

If we want a really effective tax cut for the poorest h...

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A conference presentation requires at least one new idea. This is mine [for the morning at Class](#).

It's a fact that the poorest 10% of households in the UK have the highest overall tax rate on their income in the UK. They pay about 35% of their income in tax. The next most taxed group are the top 10% who pay maybe 34% in tax (but with the top 1% probably paying less).

Now let me be clear — of the tax that they pay only 5% is income tax and national insurance which is what most of us think of when it comes to tax. They pay more than double that in council tax and more still in VAT, but for them the real killer is other indirect taxes like television licences, alcohol duty, tobacco duty and the like which weigh heavily on this group; so heavily in fact that I repeat the important point that the poorest 10% of households in this country pay the most tax as a proportion of their income.

So what can be done? If the current government is to be believed the solution is taking people out of tax, but the fact is that most in the bottom 10% do not pay income tax now. We can't help them by changing the personal allowance, lowering tax rates or tweaking that system. They're not in it.

In that case if we want to do something to make the system just a bit more progressive then we have to take out a direct cost that burdens this group more than most. My idea is a simple one: let's make sure that those who are long term unemployed or on DLA do not have to pay for their television licence. That would save these households £145 a year.

That's worth £750 a year on the personal allowance for many - but instead of the scattergun approach that such a change entails it's totally focussed on those who need the benefit and it delivers it precisely and accurately to them alone. Changing income tax cannot do that.

What is there not to like about such a change?