	17000.00	21000.00	25000.00	29000.00	33000.00	128000.00	228000.00
Total Deductions	754.75	5504.75	6554.75	11949.75	16323.00	20523.00	24723.00	28923.00	33123.00	37323.00	136323.00	240323.00
Take Home pay	9245.25	19495.25	23445.25	28050.25	33677.00	39477.00	45277.00	51077.00	56877.00	62677.00	163677.00	259677.00
Indirect Tax % of net	31%	22%	20%	17%	17%	17%	13%	13%	13%	13%	13%	13%
	<u>2838.29</u>	<u>4191.48</u>	<u>4571.82</u>	<u>4684.39</u>	<u>5624.06</u>	<u>6592.66</u>	<u>5795.46</u>	<u>6537.86</u>	<u>7280.26</u>	<u>8022.66</u>	<u>20950.66</u>	<u>33758.01</u>
Reward for work	6406.96	15303.77	18873.43	23365.86	28052.94	32884.34	39481.54	44539.14	49596.74	54654.34	142726.34	225918.99
Total Taxes	3593.04	9696.23	11126.57	16634.14	21947.06	27115.66	30518.46	35460.86	40403.26	45345.66	157273.66	274081.01
Employer's Burden (%)	56	63	59	71	78	82	77	80	81	83	110	121

Employers' Burden

<i>Gross Pay (£)</i>	<i>Employed</i>	<i>Self Employed</i>
	%	%
10,000	64	56
25,000	83	63
30,000	81	59
40,000	97	71
50,000	104	78
60,000	109	82
70,000	103	77
80,000	105	80
90,000	107	81
100,000	109	83
300,000	140	110
500,000	152	121

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EMPLOYERS BURDEN

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 most of the lower direct taxes on the lower paid.

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.

To add further emphasis of the serious effects of taxation levied on wages, members might like to read the attached extract from Ronald Burgess Research Seminar in March 1985.

Every day we can see how these are affecting the life of the nation,

“In a situation where a nation refuses to follow natural law, the only option is to tax production, which is shorthand for wages. So, although we have our opinions about what ought to happen, it is useful to be able to show some of the implications of our present set-up”.

Where will this lead if the Nation does not change its mind?

Tommas Graves December 2011