

Tax on Christmas 2024

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Introduction

Christmas is a time for enjoyment with friends and family. Yet the holiday season is often also accompanied by additional pressure on household finances, as individuals plan to spend more than £650 on gift giving and making merry this Christmas. With the overall tax burden set to rise to record levels,¹ a significant proportion of this sum will be paid in taxes. Though it is the season of giving, the government is set to take even more from the nation's households compared to most months. Using information collected by Nationwide,² this note examines how much tax an average person will pay on their spending at Christmas.

Key findings

- A two person household will pay **£184** in taxes on their Christmas spending, equivalent to the cost of **six turkeys** from Tesco – enough for 75 servings.³
- This includes the **£92** an average person will pay in tax on Christmas expenditures comprising:
 - ♦ **£42** in VAT on presents
 - ♦ **£18** in VAT on entertainment
 - ♦ **£32** in VAT and alcohol duty on alcohol
- If they travel by car to visit friends and family over the holiday period, households will pay an additional **£11** in VAT and fuel duty, bringing the total to **£195**.
- If their festive plans also include a flight abroad to a nearby European destination, they will pay an additional **£13** in air passenger duty per person, bringing the total to **£221**.
- In total, it is estimated that the government will collect **£5.3 billion** in taxes on Christmas related spending and activities this year, slightly over half what is needed to pay for the £9.4 billion public sector pay rise announced earlier this year.⁴

Breakdown of spending

This note relies on research by Nationwide, which found that the average individual plans to spend £694 this Christmas, broken down into various categories as presented in the table below.

Table 1: average planned 2024 Christmas spending by category⁵

| Spending category | Amount (£) |
|-------------------|------------|
| Presents | 254 |
| Entertainment | 108 |
| Alcohol | 90 |

¹ TaxPayers' Alliance, *TaxPayers' Alliance forecasts £30 billion hit to UK economy due to budget*, 30 October 2024, www.taxpayersalliance.com/taxpayers_alliance_forecasts_30_billion_hit_to_uk_economy_due_to_budget, (accessed 5 December 2024).

² Nationwide, *Minted On Vinted: 1 In 3 Brits Heading To Online Marketplaces To Make Money Ahead Of Christmas*, 2 December 2024, www.nationwidemediacentre.co.uk/news/minted-on-vinted-1-in-3-brits-heading-to-online-marketplaces-to-make-money-ahead-of-christmas, (accessed 5 December 2024).

³ Tesco, 20. *Tesco whole turkey medium 4.5kg – 5.99kg (serves 11-14) - £29.95*, www.tesco.com/groceries/en-GB/products/255865979, (accessed 5 December 2024).

⁴ Reuters, *UK public sector workers get above-inflation pay rises, worth 9 billion pounds*, 29 July 2024, www.reuters.com/world/uk/uk-public-sector-workers-get-above-inflation-pay-rises-worth-9-billion-pounds-2024-07-29/, (accessed 5 December 2024).

⁵ "Treat yourself" category excluded as it was unclear what this referred to.

| Spending category | Amount (£) |
|-------------------|------------|
| Food | 137 |
| Travel | 105 |
| Total | 694 |

Presents and entertainment

Most goods and services are liable for the standard 20 per cent rate of VAT, with the exception of items such as books and children's clothes which are zero rated,⁶ as well as some other items that are liable for a reduced rate. VAT is the main tax that will be incurred by expenditure on presents and entertainment. The tax on these categories has been calculated at the 20 per cent standard rate, amounting to £42.33 in VAT on presents and £18 in VAT on entertainment.

Table 2: examples of Christmas presents and experiences, list price and VAT

| Item | List price (£) | VAT (£) |
|--|----------------|---------|
| Le Creuset Cast Iron Soup Pot 32cm ⁷ | 329 | 54.83 |
| Nintendo Switch ⁸ | 259.99 | 43.33 |
| Apple AirPods 4 ⁹ | 129 | 21.50 |
| Wicked (musical) ticket - Stalls ¹⁰ | 97 | 16.17 |
| Lego Winter Village Santa's Post Office ¹¹ | 89.99 | 15 |
| Instax Mini 12 Instant Camera ¹² | 72.04 | 12.01 |
| Chanel No.5 Eau De Parfum 35ml ¹³ | 75 | 12.5 |
| Chelsea football match ticket – Shed Lower ¹⁴ | 68 | 11.33 |
| M&S Pure Cotton Christmas Pyjama Set ¹⁵ | 30 | 5 |
| Monopoly Barbie ¹⁶ | 28.99 | 4.83 |
| Yankee Candle Wreath Advent Calendar ¹⁷ | 27.99 | 4.67 |
| Snug Super Fluffy Grey Pet Bed – Small ¹⁸ | 25 | 4.17 |
| Red One movie ticket ¹⁹ | 17 | 2.83 |

⁶ Gov.uk, *How VAT works*, www.gov.uk/how-vat-works/how-much-vat-you-must-charge, (accessed 5 December 2024).

⁷ Le Creuset, *Cast Iron Soup Pot 32cm*, www.lecreuset.co.uk/en_GB/p/cast-iron-soup-pot/CI1114.html, (accessed 11 December 2024).

⁸ Nintendo, *Nintendo Switch with Neon Blue / Neon Red Joy-Con Controllers*, store.nintendo.co.uk/en/nintendo-switch-with-neon-blue-neon-red-joy-con-controllers-000000000010010739, (accessed 11 December 2024).

⁹ Apple, *AirPods4*, www.apple.com/uk/airpods-4/, (accessed 11 December 2024).

¹⁰ Wicked, *Book tickets*, www.wickedthemusical.co.uk/book-tickets/, (accessed 11 December 2024).

¹¹ Lego, *Santa's Post Office*, www.lego.com/en-gb/product/santa-s-post-office-10339, (accessed 11 December 2024).

¹² Instax Fujifilm, *Instax mini 12™*, instax.co.uk/cameras/mini-12/, (accessed 11 December 2024).

¹³ Chanel, *No.5 Eau De Parfum Spray 35ml*, www.chanel.com/gb/fragrance/p/125230/n5-eau-de-parfum-spray/, (accessed 11 December 2024).

¹⁴ Chelsea Football Club, *Ticket Prices*, www.chelseafc.com/en/ticket-prices-men, (accessed 11 December 2024).

¹⁵ Marks and Spencer, *Pure Cotton Christmas Pyjama Set*, www.marksandspencer.com/pure-cotton-christmas-pyjama-set/p/clp60701582, (accessed 11 December 2024).

¹⁶ Hamleys, *Monopoly Barbie*, www.hamleys.com/monopoly-barbie, (accessed 11 December 2024).

¹⁷ Yankee Candle, *Wreath Advent Calendar*, www.yankeecandle.co.uk/yankee-candle/shop-by/shop-by-collection/christmas/advent-calendars/wreath-advent-calendar/ORCL_2641985E.html, (11 December 2024).

¹⁸ Argos, *Snug Super Fluffy Grey Pet Bed-Small*, www.argos.co.uk/product/5644306, (accessed 11 December 2024).

¹⁹ Cineworld, *Red One – Saturday 14 December 16:20 Leicester Square*, experience.cineworld.co.uk/select-tickets?sitecode=103&site=098&id=97376&lang=en-GB, (accessed 11 December 2024).

Alcohol

In addition to being liable for VAT, expenditure on alcohol is also subject to alcohol duty. Wine and beer duty in the UK are the third and second highest respectively compared to European Union (EU) member states, according to previous research by the TPA.^{20,21} On average individuals in the UK drink around 3.4 pints of beer for every bottle of wine.²² The average expenditure on alcohol over the Christmas period (£90) is equivalent to around four bottles of wine and 13 pints of beer.²³ With VAT and alcohol duty at £3.66 for an average bottle of wine and £1.40 for an average pint of draught lager, the total tax on alcohol amounts to £31.41.

Table 3: VAT and alcohol duty on beer and wine

| Item | List price (£) | VAT (£) | Alcohol duty (£) |
|--|----------------|---------|------------------|
| Average price of a pint of draught lager | 4.80 | 0.8 | 0.60 |
| Average price of a bottle of wine | 7.85 | 1.31 | 2.35 |
| Spending on alcohol over Christmas | 90 | 15.01 | 16.4 |

Food

While most foodstuff is zero rated for VAT, many popular snacks and non-alcoholic beverages are not. Some non-alcoholic beverages are also liable for the soft drinks industry levy, also known as the “sugar tax” depending on their sugar content. This is 18p per litre for drinks that have a sugar content of 5-8g per 100ml and 24p per litre for drinks that have a sugar content of 8g or more per 100ml.²⁴ Without a more detailed breakdown of the average Christmas expenditure on food, it is not possible to calculate exactly how much of this will be paid in tax. As such, even though spending on food will incur at least some VAT and sugar tax it has been excluded from this analysis. This means the overall figure presented in this paper will likely be an undercount of the total amount of tax incurred on Christmas spending.

Table 4: food and drink categories liable for standard rate VAT²⁵

| Foods liable for standard rate VAT | Drinks liable for standard rate VAT ²⁶ |
|--|---|
| Gingerbread men decorated with chocolate | Carbonated drinks such as lemonade and cola |
| Shortbread biscuits partly or wholly chocolate covered | Mixers such as tonic and soda |
| Potato crisps, potato sticks and potato puffs | Juices and concentrates |
| Chocolates, bars of chocolate and liqueur chocolates | Fruit cordials and squashes |
| Sweets, pastilles, gums, lollipops, and marshmallow | Alcohol free beers and wines |
| Sweetened and savoury popcorn | Mineral, table and spa waters |
| Ice creams, sorbets, frozen yoghurts or ice lollies | Fermented communion wine |

²⁰ TaxPayers' Alliance, *Briefing: the cost of wine duty*, 5 October 2024, www.taxpayersalliance.com/briefing_the_cost_of_wine_duty, (accessed 5 December 2024).

²¹ TaxPayers' Alliance, *Briefing: the cost of beer duty*, 15 June 2024, www.taxpayersalliance.com/briefing_the_cost_of_beer_duty, (accessed 5 December 2024).

²² Evison, J., *Drinking habits shift as UK changes from beer to wine*, the drinks business, 27 November 2023, www.thedrinksbusiness.com/2023/11/drinking-habits-shift-as-uk-changes-to-wine-from-beer/, (accessed 10 December 2024).

²³ Office for National Statistics, *RPI: Ave price – Draught lager, per pint*, 20 November 2024, www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czms/mm23, (accessed 10 December 2024).

²⁴ HM Revenue & Customs, *Check if your drink is liable for the Soft Drinks Industry Levy*, 12 April 2023, www.gov.uk/guidance/check-if-your-drink-is-liable-for-the-soft-drinks-industry-levy, (accessed 5 December 2024).

²⁵ HM Revenue & Customs, *Food products (VAT Notice 701/14)*, 3 May 2024, www.gov.uk/guidance/food-products-and-vat-notice-70114, (accessed 11 December 2024).

²⁶ Potentially liable for sugar tax as well depending on sugar content.

Travel

Travel by trains, boats, coaches and planes that carry ten or more passengers is zero rated for VAT.²⁷ Those travelling by plane, however, must still pay air passenger duty. This varies based on destination and class of travel. An economy class flight to somewhere in the EU like Spain would incur £13 in air passenger duty, while an economy flight to a further destination like New Zealand would be taxed £92.²⁸

If the £105 in average planned travel expenditure includes a flight to a nearby European destination, this will incur £13 per person in air passenger duty. With the Association of British Travel Agents estimating in 2022 that five million individuals planned to travel overseas over the Christmas and new year period,²⁹ the government could collect up to £65 million in air passenger duty.

Individuals also travel by car over the holiday season. Research by Kwik Fit, an automotive servicing and repair company, in 2023 found that seven in ten intended to make at least one car journey, driving on average 169 miles over 3.2 trips to visit friends and family.³⁰ The cost of travelling by car includes fuel duty which is currently 52.95p a litre on both petrol and diesel, the ninth highest and highest respectively compared with EU member states,³¹ as well as VAT. Together these make up more than half the list price of both fuels. If they travel by car, households will pay £10.85 in VAT and fuel duty.

Table 5: VAT and fuel duty on car travel during festive period

| Item | Per litre list price (£) ³² | Cost of fuel (£) ^{33,34} | VAT (£) | Fuel duty (£) |
|---|--|-----------------------------------|-------------|---------------|
| Petrol | 1.36 | 19.96 | 3.33 | 7.78 |
| Diesel | 1.42 | 19.32 | 3.22 | 7.20 |
| Weighted average^{35,36} | | | 3.29 | 7.57 |

Assuming that seven in ten of the 28.4 million households in the UK travel by car over the 2024 festive period,³⁷ the government will collect £215.4 million in VAT and fuel duty from these journeys.

²⁷ HM Revenue & Customs, *VAT rates on different goods and services*, 30 October 2024, www.gov.uk/guidance/rates-of-vat-on-different-goods-and-services, (accessed 5 December 2024).

²⁸ HM Revenue & Customs, *Rates for Air Passenger Duty*, 1 April 2024, www.gov.uk/guidance/rates-and-allowances-for-air-passenger-duty, (accessed 5 December 2024).

²⁹ Association of British Travel Agents, *Five million Brits head abroad for the Great Christmas and New Year Getaway*, 17 December 2022, www.abta.com/news/five-million-brits-head-abroad-great-christmas-and-new-year-getaway-2022, (accessed 11 December 2024).

³⁰ Dryer, J., *Brits Set to Travel 6.3 Billion Miles Over The Festive Period*, Kwik Fit, 14 December 2023, www.kwik-fit.com/press/brits-set-to-travel-over-six-billion-miles-over-festive-period, (accessed 5 December 2024).

³¹ TaxPayers' Alliance, *Briefing: fuel duty in Europe 2024*, 22 October 2024, www.taxpayersalliance.com/briefing_fuel_duty_in_europe, (accessed 5 December 2024).

³² Department for Energy Security and Net Zero, *Weekly road fuel prices – 02/12/24*, 3 December 2024, assets.publishing.service.gov.uk/media/674dce84649db05b051ee256/weekly_fuel_prices_021224.xlsx, (accessed 5 December 2024).

³³ Based on average new car fuel consumption for 169 miles.

³⁴ Department for Transport, *Average new car fuel consumption: Great Britain*, 14 December 2024, www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env, (accessed 5 December 2024).

³⁵ Based on the proportion of petrol to diesel vehicles.

³⁶ Department for Transport, *Licensed vehicles at the end of the quarter by body type, fuel type, keepership (private and company) and upper and lower tier local authority: Great Britain and United Kingdom*, 24 September 2024, assets.publishing.service.gov.uk/media/66f15b9c34de29965b489bcd/veh0105.ods, (accessed 5 December 2024).

³⁷ Office for National Statistics, *Families and households*, 8 May 2024, www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds/familiesandhouseholds/current/familiesandhouseholdsuk2023.xlsx, (accessed 5 December 2024).
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Total taxes collected

Adding together the taxes in all the above categories (excluding travel), results in a total of £92 per person. The latest population estimates for mid-2023 show an adult population of 54.2 million.³⁸ This means that the government can expect to collect around £5 billion in taxes on Christmas spending in 2024. With an additional £215.4 million in taxes on households' car journeys and £65 million in air passenger duty, the total Christmas tax bill stands at £5.3 billion.

³⁸ Office for National Statistics, *Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland*, 8 October 2024, www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland/mid2023/mye23tablesuk.xlsx, (accessed 5 December 2024).