

The inequality of the UK tax system

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The ONS report on '[The Effects of Taxes and Benefits on Household Income, 2011/12](#)' shows just how unfair UK tax is, in one table:

As is obvious from the first line of this table, the income tax system in the UK is progressive. The amount of income tax and national insurance paid increases as income rises, but do note for this purpose that people are split into just five bands - and that means that the top band covers all higher rate tax payers and quite a lot of other people too - and the true tax paid by the really wealthy is not reflected in this survey.

More telling is the next line. Indirect taxes - so much loved by the current government and many tax theorists at UK universities - like VAT, alcohol duty and so on impact most on the poorest. That is something I have long argued.

Put these together and you see that the group with the highest tax rates in the UK are the poorest - paying more of their income overall than the most well off, quite astonishingly.

The reason is clear as the last two lines show - and that is that as a part of their spending indirect taxes have a much higher impact on this group and their capacity to spend - despite the zero-rating and exemption for so called essential items.

The result is a very clear social injustice being perpetuated by the UK's tax system that the attack on social security benefits only exacerbates.