Office for National Statistics

Statistical bulletin

# Effects of taxes and benefits on UK household income: financial year ending 2024

The redistribution effects on individuals and households of direct and indirect taxation and benefits received in cash or kind, analysed by household type.

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# 1 . Main points

In financial year ending (FYE) 2024:

- Median equivalised household income in the UK before taxes and benefits was £38,900, increasing to £41,900 after taxes and benefits.
- The richest fifth of people's mean equivalised household income before taxes and benefits (£116,600) was 12.2 times larger than the poorest fifth (£9,600); however, this gap reduced to 3.3 times larger (£85,100 and £25,700, respectively) after all taxes and benefits.
- Original income inequality (before taxes and benefits) was 47.6% as measured by the Gini coefficient, and reduced by 20.8 percentage points to 26.8% for final income inequality (after taxes and benefits), highlighting the redistributive effect of taxes and benefits.
- Unequivalised cash benefits increased in real terms by 8.2% for all households compared with FYE 2023, reflecting the 10.1% uprating of inflation-linked cash benefits.
- The proportion of people living in households receiving more in benefits (cash benefits and benefits in kind), than they paid in taxes (direct and indirect) is 53.3%; this has remained relatively stable over the last three years.

# 2 . Effects of taxes and benefits on household income

This bulletin covers the effects of taxes (both direct and indirect) and benefits (both cash and in kind) on the redistribution of household income. Indirect taxes refer to those on goods and services, such as Value Added Tax (VAT), duty on tobacco, alcohol and fuel, and Stamp Duty. Benefits in kind relate to non-cash benefits such as the National Health Service, education, free childcare and travel subsidies. We refer to household income after all taxes and benefits as final income. For definitions of terms used throughout this bulletin, see Section 4: Glossary.

Unless otherwise stated, both absolute and relative year-on-year changes presented in this bulletin are adjusted for inflation and are presented in real terms.

## Taxes and benefits lead to income being shared more equally between households compared with FYE 2023

In financial year ending (FYE) 2024, median equivalised household income in the UK before taxes and benefits was £38,900, increasing to £41,900 after taxes and benefits.

The richest fifth had a mean equivalised household income before taxes and benefits of £116,600, 12.2 times larger than the poorest fifth (£9,600). After cash benefits and direct taxes, this reduced to £85,600 for the richest fifth, 5.6 times larger than the poorest fifth (£15,200). After all taxes and benefits, the average equivalised final incomes for the richest fifth and poorest fifth were £85,100 and £25,700 respectively. This reduced the ratio between the richest and poorest fifth to 3.3.

### Figure 1: Taxes and benefits lead to household income being shared more equally between households

**Average equivalised household original, gross, disposable, post-tax and final income, equivalised, by quintile group, and richest fifth to poorest fifth of individuals ratio, UK, financial year ending (FYE) 2024**

**Notes**

1. Incomes are equivalised using the modified Organisation for Economic Co-operation and Development (OECD) equivalisation scale.

2. Cost of Living support schemes introduced by the UK government in FYE 2023. The Low-income and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioners Cost of Living Payment continued in FYE 2024. All other cost of living related benefits and schemes were discontinued in FYE 2024.

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## Original income decreased for both the poorest fifth and the richest fifth of UK households

The mean average equivalised original income for UK households increased nominally by £1,200 (2.6%) in FYE 2024. After adjusting for inflation, this resulted in a real-terms decrease of £1,400 (2.8%), highlighting that nominal increases in wages and salaries did not keep up with inflation.

Both the poorest and richest fifth of households saw real-terms decreases in equivalised original income, 7.7% and 3.4% respectively. In both instances, the largest contributor to these decreases was the reduction in wages and salaries.

The poorest fifth of households had the largest decrease in equivalised original income, because of their wages and salaries having both a nominal (5.1%) and real-terms (10.1%) decrease. In contrast, wages and salaries for the richest fifth increased nominally by 1.8% but saw a real-terms decrease of 3.6% after accounting for inflation.

The poorest fifth's equivalised original income decreased at a greater rate than all other quintiles, therefore, equivalised original income inequality as measured by the Gini coefficient, increased by 0.4 percentage points to 47.6% in FYE 2024. Despite this increase, it is now at its second lowest level in the last 10 years and has contributed to a reduction in equivalised final income inequality to 26.8 percentage points; its lowest value over the same period.

### Figure 2: The redistributive effect of taxes and benefits lowers income inequality

**The redistributive effect of the taxes and benefits system on the Gini coefficients at each stage of the taxes and benefits system, UK, financial year ending (FYE) 2024**

**Notes**

1. pp – percentage points.

2. Cost of Living support schemes introduced by the UK government in FYE 2023. The Low-income and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioners Cost of Living Payment continued in FYE 2024. All other cost of living-related benefits and schemes were discontinued in FYE 2024.

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## Cash benefits have the largest redistributive effect since FYE 2018

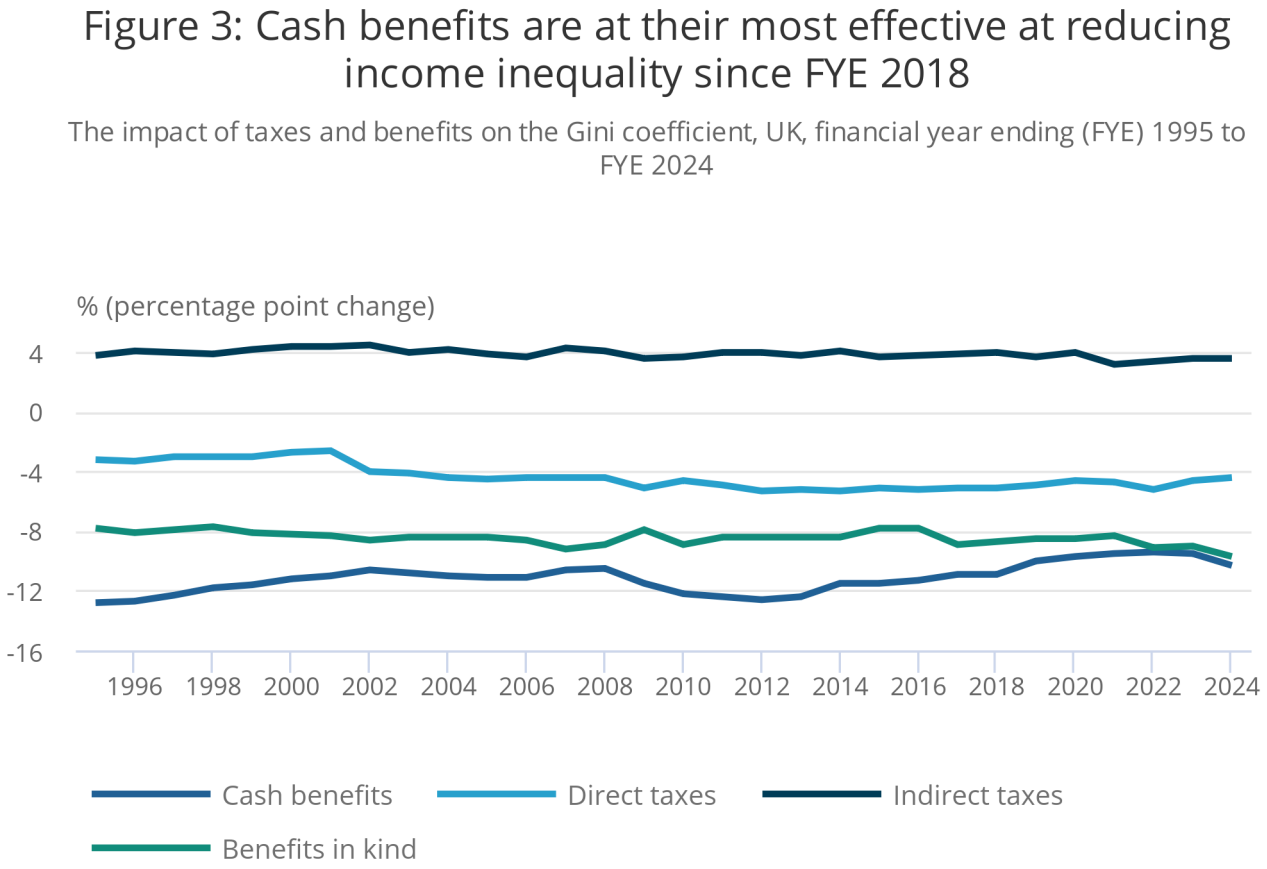
The UK government increased most cash benefits in FYE 2024 (PDF, 443KB), including Universal Credit standard allowances, State pension and disability benefits by 10.1% in line with the Consumer Prices Index (CPI) rate of inflation from September 2022.

As a result, households saw a real-terms increase in unequivalised cash benefits of 8.2% (a nominal increase of 14.2%), contributed to by increases in the uprated benefits. This increase follows cash benefits remaining stable in FYE 2023. Captured within cash benefits for FYE 2024 are several ongoing cost of living financial support schemes. These were continued on from FYE 2023. They have remained stable between FYE 2023 and FYE 2024 and do not contribute to the 8.2% year-on-year increase in unequivalised cash benefits.

Cash benefits have led to a reduction in equivalised gross income inequality as measured by the Gini coefficient by 10.3 percentage points to 37.3%. This is the largest effect of cash benefits to reduce gross income inequality since FYE 2018. This is despite unequivalised cash benefits for the poorest fifth increasing by 1.6%, while the richest fifth increased by 9.3%.

**Figure 3: Cash benefits are at their most effective at reducing income inequality since FYE 2018**

**The impact of taxes and benefits on the Gini coefficient, UK, financial year ending (FYE) 1995 to FYE 2024**




**Source: Household Finances Survey from the Office for National Statistics**

**Notes:**

1. The impact of taxes and benefits on income inequality is assessed as the difference in Gini coefficients between income components; the impact of cash benefits is gross income inequality less original income inequality, the impact of direct taxes is disposable income inequality less gross income inequality, the impact of indirect taxes is post-tax income inequality less disposable income inequality, the impact of benefits in kind is final income inequality less post-tax income inequality.

2. Estimates up to and including financial year ending (FYE) 2017 are sourced from the Living Costs and Food (LCF) survey. Estimates from FYE 2018 onwards are based on the Household Finances Survey, which the LCF is part of.

3. Estimates of income from FYE 2002 onwards have been adjusted for under-coverage of top earners.

4. Cost of Living support schemes introduced by the UK government in FYE 2023. The Low-income and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioners Cost of Living Payment continued in FYE 2024. All other cost of living related benefits and schemes were discontinued in FYE 2024.

## Direct taxes increased for UK households, as nominal wages and salaries increased in FYE 2024

Income tax thresholds in FYE 2024 remained at 2022 levels, creating fiscal drag and so increasing households tax liabilities. The threshold for the higher additional rate decreased. In the same period, the pension annual allowance increased, as well as the personal allowance income limit for married couples. Wages and salaries across UK households in FYE 2024 increased by 5.1% nominally, while direct taxes had a nominal increase of 2.6%, mainly contributed to by a 3.6% increase in income tax. The poorest fifth saw a nominal decrease in wages and salaries of 5.1%, with a 2.5% nominal increase in income tax and a nominal increase of 2.2% in direct taxes. Comparatively, the richest fifth saw a nominal increase of 1.8% in wages and salaries, their income tax reduced nominally by 0.8% and direct taxes also reduced nominally 1.4%.

After accounting for the effects of inflation, direct taxes effectively decreased for the average UK household between FYE 2023 and FYE 2024 (a real-terms decrease of 2.9%), following a real-terms reduction in equivalised original income (2.8%). Looking across the income distribution, the poorest fifth of households experienced a 3.2% real-terms decrease in unequivalised direct taxes, while the richest fifth saw a decrease of 6.6%.

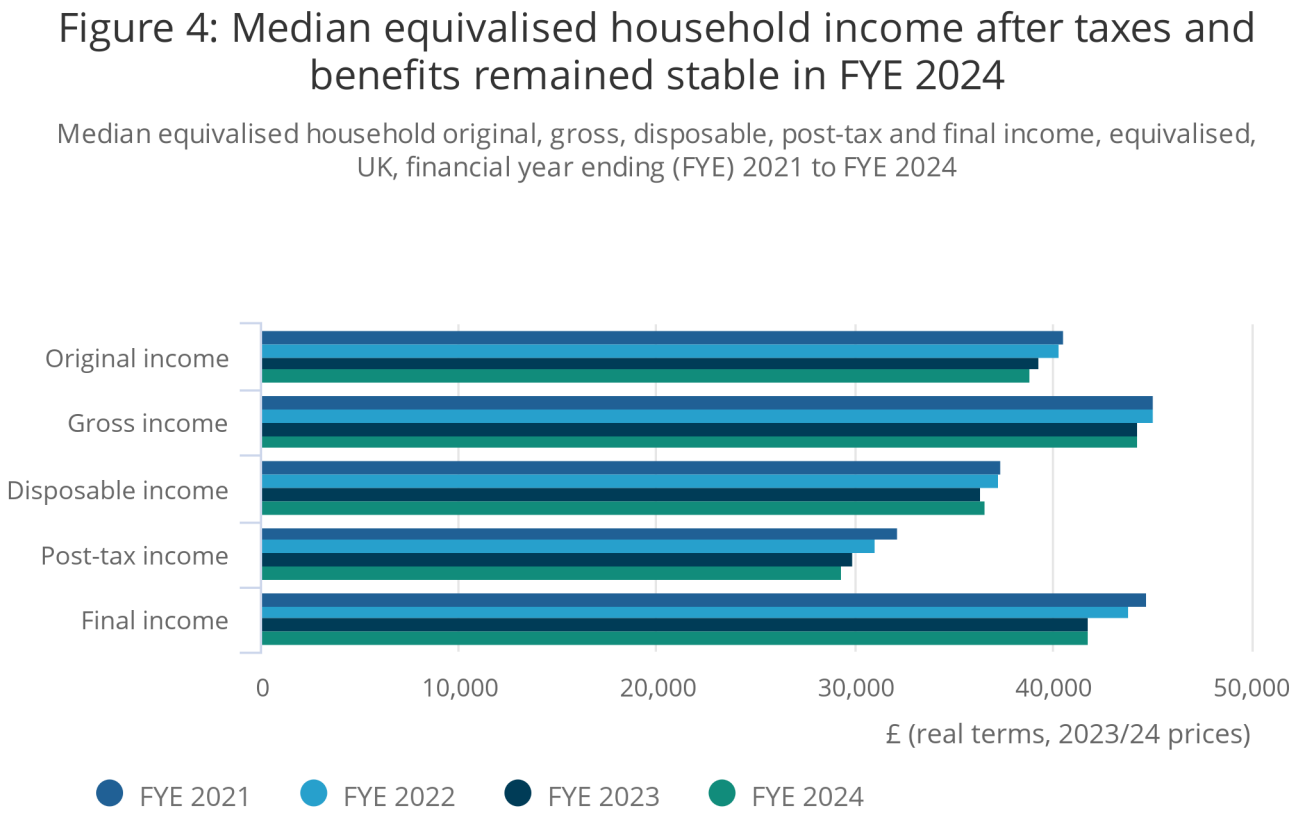
On average for all UK households, direct taxes reduced income inequality by 4.4 percentage points between equivalised gross and disposable income inequality to 32.9%.

## UK household median final income remained stable in FYE 2024

After all taxes and benefits, and accounting for inflation, median equivalised household final income remained stable between FYE 2023 and FYE 2024. This follows a steady decrease from FYE 2021, following the coronavirus (COVID-19) pandemic.

**Figure 4: Median equivalised household income after taxes and benefits remained stable in FYE 2024**

**Median equivalised household original, gross, disposable, post-tax and final income, equivalised, UK, financial year ending (FYE) 2021 to FYE 2024**




**Source: Household Finances Survey from the Office for National Statistics**

**Notes:**

1. Incomes are equivalised using the modified Organisation for Economic Co-operation and Development (OECD) equivalisation scale.

2. Incomes are adjusted for inflation using the Consumer Prices Index including owner-occupiers' housing costs (CPIH) excluding Council Tax.

3. Cost of Living support schemes introduced by the UK government in FYE 2023. The Low-income and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioners Cost of Living Payment continued in FYE 2024. All other cost of living related benefits and schemes were discontinued in FYE 2024.

## The percentage of individuals living in UK households receiving more in benefits than they pay in taxes has stayed stable over the last three years

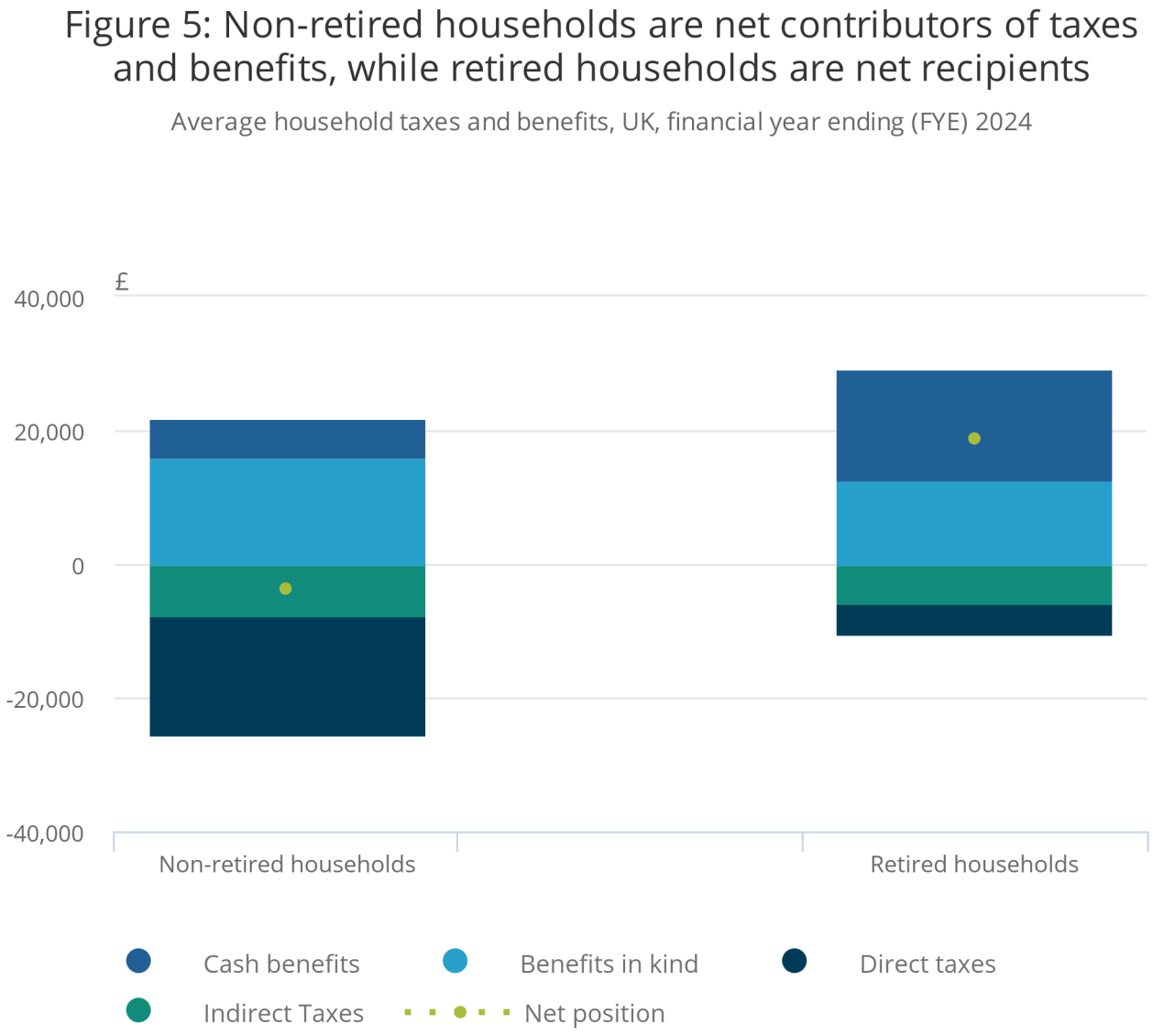
Across the UK, 53.3% of people lived in households that were net recipients in FYE 2024. This means that they lived in households that received more in benefits (cash and benefits in kind) than they paid in taxes (direct and indirect). This was 0.7 percentage points higher than FYE 2023, returning to a similar level as in FYE 2022. The increase was mainly contributed to by the 8.2% rise in unequivalised cash benefits.

For retired households, 90.1% were net recipients, largely reflecting the 10.1% uprating to state pensions and pension credits (classified as cash benefits). The percentage of retired households receiving more in benefits than they paid in taxes went up by 4.8 percentage points in FYE 2024, after falling by 3.7% in FYE 2023. This brings it back in line with FYE 2021.

For non-retired households, the proportion of net recipients has stayed relatively stable over the last three years, rising slightly by 0.5% from FYE 2023 to 45.8% in FYE 2024; contributed to by increases in benefits in kind for education and childcare.

**Figure 5: Non-retired households are net contributors of taxes and benefits, while retired households are net recipients**

**Average household taxes and benefits, UK, financial year ending (FYE) 2024**




**Source: Household Finances Survey from the Office for National Statistics**

**Notes:**

1. Net position is the difference between benefits received (both cash and in kind) and taxes paid (both direct and indirect).

2. State pension and pension credit are classified as cash benefits.

3. Cost of Living support schemes introduced by the UK government in FYE 2023. The Low-income and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioners Cost of Living Payment continued in FYE 2024. All other cost of living related benefits and schemes were discontinued in FYE 2024.

# 3 . Data on the effects of taxes and benefits on UK household income

Average incomes, taxes and benefits of all individuals, retired and non-retired by decile group
Dataset | Released 25 September 2025
Average annual incomes, taxes and benefits and household characteristics of retired and non-retired households in the UK. Data for financial years, by quintile and decile groups, country and region, and tenure type.

Average incomes, taxes and benefits of all individuals, retired and non-retired by quintile group
Dataset | Released 25 September 2025
Average annual incomes, taxes and benefits and household characteristics of retired and non-retired households in the UK. Data for financial years, by quintile and decile groups, country and region, and tenure type.

Summary of the effects of taxes and benefits of individuals by household type
Dataset | Released 25 September 2025
Average annual incomes, taxes and benefits and household characteristics of retired and non-retired households in the UK. Data for financial years, by quintile and decile groups, country and region, and tenure type.

Effects of taxes and benefits on household income
Dataset | Released 25 September 2025
Average annual incomes, taxes and benefits and household characteristics of retired and non-retired households in the UK. Data for financial years, by quintile and decile groups, country and region, and tenure type.

We are reviewing a number of tables within the accompanying Effects of taxes and benefits datasets. This is part of our regular work to better understand how users are using these tables and will feed into our development work to improve this publication. We welcome your feedback, please email hie@ons.gov.uk.

# 4 . Glossary

## Equivalisation

Comparisons across different types of individuals and households or over time are made after income has been equivalised. Equivalisation is the process of accounting for the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members.

Equivalisation considers the number of people living in the household and their ages, acknowledging that while a two-person household will need more money to sustain the same living standards as a single-person household, the two-person household is unlikely to need double the income.

This analysis uses the modified Organisation for Economic Co-operation and Development (OECD) equivalisation scale (PDF 204 KB).

Our analysis ranks individuals by their equivalised household disposable incomes, using the modified OECD scale.

## Fiscal drag

Fiscal drag occurs when income tax thresholds are not adjusted in line with inflationary wage raises. As a result, taxpayers can be pushed into higher tax brackets, causing them to pay greater proportion of their income in taxes.

## Household reference person

The household reference person is the householder who either:

- owns the household accommodation
- is legally responsible for the rent of the accommodation
- has the household accommodation as an emolument or perquisite
- has the household accommodation by virtue of some relationship to the owner who is not a member of the household
- if there are joint householders, the household reference person will be the one with the higher income; if the income is the same, then the eldest householder is taken

## Mean and median income

The mean measure of income divides the total income of individuals by the number of individuals. A limitation of using the mean is that it can be influenced by just a few individuals with very high incomes and therefore does not necessarily reflect the standard of living of the "typical" person. However, when considering changes in income and direct taxes by income decile or types of households, the mean allows for these changes to be analysed in an additive way.

Many researchers argue that growth in median household incomes provides a better measure of how people's well-being has changed over time. The median household income is the income of what would be the middle person, if all individuals in the UK were sorted from poorest to richest. Median income provides a good indication of the standard of living of the "typical" individual in terms of income.

## Net recipients and net contributors

The term "net recipients" refers to people living in households receiving more in cash benefits and benefits in kind than is being paid in direct and indirect taxes. "Net contributors" refers to people living in households paying more in direct and indirect taxes than they receive in cash benefits and benefits in kind.

## Nominal change

"Nominal" estimates reflect the cash value of money that households have at the time of receipt. Nominal change over time does not take into account the effects of inflation.

## Real change

"Real" estimates of household income are adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH). Real-terms change takes into account the effects of inflation and therefore reflects the comparative value of estimates for different periods of time.

## Retired and non-retired households

A retired household is one where more than 50% of its income is sourced from retired people. A retired person must satisfy one of the following criteria:

- their self-defined employment status is "Retired", and they are aged over 50 years
- their self-defined employment status is "Sick or Injured," they are not seeking work, and they are aged at or above the State Pension age

As such, analysis of the average income of people living in retired households can include much younger people and potentially exclude older people. However, the strength of this measure is that it highlights those individuals who are most likely to be affected by policy, societal or economic changes that disproportionately affect pension income.

### Stages in the redistribution of income

The five stages in the redistribution of income are:

- original income: household members begin with income from employment, private pensions, investments and other non-government sources
- gross income: households then receive income from cash benefits; the sum of cash benefits and original income is referred to as "gross income", where cash benefits refer to state-funded benefits such as Job Seekers Allowance, Universal Credit, Child Benefit, State Pension and Personal Independence Payment
- disposable income: households then pay direct taxes; direct taxes, when subtracted from gross income, are referred to as "disposable income", where direct taxes include deductions such as Income Tax, National Insurance contributions, student loan repayments and Council Tax (less Council Tax benefits or rebates)
- post-tax income: indirect taxes are then paid via expenditure; disposable income minus indirect taxes is referred to as "post-tax income", where indirect taxes refer to those on goods and services such as Value Added Tax (VAT), duty on tobacco, alcohol and fuel, and Stamp Duty
- final income: households finally receive a benefit from services (benefits in kind); benefits in kind plus post-tax income is referred to as "final income", where benefits in kind relate to non-cash benefits such as the National Health Service, education, free childcare and travel subsidies

Note that at no stage are deductions currently made for housing costs.

# 5 . Data sources and quality

## Survey description

Data in this release are calculated using the Household Finances Survey (HFS), a combination of the Living Costs and Food Survey (LCF) and Survey on Living Conditions (SLC). This includes harmonised income collection from approximately 11,300 private households in the UK. Estimates up to disposable income are calculated from the full HFS sample and further estimates up to final income are calculated from the LCF component (approximately 4,200 households), which provides both income and expenditure data.

There was a decrease in HFS achieved sample size of 21% between FYE 2023 and FYE 2024. This reflects the wider challenges of falling response rates for household surveys in recent years, alongside broader strategic prioritisation decisions to pause the SLC in February 2024.

As part of our strategy to deal with falling survey response rates and to boost samples that underpin headline economic statistics on prices and the labour market, we announced the cessation of the Survey Living Conditions (SLC) in February 2025. This will affect future releases in this series with a sample size reduction, which may lead to further suppression of individual income components. The impact of this will be communicated to our stakeholder groups through the Effects of taxes and benefits on household income Quality and Methodology Information which will be updated accordingly. We will also be releasing a Household Finances stakeholder engagement strategy in the near future, and are considering the best approach to re-establishing a broader household finances working group. We welcome feedback on the approach our users would find most helpful.

Comparable estimates are available back to 1977, allowing analysis of long-term trends. Information on income and expenditure levels provide insight into indirect taxes paid by different household groups. This, combined with estimates of benefits in kind, provides the most complete assessment of the redistributive role of taxes and benefits in the UK.

Data remain subject to some limitations. The Household Finances Survey (HFS) is a sample of private households and does not include those living in institutionalised households, such as care homes and hostels, or people experiencing homelessness. Therefore, many of the poorest in society are likely not captured.

Household income surveys can suffer from underreporting at the top and bottom of the income distribution. While an adjustment to address survey undercoverage of the richest people has been introduced for statistics covering financial year ending (FYE) 2002 onwards, measurement issues at the bottom remain.

For further details, see our Effects of taxes and benefits on household income Quality and Methodology Information.

The UK has two main, official data sources of household income statistics: the Family Resources Survey (FRS) run by the Department for Work and Pensions (DWP) and the HFS run by the Office for National Statistics (ONS). The FRS estimates underpin DWP's Households Below Average Income (HBAI) series, which is the UK's official source of poverty estimates. With a larger sample size, it is also the main source on household and individual incomes. HFS data are used to produce the ONS's Household Disposable Income Inequality (HDII) and Effects of taxes and benefits (ETB) series. These outputs are the main source for considering the overall financial well-being of households.

There are some important methodological differences between the two series, which means that their income estimates are different. For example, the FRS focuses on respondents' weekly incomes at the time of interview, whereas HFS focuses more on annual income. The treatment of pension contributions also differs, with the ONS's estimate of Gross Household Income being calculated before pension contributions. Further details are available in our Income and earnings statistics guide.

## Quality

As previously stated there was a decrease in HFS achieved sample size between FYE 2023 and FYE 2024. To ensure quality and align with the Code of Practice for Statistics, all tables and trends have been reviewed for robustness and as a result some cash benefits data have been suppressed, based upon sample size. As a result, we would recommend that analysis of cash benefits is carried out using Total Cash benefits rather than individual components of cash benefits. This affects Tables 2a, 2b, 2c, 3a, 3b, 4a, 4b, 10, 11, 13, 15 and 17. The high trends referred to in the article are based on adequate sample sizes. Confidence intervals on household income up to disposable income can be found in Table 32 in the Average household income publication FYE 2024.

## Values reported in this bulletin

Unless otherwise stated, income is equivalised to account for changes in household composition. When growth rates are quoted, they adjust for the effects of inflation and compare the average for a group of households in one period with the average for a different group in the next period.

The Gini coefficient is used to measure income inequality in this publication and is one of the most widely used measures of income inequality. The characteristics of this metric make it particularly useful for making comparisons over time, between countries and before or after taxes and benefits. The ONS publish a range of income inequality metrics to supplement the Gini coefficient, and in doing so, we aim to overcome limitations of using single summary indicators, such as changes to the shape and composition of the income distribution.

## Cost of living support schemes

In response to the rising cost of living, the UK government introduced several cost of living support schemes to eligible UK households during FYE 2023. These payments have been captured as a component of household disposable income estimates following our Public sector classification guide and forward work plan.

Some schemes, including the Energy Support Scheme, Council Tax rebate schemes (Great Britain) and the Alternative Fuel Payment that were available in FYE 2023 were discontinued in FYE 2024. The Low-income benefits and tax credits Cost of Living Payment, the Disability Cost of Living Payment, and the Pensioner Cost of Living Payment were available in both FYE 2023 and FYE 2024.

The support schemes were introduced and implemented at pace, which meant it was not feasible to capture these directly within the HFS annual survey design. Receipt of support payments were imputed by matching criteria of support schemes against respondents' personal or household demographics, receipt of cash benefits, or interview timings, where appropriate.

Our income and earnings statistics interactive tool enables data comparisons across multiple sources, and can be filtered by topic area, data source, and geographic coverage.

## Looking forward

We have a series of wider improvements planned for the LCF questionnaire to enhance data quality and improve sustainability, strategically aligned with wider plans as published in our Plan for ONS economic statistics and the ONS Survey Improvement and Enhancement Plan for Economic Statistics. These improvements include updates to the survey collection infrastructure to support with introducing COICOP 2018, updating processing infrastructure and pipelines, and (pending financial approvals) a further sample boost to 30,000 households from April 2026.

## Accredited official statistics

These accredited official statistics were independently reviewed by the Office for Statistics Regulation in February 2011. They comply with the standards of trustworthiness, quality and value in the Code of Practice for Statistics and should be labelled "accredited official statistics".

# 6 . Related links

Top income adjustment in effects of taxes and benefits data: methodology
Chapter | Released 25 February 2020
Analysis of a recently introduced approach to addressing survey under-coverage of the highest earners in effects of taxes and benefits data, using tax record information.

Average household income, UK: financial year ending 2024
Bulletin | Released 2 May 2025
Average UK household incomes taxes and benefits by household type, tenure status, household characteristics and long-term trends in income inequality.

Household income inequality, UK: financial year ending 2024
Bulletin | Released 2 May 2025
Estimates of income inequality in the UK for the financial year ending 2024.

The effects of taxes and benefits on household income, technical report: financial year ending 2020
Methodology | Released 8 June 2021
This technical report provides an update on how the effects of taxes and benefits on household income (ETB) datasets for financial year ending (FYE) 2018 to FYE 2020 are produced. It contains information relating to questionnaire changes and new or changed methodology for these years.

Income and earnings statistics guide
Methodology | Last revised 30 May 2025
This guide outlines the different data sources and outputs that feed into the analysis of income and earnings within the UK.

Family spending in the UK: April 2023 to March 2024
Bulletin | Released 10 September 2025
Average weekly household expenditure on goods and services in the UK, by age, income, economic status, socio-economic class, household composition and region.

# 7 . Cite this statistical bulletin

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