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UK Government Spending in Times of Austerity

The global financial crisis of 2008 and subsequent recessions had a variety of impacts around the world. In the UK focus has been on changes in government finances and so-called austerity spending. The graphic below outlines government spending from 2008-09 to 2012-13 using the OECD/UN's Classification of the Functions of Government based on the latest public expenditure statistical analyses (PESA), and receipts based data from the last five budgets. All figures are in real terms based on 2011-12 prices.

Receipts declined by 6.3% between 08/09 and 09/10 as a result of the recession. In 12/13 receipts stood 1.2% higher after some sectors recovered, but predominantly because of increased VAT receipts after the rate was increased from 17.5% to 20%. Over the five year period VAT rose from £83.5bn or 14.6% of total receipts to £102bn or 17.6%. During the same period income tax fell from £163.3bn in 08/09 to £152.5bn in 12/13, a decrease of 2.2 percentage points. Corporation tax fell 12.2% as a result of rate changes and the impact of the recession on UK businesses. The temporary bank payroll tax or 'banker's bonus tax' brought in £3.5bn in 11/12, and the bank levy (a tax on bank debt) raised £1.8bn and £1.6bn in 11/12 and 12/13 respectively.

Spending fell by £15bn from its peak in 09/10 to 12/13, a decrease of 2.2%. Two categories of spending have increased during this period: social protection which includes pensions and other state benefits (£13.5bn or 5.7%) and general public services which includes public debt payments, foreign economic aid and the costs of government (£11.8bn or 21.3%). The smallest absolute change is the fall of £200m spent on health (-0.16%), and the largest is the fall of £15.5bn in economic affairs (-15.5%). The largest percent decrease was in housing and community amenities (-41.4%). Spending priorities have changed little, although defense spending has risen from 6th to 5th, economic affairs has fallen from 5th to 6th, and housing and community amenities has moved from 8th to 10th.

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Note:

'Other' includes interest and dividends, environmental levies, license fee receipts, other HMRC taxes, capital gains tax, inheritance tax, VAT refunds on government purchases and the operating surplus.

'Other duties' includes tobacco and alcohol duties, stamp duties on land and shares, air passenger duty, petroleum revenue tax and insurance premium tax.

Sources

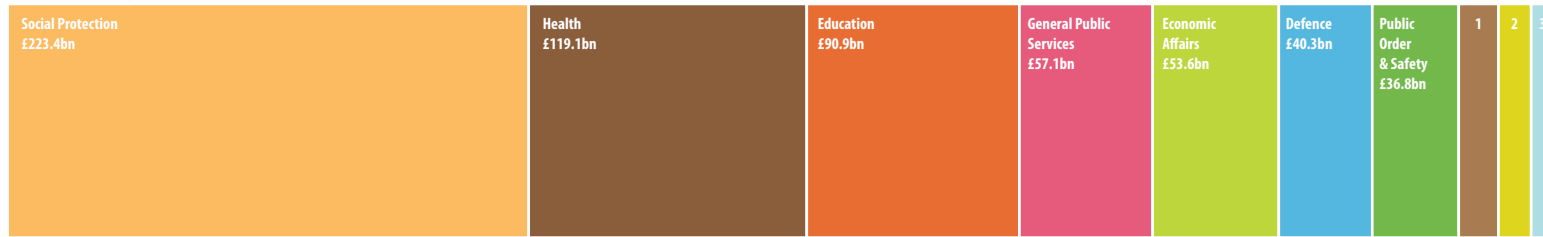
HM Treasury (2009-2013) *Budgets 1998 - 2010* (HM Treasury, London)

HM Treasury (2013) *Public Expenditure Statistical Analyses 2008* (HM Treasury, London)

Office of National Statistics (2013) *GDP deflators at market prices and money GDP: June 2013* (HM Treasury, London)

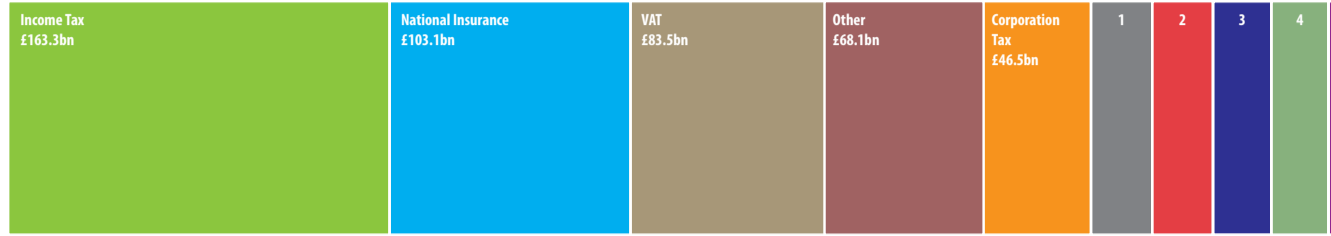
Spending £661.6bn

2008-09



1. Housing and Community Amenities £16.7bn
2. Recreation, Culture and Religion £13.6bn
3. Environment Protection £10.1bn

Receipts £572.1bn



1. Fuel Duty £26.2bn
2. Council Tax £26.0bn
3. Other Duties £25.0bn
4. Business Rates £24.4bn
5. Vehicle Excise Duty £6.0bn

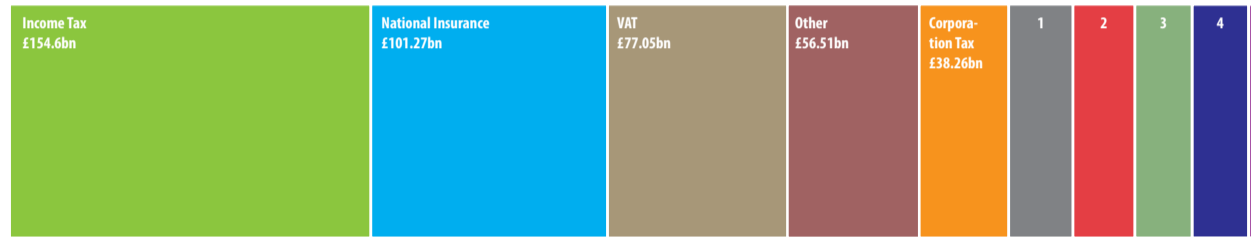
Spending £682.6bn

2009-10



1. Housing and Community Amenities £17.4bn
2. Recreation, Culture and Religion £14.0bn
3. Environment Protection £11.1bn

Receipts £536.3bn



1. Fuel Duty £27.4bn
2. Council Tax £26.5bn
3. Business Rates £24.5bn
4. Other Duties £24.2bn
5. Vehicle Excise Duty £5.9bn

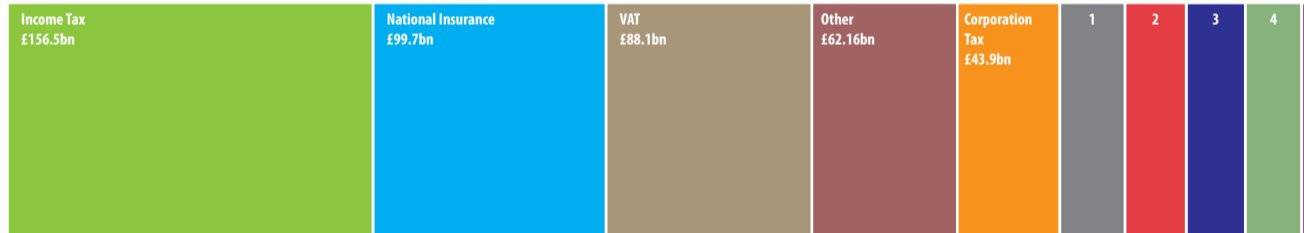
Spending £682.6bn

2010-11



1. Housing and Community Amenities £13.5bn
2. Recreation, Culture and Religion £13.5bn
3. Environment Protection £11.3bn

Receipts £559.7bn



1. Fuel Duty £27.9bn
2. Council Tax £26.2bn
3. Other Duties £25.3bn
4. Business Rates £24.1bn
5. Vehicle Excise Duty £5.9bn

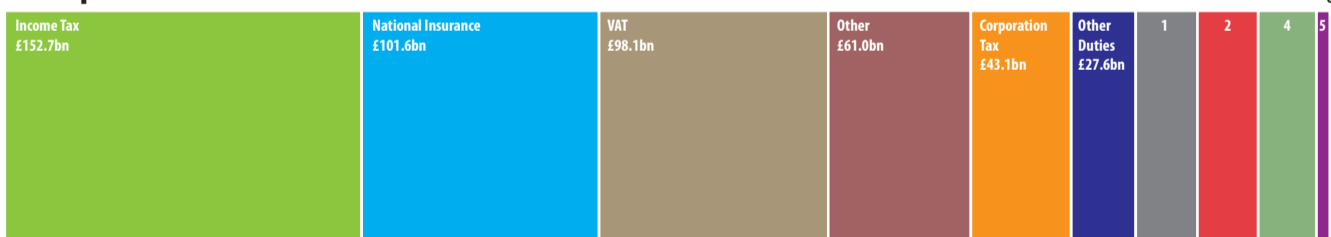
Spending £667.4bn

2011-12



2. Recreation, Culture and Religion £13.0bn
3. Environment Protection £10.6bn
1. Housing and Community Amenities £10.0bn

Receipts £573.0bn



1. Fuel Duty £26.8bn
2. Council Tax £26.0bn
4. Business Rates £24.9bn
5. Vehicle Excise Duty £5.9bn
6. Temporary bank payroll tax £3.5bn
7. Bank Levy £1.8bn

Spending £667.6bn

2012-13



2. Recreation, Culture and Religion £12.2bn
3. Environment Protection £11.1bn
4. Housing and Community Amenities £10.2bn

Receipts £579.0bn



4. Business Rates £26.0bn
5. Vehicle Excise Duty £6.0bn
6. Bank Levy £1.6bn