

Funding the Future

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About a decade ago I co-authored with David Byrne of Durham University. I noticed that he picked up the cudgel [I had already raised](#) against the Institute for Fiscal Studies and its absurd claim that the UK tax system is overall progressive in the [letters page of the Guardian](#) yesterday. His letter is well worth sharing:

One of the authors of the report discussed in your article ([Tax system helps cut gap between rich and poor, says IFS report](#), 27 May) states that “contrary to the ONS claim, taxes do also reduce inequality”. No they don’t! The IFS study is a study of individuals, not of households. Households are the significant economic unit for receipt of income and expenditure. It is inequality among households which matters, and the tax system is more or less flat across deciles of households — with the exception of the lowest decile, who pay the highest proportion of income as all tax of any decile. Also the IFS report asserts that indirect taxes are progressive. They base this on calculations of indirect taxation as proportions of expenditure “because [indirect taxes] are levied on expenditure”. That is how they are levied, but they are paid out of income, and in relation to income indirect taxes are regressive. The UK taxation system is not progressive for households. Regressive taxes are regressive if assessed in relation to the incomes out of which they are paid. The tax system does not help cut the gap between rich and poor.

**David Byrne
Emeritus professor of applied social sciences, Durham University**

David is right.

The IFS is wrong.

And the only explanation for their error is political choice as far as I can see.