



No, Britain is Not a Low-Tax Country

By Robert Colville

Introduction

In recent years, two separate myths have taken hold on the left.

The first, and most wrong-headed, is that Britain can raise all the money it needs simply by taxing rich people more. In fact, Britain's tax system is already very heavily biased towards taxing the wealthy. Income tax, for example, is concentrated very heavily among the rich: the top 1% take home 9.4% of post-tax income, but pay 26.6% of income tax, almost three times more than the entire bottom half of earners.¹

The second argument is more sophisticated. It accepts that there is no country or tax system that has managed to pay for a mass welfare state without mass taxation – that you cannot fund welfare, benefits and healthcare for millions of people on the tax revenue generated by a few thousand. But it then argues that the implication is that we should raise taxes on the broad majority – and that this is entirely legitimate because middle earners in Britain are in fact under-taxed compared to their European equivalents.²

This is, however, the result of a simple statistical error. In particular, it is built on looking at OECD data for the share of tax and social security contributions taken by the state, without considering that the UK asks workers to cover a range of major costs – most significantly auto-enrolment pension contributions, but also student loans and elderly social care – that are addressed elsewhere via general taxation.

How much tax do British workers pay?

As the Institute for Fiscal Studies says, across all OECD economies, the majority of tax revenue is raised through three forms of tax.³ These are income taxes, social security contributions (National Insurance in the UK), or sales taxes/VAT.

To quote the IFS, 'the amount the UK raises through income taxes... is broadly in line with international norms'. The amount it raises through VAT is also in line with other countries.

'The biggest difference between the UK and most higher-tax countries,' says the IFS, 'is the amount of revenue raised through social security contributions (SSCs) levied on employees and employers. In 2019, National Insurance contributions... raised 6.6% of GDP, compared with 12.0% on average for the EU14.' In fact, the IFS says that this gap 'more than explains' the UK's below-average tax take – if SSCs are exempted, the UK raises more than both the OECD and G7 average in taxation.

However, the IFS goes on to warn: 'Comparing SSCs should be undertaken with caution as their design differs substantially across countries. In many European countries, for instance, a strong link exists between the contributions made by an individual and the level of benefit entitlements they receive from the state in the form of, for example, pension income – so social security somewhat resembles a

¹ HMRC, 'Shares of total Income Tax liability' (15 July 2026). [Link](#)

² See for example: New Statesman, 'Is Britain a high-tax country?' (28 October 2025). [Link](#)

³ IFS, 'How do UK tax revenues compare internationally?' (4 March 2024). [Link](#)



compulsory savings or insurance scheme. This differs substantially from the UK, where NICs are only very weakly linked to benefit entitlements and effectively function as a second income tax.’

Put simply, this means that SSCs in most European countries also include, whether formally or informally, a contribution towards a state pension, or the cost of university education. In the UK, those things are handled separately.

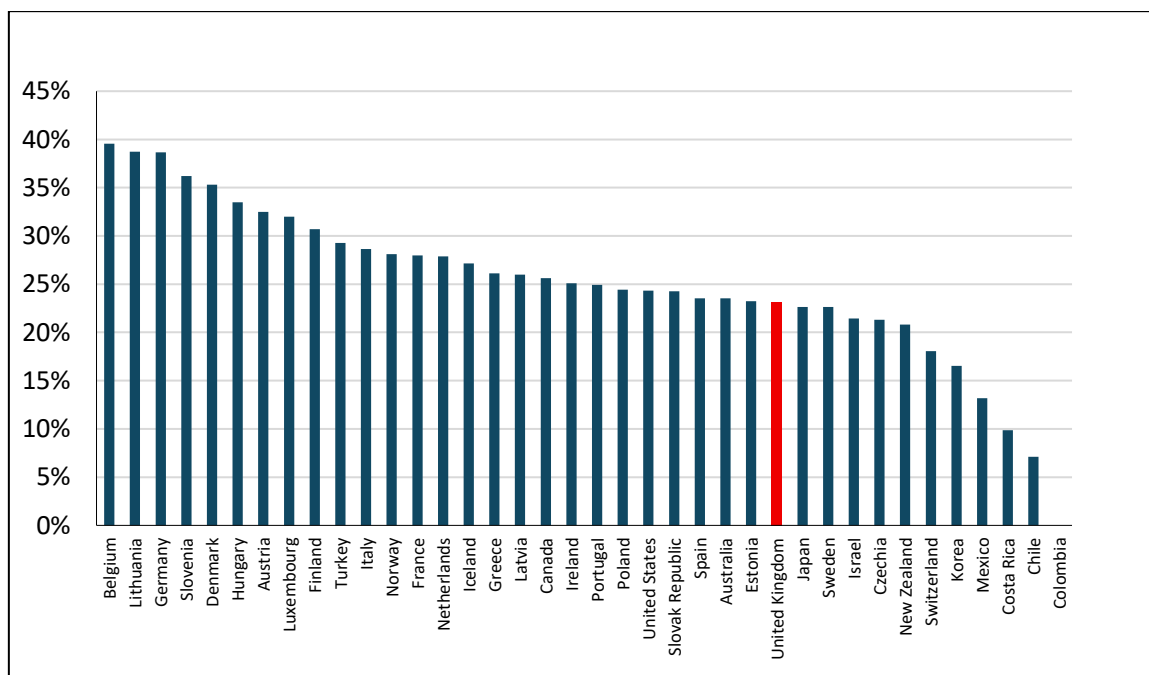
On pensions, for example, the UK is one of a handful of European countries with significant private pension income: the average OECD pensioner gets 7% of their income from private pensions, whereas in the UK it is around 35% (traditionally via defined benefit schemes, in the future via auto-enrolment).⁴

Payments under auto-enrolment in particular are technically voluntary, so not included in OECD calculations of the ‘tax wedge’, but for most people they amount to an additional 8% of salary – 3% from the employer, 4% from wages, and 1% in tax relief.

To see what this means, here are some comparative charts, drawing on data from the OECD’s [Taxing Wages Dataset](#) and [Pensions at a Glance](#). This data should be treated with caution, as there are specific quirks to the tax system in all of these countries – and in particular to the tax treatment of pensions – which are not reflected here. So the following charts should be treated as approximate rather than definitive – but they still tell a fascinating story.

First, let’s look at the combination of taxes and social security contributions, both as a percentage of earnings and as a share of labour cost. This appears to corroborate the narrative that UK workers are under-taxed.

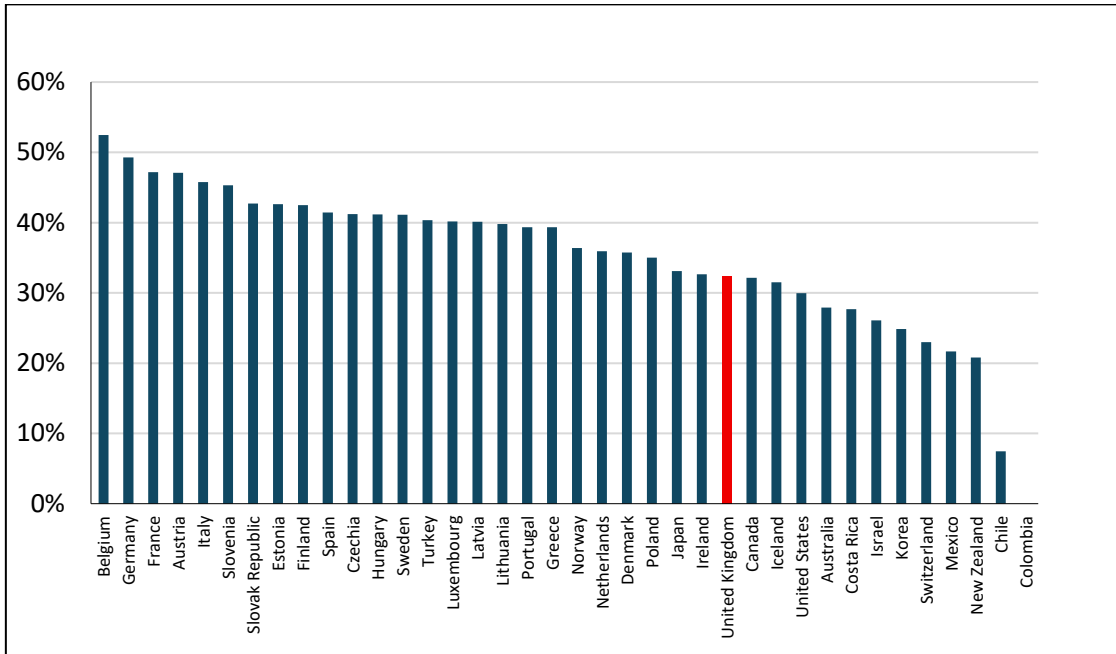
Taxes and SSCs paid by the employee (% of earnings)



⁴ OECD, ‘Pensions at a Glance 2025’, 27 November 2025. [Link](#)

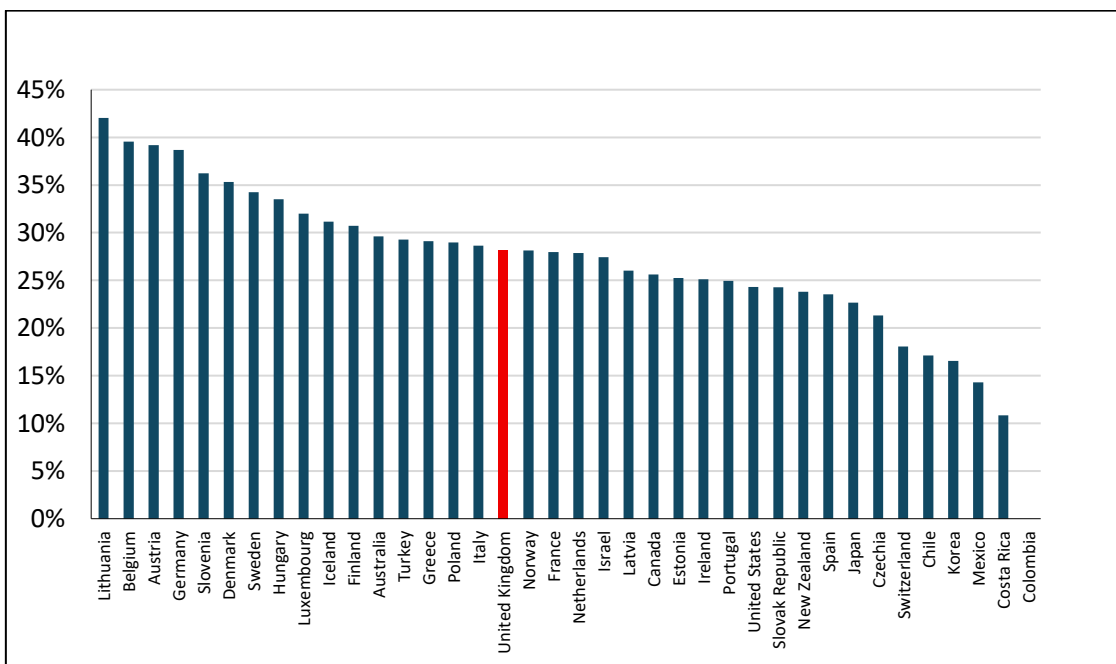


Taxes and SSCs paid by the employee and employer (% of labour cost)



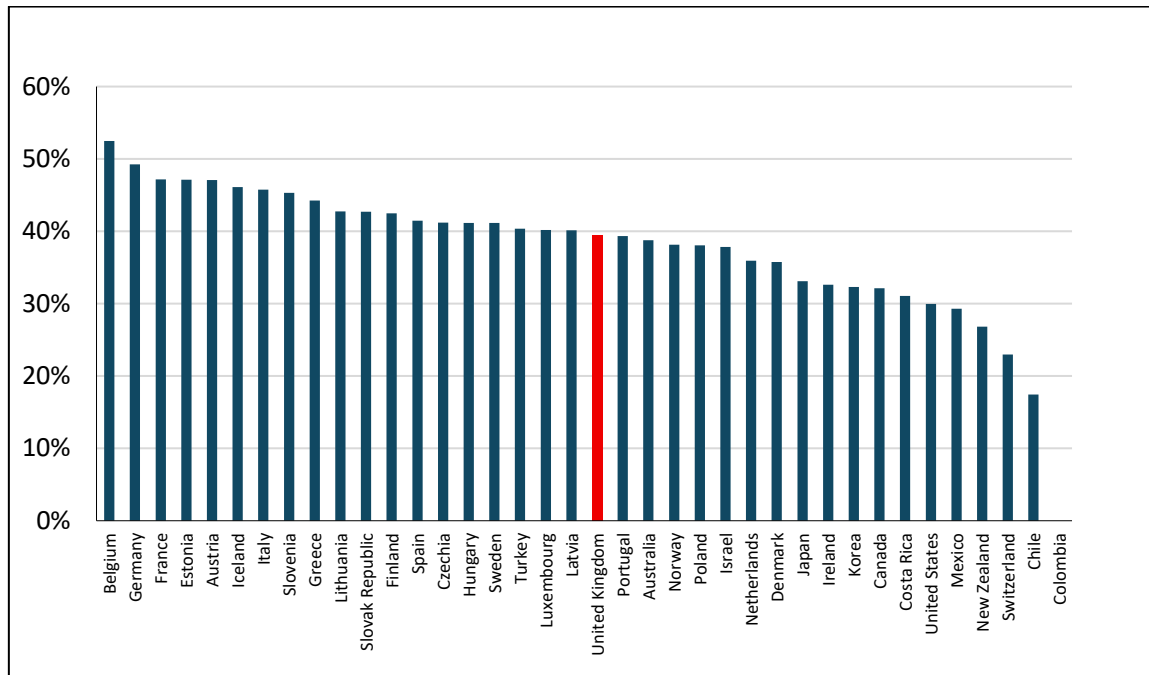
But look what happens to the same chart when we add in pension contributions.

Taxes, SSCs and pension contributions paid by the employee (% of earnings)





Taxes, SSCs and pension contributions paid by the employee and employer (% of labour costs)



Suddenly, the UK has gone from being a low-tax country to the middle of the pack. And if we were to add in student loans, collected at a rate of 8% of salary above the repayment threshold, the UK would look like a distinctly high-tax country for the individuals repaying them.

Then there is the issue of elderly social care, which is currently paid for through a combination of personal savings and state support. The King's Fund cites an estimate from Laing Buisson that £8.3 billion is spent on privately purchased social care in England, with another £4.1 billion spent to top up care provided by the state.⁵ Again, these are costs that may well be covered by general taxation in other countries.

Of course, to reiterate, any international comparisons need to be treated with caution. As the IFS says, the architecture of social security systems is very different across the various countries, as are the tax incentives. Student loan systems are different, too – there are some European countries that do ask people to make a personal contribution, though not to anywhere like the extent of the UK or indeed the USA. We should also note that the OECD did not have pension data for Switzerland, Denmark, Colombia, Sweden, Latvia and Slovakia, making it difficult to determine who pays what in these countries. So a definitive league table of the tax burden is impossible to draw up.

Still, it is definitely the case that the UK's position in the rankings is artificially depressed by the structure of its social security system. Indeed, on pensions, the OECD's Pensions at a Glance shows the UK taking almost exactly the same proportion of salary in 'mandatory and quasi-mandatory pension schemes for private-sector workers' as France. The problem is that because it is 'quasi-mandatory', auto-enrolment does not show up in the headline statistics.

⁵ King's Fund, 'Key Facts and Figures about Adult Social Care' (19 June 2025). [Link](#).



Conclusion

The fact that Britain has a different architecture for social security does not mean that our arrangements are in any way the wrong approach. There is a logic in asking those who can contribute most to cover their own costs, especially when there is a concomitant benefit.

For example, Britain asks those going to university to cover most of the costs via student loans because, broadly speaking, they benefit financially from the experience – and will only have to repay in full if they succeed professionally.

Likewise, rail fares here are higher because we pay less to subsidise the network, meaning that generally affluent commuters have to cover something closer to the full cost of their journey, rather than seeing their fares heavily discounted via general taxation – making rail transport another cost that does not show up on the ‘tax wedge’ data.⁶

And when it comes to pensions, the obvious advantage of the British system is that the money paid under auto-enrolment benefits from compound interest in personal savings pots. Which is, of course, another reason why it was excluded from the OECD data: because it is, technically speaking, personal saving rather than tax, even if those Europeans paying into their state pension schemes will very definitely expect to get a guaranteed pension in return.

But as a result, the idea that British workers are under-taxed is very obviously a zombie statistic. Yes, they may pay less at various points along the pay scale – the generosity of the personal allowance for income tax, for example, excludes many from the income tax system entirely. But even if that were true of middle earners, any such advantage is being rapidly eroded by the freeze in income tax thresholds, whose cumulative effects make it the largest UK tax rise in the last 60 years.⁷

In short: there is no ‘tax gap’ between Britain and Europe. We pay roughly the same in taxes on our income, and roughly the same in taxes on what we buy. The gap between us is, as the IFS has said, entirely due to a different approach to pensions, social security contributions and other individual costs. But just because those costs do not show up in the headline statistics, it does not mean that they are not being paid.

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⁶ CPS, ‘The truth about Britain’s railways’ (28 December 2018). [Link](#)

⁷ CPS, ‘Budget ‘bad in every way’ says CPS’ (26 November 2025). [Link](#)