



THE BIG DEBATE: SHOULD PEOPLE PAY MORE TAX?



Most things are taxed,
including hot sausage rolls!

THE DILEMMA

It is a debate that has existed since the introduction of the first taxes in ancient China and Egypt. Should we pay more or less tax to the government? Without taxes, it is virtually impossible to provide free public services, such as schools, hospitals, ambulances and roads for people to drive on. But while some people are happy to pay more to create a fairer society, others think that taxes are already too high and shouldn't be raised. Tax is not optional: those who deliberately avoid paying it can be sent to jail. In some countries, such as Zambia, widespread tax dodging is having a real effect on schools and hospitals that are not getting the funding they need. So do we need to pay more to get more in return, or is the very concept of tax a bit like a punishment from the government?



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TAX

Tax is money that people and businesses have to pay to the government. This money is then used to pay for things like schools, hospitals, the military, police and fire brigade. A portion of what a person earns in their job is paid to the government as tax. Some of the things we buy in shops have a tax included in their price, which also goes to the government. The idea behind tax is that everyone pays into a pot that benefits everyone. Almost every country of the world has a taxation system. The percentage of a tax rate is the amount that a person pays to the government. For example, if somebody owes 10% of £100 in taxes, the government gets £10.



MAIN UK TAXES

– **Income tax** is deducted from the money a person earns in their job. In the UK there are four bands:

Annual earnings	Tax rate
Up to £11,000	0%
£11,001 to £43,000	20%
£43,001 to £150,000	40%
Over £150,000	45%



– **Value Added Tax (VAT)** is applied to many goods we buy in shops. The standard rate of VAT in the UK increased to 20% in 2011 (from 17.5%).

Tax rate	Type of goods
20%	Most goods and services, such as mobile phones, adult clothes, MP3s, furniture
5%	Some goods, such as children’s car seats and electricity and gas for the home
0%	Most foods, children’s clothes, books, magazines and bike helmets



– **Inheritance Tax** is a tax on the estate (the property, money and possessions) of someone who’s died. It applies to an estate worth more than £325,000. The standard Inheritance Tax rate is 40%. It’s only charged on the part of the estate that’s above the £325,000 threshold.

– **Council tax** funds the services provided by local government. Your local council spends the money on things like leisure centres, libraries, youth clubs and bin collections. Council tax is worked out according to the value of a person’s home.

– **National insurance (NI)** is a form of tax taken out of a person’s earnings, just like income tax. It contributes to **pensions** (the money the government pays to retired people) and **welfare** (such as benefits for people who are unemployed or too sick to work). There are different types of NI; how much a person pays depends on the type of work they do and how much they earn.



FACTS & FIGURES

- In 2015/16 the government received total of **£170 billion** in income taxes and **£114 billion** in national insurance contributions.
- These taxes made up over **40%** of the **£680 billion** the government received from taxes in 2015/16.
- The government spent **£756 billion** in 2015/16.



- That means around **£76 billion** had to be borrowed by the government to pay for everything the country needs. This amount is called a deficit, or annual debt
- Around **1%** of taxpayers pay the top rate of income tax (**45%**). They contribute **30%** of the total paid into the government
- Around **15%** of taxpayers pay **40%** income tax. They contribute **37%** of the total paid into the government
- Around **82%** of taxpayers pay **20%** income tax. They contribute **33%** of the total paid into the government
- Approximately **6,000** people in the UK pay tax on income over **£2 million**

WHERE DOES TAX GO?

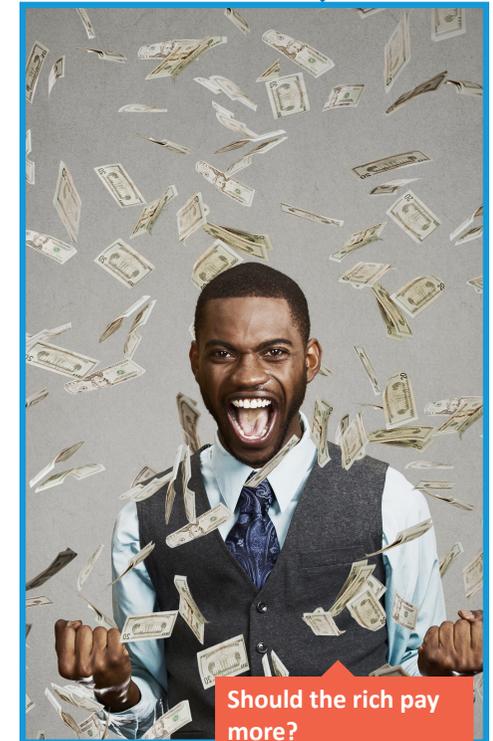
Here are the top six things taxes are spent on:

What is spent on	How much is spent on it
Welfare	£174.9 billion
Healthcare	£138.7 billion
Pensions	£89.3 billion
Education	£84 billion
National debt interest (the charges on money loaned by the government)	£36.7 billion
Defence	£36.6 billion



FAIR RATES

Some people think that the tax system is unfair. They argue that people who earn less should pay a smaller proportion of tax than those who earn more. The richest used to pay more in taxes: during the Second World War, the top rate of income tax in the UK was 99.25%. It was reduced to around 90% throughout the 1950s and '60s. In 1979, the top rate was reduced from 83% to 60%. Today it's 45%. The lowest rate has fallen from 33% in the 1970s to 20% today.



DID YOU KNOW?

A report a few years ago said that £40 billion of taxes went unpaid in a single year, which is enough to pay for the entire housing, environment and transport budgets for the UK. Some people work or sell goods "off the books", meaning they don't declare their money to the government and therefore avoid paying tax. This is illegal.



NOT ENOUGH IN THE POT

Politicians are reluctant to make tax rises because they are generally seen as being unpopular with voters. Most political parties won't pledge to raise taxes when they are fighting to win an election. But there are exceptions: the Labour Party, for example, has said it would increase taxes on businesses to help pay for public services such as the National Health Service (NHS). Some people think that there isn't enough money going into the government's coffers. They point to the ongoing crisis in the NHS, where waiting lists for treatment are getting longer. They point to the cuts in education budgets, where £3 billion of schools funding is expected to be cut in the next few years. Rather than cut services, some people say it's better to pay more tax because ultimately everyone benefits from better schools, hospitals and universities.

LOW TAX, FEWER SERVICES

While some believe it is our duty to pay tax and contribute to the nation's public services, others think that the money you earn is yours to do what you wish with. They don't believe it's up to a government to take your money. Of course, if we pay less tax, it means the government receives less money, so cutbacks to public services will have to be made. But some people think that individuals should pay for their own private healthcare and private schools, rather than paying for the government to provide these services for free through taxation.



Are we prepared to have lower taxes if it means fewer doctors and nurses?



TAX AVOIDANCE

Tax evasion (deliberately not paying taxes you owe) is illegal, but tax avoidance is not. Some people – usually those with large amounts of money – find ways of minimising how much they pay the government in taxes. These schemes are often quite complicated and involve channelling money into other countries or schemes. There are accountants who specialise in this and make it easier for wealthy people to pay less of their income in tax. Some celebrities, including Wayne Rooney, Jimmy Carr and Gary Barlow have been involved in schemes that reduced their tax bills. They were not breaking the law, but they came in for heavy criticism. Some tax avoidance schemes are, now being investigated by the government.



DID YOU KNOW?

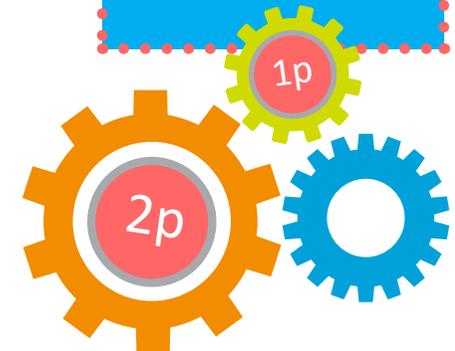
At least 70% of Britons would happily pay an extra 1p of tax in every pound if that money was guaranteed to go to the NHS, according to a poll by ITV last year. Almost half of those surveyed said that they would pay an extra 2p in the pound to bolster NHS funding.

TAX HAVENS

A tax haven is a country or territory where there are low or no taxes. Wealthy people can either choose to live in these countries or set up businesses there to pay less tax in their home country. Examples of tax havens include: the British islands of Jersey and the Isle of Man, which have separate tax arrangements to the rest of the UK; Luxembourg; Switzerland; the United Arab Emirates; and the British overseas territories of Bermuda, the Cayman Islands and British Virgin Islands.



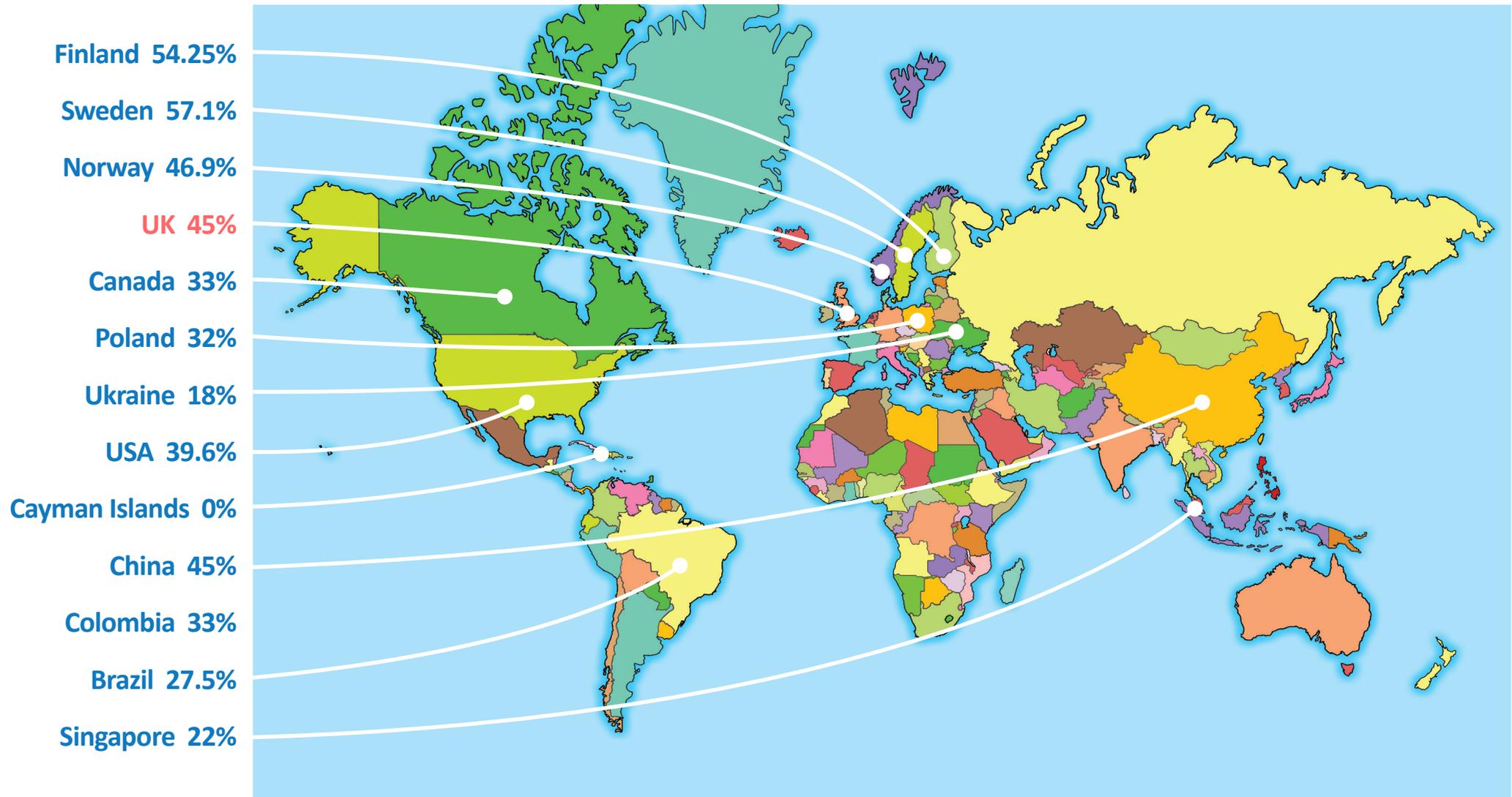
The Cayman Islands





HOW UK COMPARES

Here's what the top earners pay in income tax around the world.

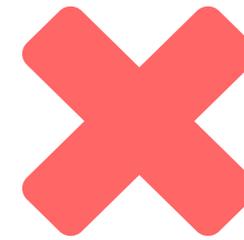




YES, PEOPLE SHOULD PAY MORE TAX



- 1. TAX IS FAIR** – It's only right that we all pay into the national pot to help each other out. Tax pays for doctors, nurses, teachers, firefighters, librarians and more.
- 2. WE DON'T PAY THAT MUCH** – Compared to years gone by, people have a smaller tax on their income, even if other taxes such as VAT have gone up. A tiny amount of extra tax could make a big difference.
- 3. PUBLIC SERVICES NEED MORE MONEY** – Schools, hospitals, the military and local services are struggling. Rather than cut these essential elements of society back, we should pay a little more to fund them better.



NO, PEOPLE SHOULDN'T PAY MORE TAX



- 1. MAKE TAX FAIRER, NOT HIGHER** – It's not fair that hard-working people should pay more tax. Instead, the tax system should be made fairer so that those with more money always pay a higher share than the rest. This can be done by cutting taxes for people who earn less.
- 2. PEOPLE ARE STRUGGLING AS IT IS** – Public services may be in trouble due to under-funding, but many people in Britain are struggling to make ends meet. Rising bills mean that many people are no better off than they were 10 years ago. More tax would hit people hard.
- 3. FREEDOM INCLUDES HOW YOU SPEND YOUR MONEY** – A truly free society does not tell people how they must spend their money.



DISCUSSION QUESTIONS

WHY ARE TAXES USEFUL?

SHOULD THE RICHEST PEOPLE IN SOCIETY PAY MORE TAX GENERALLY?

DO YOU THINK PEOPLE SHOULD BE ABLE TO HAVE A SAY ON WHAT THEIR TAXES ARE SPENT ON?

SHOULD PEOPLE WHO EARN LESS HAVE THEIR TAXES CUT?

IS IT FAIR THAT EVERYONE PAYS 'INTO THE POT'?

WHY MIGHT RAISING TAXES BE A POSITIVE STEP?

SHOULD VAT BE INCREASED?

HOW WOULD YOU MAKE TAX FAIRER?

WHY MIGHT RAISING TAXES BE A NEGATIVE STEP?

SHOULD INCOME TAX OVERALL BE INCREASED, OR ONLY FOR THE RICHEST?