



'Tax Freedom' May 2022 Blog

**When is Your
Tax Freedom Day?**



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This year, in the light of steeply rising energy prices, National Insurance increases, and tax changes not keeping up with inflation levels that we have not been seen for a generation – things have changed a little.

The figures for 2022 are not published until later this year, but we can expect tax freedom day to be even later this year, probably into June. So, let's start with a reminder - what is Tax Freedom Day? Every year, the Adam Smith Institute calculates the number of days the 'average' person would have to work just to pay off their taxes in the UK.

Here are some key highlights from their report for 2021:

- In 2021, we worked 150 days just to pay our tax bill. Putting it another way, for the calendar year of 2021, from May 31st onwards, we were working for ourselves
- Tax Freedom Day is now later than at any time since 1995 (as far as the best quality data goes back)
- Everyone's Tax Freedom Day is different and each of us can use allowances and reliefs to move that date

In 2021, every penny the average person earned up until May 30th went straight to the taxman.

From May 31st (Tax Freedom Day) onwards, the average person got to keep every penny they earn.

Every individual will have a different Tax Freedom Day. In theory it will come later for high-earners and earlier for low-earners and the unemployed.

In practice, this isn't necessarily true because the HMRC does not simply tax income but also taxes consumption, investment and 'sin' activities at different rates. This includes indirect taxes (such as VAT, fuel duty, council tax) as well as direct taxes (Income Tax and National Insurance).

Interestingly, Tax Freedom Day has trended later each year since 1995, nearly creeping into June in 2021, and very likely to do so for 2022.





HOWEVER

There are a few things that everyone can do to move their Tax Freedom Day legitimately.

Making sure your assets and liabilities are in the right:

- Name (e.g. put it in your name, your partner's, or both your names)
- Ownership (check who is the person you want to benefit from this and nominate correctly)
- Tax shelter (using allowances and reliefs to ensure you do not lose money unnecessarily to HMRC)



How We Can Help

Legally and ethically, you can move that day, and if you need professional help with this, then please let us know.

Tax Freedom Day is not meant as anything other than an illustration and thought provoker - it really brought home the pain of taxation and how you can help address it.

I hope this helped you.

For more information see:

<https://www.adamsmith.org/taxfreedomday#:~:text=This%20year%2C%20every%20penny%20the,keep%20every%20penny%20they%20earn>

