

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

Businesses are being hit by tax hikes and higher energy costs – and it will mostly hurt poorer people



This summary comes for [this article](#) in The Conversation.

Theme:

Effects of recent tax rises alongside rising energy costs, and their effects on both business and the cost-of-living crisis.

Area of Focus:

The article particularly focuses on increasing National Income (NI) contributions for businesses which are passed onto employees in form of lower wages.

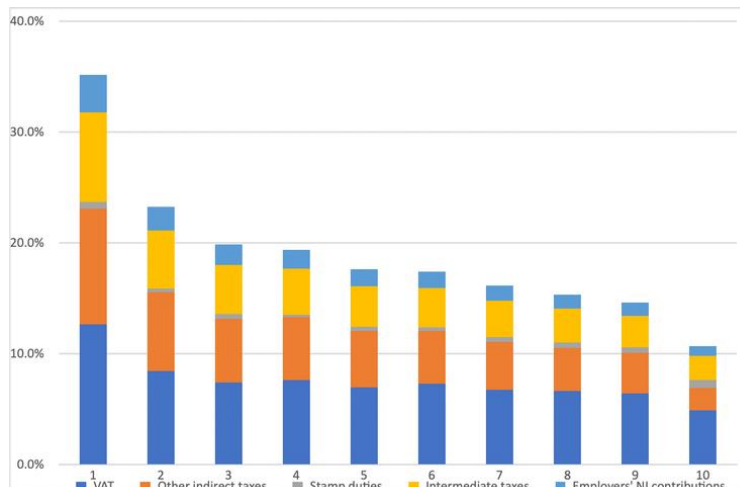
Key Findings:

In the UK, employee's NI contributions have increased from April 6 – from 12% to 13.25% for earnings between £9,880 and £50,270 and then from 2% to 3.25% for earnings above that threshold.

One overlooked factor is that this is only half of the tax rise as employers also pay NI on their employee's salaries, and their contribution amounts to about half of what the government generates from the tax overall. The employer's rate has just increase from 13.8% to 15.05%, which is payable on all wages above £9,100 a year. Unlike the rate paid by workers, there's no upper band at which NI contributions reduce.

Although these contributions are paid by businesses in the first instance and will threaten their profits and any shareholder dividends, to some extent the costs will be passed on, in the form of lower wages, and in the form of higher prices for goods and services.

Between half and two-thirds of increases in employer's NI are passed on via lower wages, according to [research findings](#). Overall, however, the extent to which increasing employer's NI affects on earnings, with those earning more being proportionately less affected by the cost of consumer goods, and have [more bargaining power](#) over their wages as they tend to be harder to replace. When [ONS data](#) combined employer's NI with VAT, stamp duty and several other indirect taxes, disproportionately affecting poorest households who paid 35% of their income on taxes, as opposed to 10% of the wealthiest households.



Midlands Engine Impact:

- As low paid work is less secure than high paid work, low paid workers are more likely to experience unemployment. This is likely to be exacerbated in the Midlands context, an area which already struggles with poverty and low education attainment levels.
- Alongside lower earnings, and rising costs due to the emerging cost-of-living crisis, more households in the Midlands Engine are likely to fall below the poverty line. This is especially true within the context of fuel poverty and adverse effects on health.
- Higher taxes will increase the public purse; however, they may greatly reduce economic growth due to higher business costs.
- Slower economic growth will affect the rate of recovery in the post-pandemic era, causing a slower increase in living standards.

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Article:
[Businesses are being hit by tax hikes and higher energy costs – and it will mostly hurt poorer people \(theconversation.com\)](#)



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