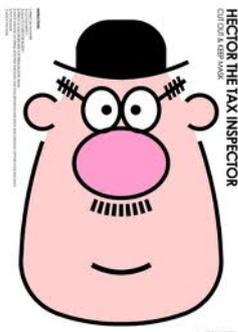


[Taxes were too low in the UK this year by precisely £604.48](#) [1]

Written by [Tim Worstall](#) [2] | Wednesday 11 December 2013



The Guardian, not that it has quite realised it, has proven that in the very worst case taxes were too low in the UK by £604.48 this year. Here is [the proof](#) [3]:

Members of the public have donated almost £900,000 to the government so far this financial year to help pay off the national debt or boost public spending, figures from the Treasury show. Clearly the 11 contributions, ranging from 78p to £520,000 and totalling £898,539.80, are a drop in the ocean of Britain's £1.2 trillion national debt, which chancellor George Osborne announced last week was set to be £18bn lower than forecast in March. But it is the highest amount since £1.08m was given in 2010. The figures, supplied under a freedom of information request, showed that most of the money donated since April ? more than £897,000 ? was in the form of bequests. Gifts and unclassified payments add up to £604.48.

This is, of course, rather different from what most people actually say about taxes. But then we do know that there is this thing called revealed preferences. Do not look at what people say as a guide to their true views but at what they do. And if you think that taxes are too low then you will indeed send in some extra cash to the Treasury. And some people did as above to the tune of that six hundred quid. We can ignore the bequests as those aren't actually borne by the people doing the bequeathing. The incidence of those gifts is clearly upon those who did not inherit it instead...and as we know it's rather easier to call for other people to pay more in tax than it is to be willing to cough up yourself.

I've made this point in several different places over the years but it has only just occurred to me that I've been missing a trick. For we do have estimates of how much tax people ought to be paying but aren't through a variety of means. Let's take the egregious Richard Murphy's £120 billion estimate of not paid tax as a result of tax avoidance and tax evasion. We can even pretend that this figure is correct if you like. Now we can apply revealed preference to this. That number might be what politicians say people should pay but by the revealed actions of the populace in dodging it it isn't what the populace thinks the tax take should be. That is, if we look at additional taxes voluntarily offered then taxes are too low by a few hundreds. And applying exactly the same logic we can also say that taxes are too high by £120 billion. And that latter sounds more likely to me too.

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Links:

- [1] <http://www.adamsmith.org/blog/economics/taxes-were-too-low-in-the-uk-this-year-by-precisely-%C2%A360448>
- [2] <http://www.adamsmith.org/taxonomy/term/5778>
- [3] <http://www.theguardian.com/society/2013/dec/08/public-donations-national-debt-bequests>
- [4] http://disqus.com/?ref_noscript
- [5] <http://disqus.com>