



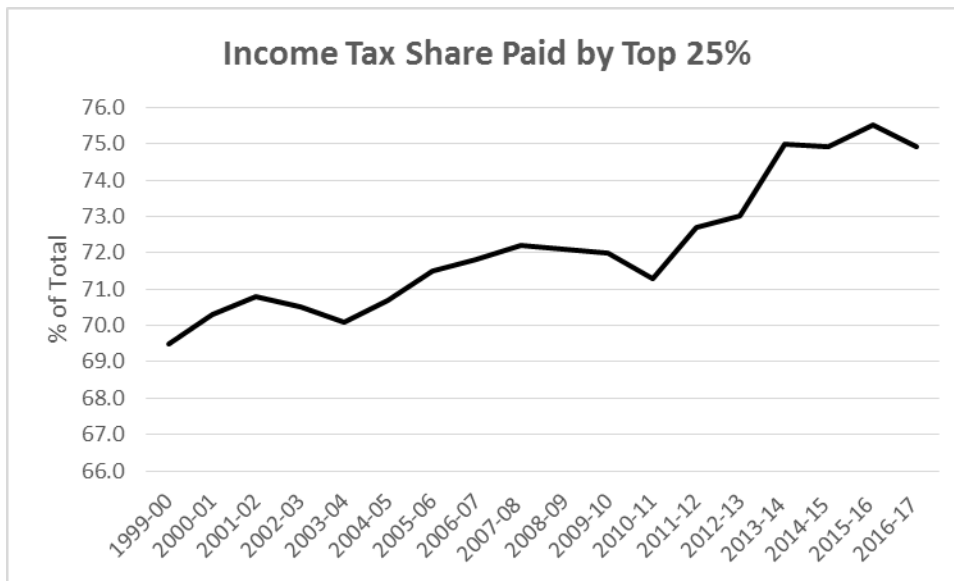
## How your income tax bill really has gone up

***Independent research shows that if you feel you're paying more income tax than you used to, you're probably right.***

The Institute for Fiscal Studies (IFS) is an independent body that has established a reputation for objectivity in tax matters. Its former head, Robert Chote, is now in charge of the Office for Budget Responsibility (OBR), which vets the Budget numbers.

Recently the IFS looked at how the pattern of income tax payments has changed over the years and would change further by 2020. It drew some interesting conclusions:

- Between 2007/8 and 2015/16, the proportion of the adult population paying income tax dropped from 65.7% to 56.2%. This was due to the combination of large increases in the personal allowance and generally low earnings growth.
- While the number of taxpayers was falling, the share of total income tax paid by the top 1% of taxpayers was rising from 24.4% to 27.5%. This reflects the introduction of the additional rate and other measures such as the phasing out of the personal allowance, pension tax reforms and non-indexation of the higher rate threshold.
- Since 2007/8 the increasing income tax burden on wealthier taxpayers “has been largely as a result of explicit policy choice” rather than a rising share of income. In the IFS view “it seems unlikely that this trend will unwind substantially over the next five years.”
- At best, the government’s pledge to raise the higher rate threshold to £50,000 by 2020/21 “is only expected to hold constant the number of higher rate taxpayers” while those with incomes over £100,000 will continue to suffer from a frozen threshold for the phasing out of personal allowance and, at £150,000, the start of additional rate tax.



The IFS findings and predictions suggest that there will be little respite in the income tax burden as the result of government action. If anything, the opposite is true, because income tax is projected to rise as a proportion of total government revenues. As ever, if you want to reduce your tax bill, the answer lies in your own financial planning, not the Chancellor's.

*The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax and trust advice.*