

# Personal tax and benefit measures

Tom Waters

# Personal taxes and benefits in the Budget

## Taxes:

- Income tax giveaway to meet manifesto pledge one year early
- Confirmation of fuel duty freeze (again)
- Beer, cider, spirit duties frozen

## Benefits:

- Protections for those transferring to Universal Credit
- Rollout pushed back (again)
- Increase in generosity of system

# Income tax changes

## **Personal allowance (PA) and higher rate threshold (HRT)**

- PA raised to £12,500, HRT to £50,000 in 2019-20, then frozen for a year
- Default inflation uprating: £12,390 and £48,590 in 2020-21

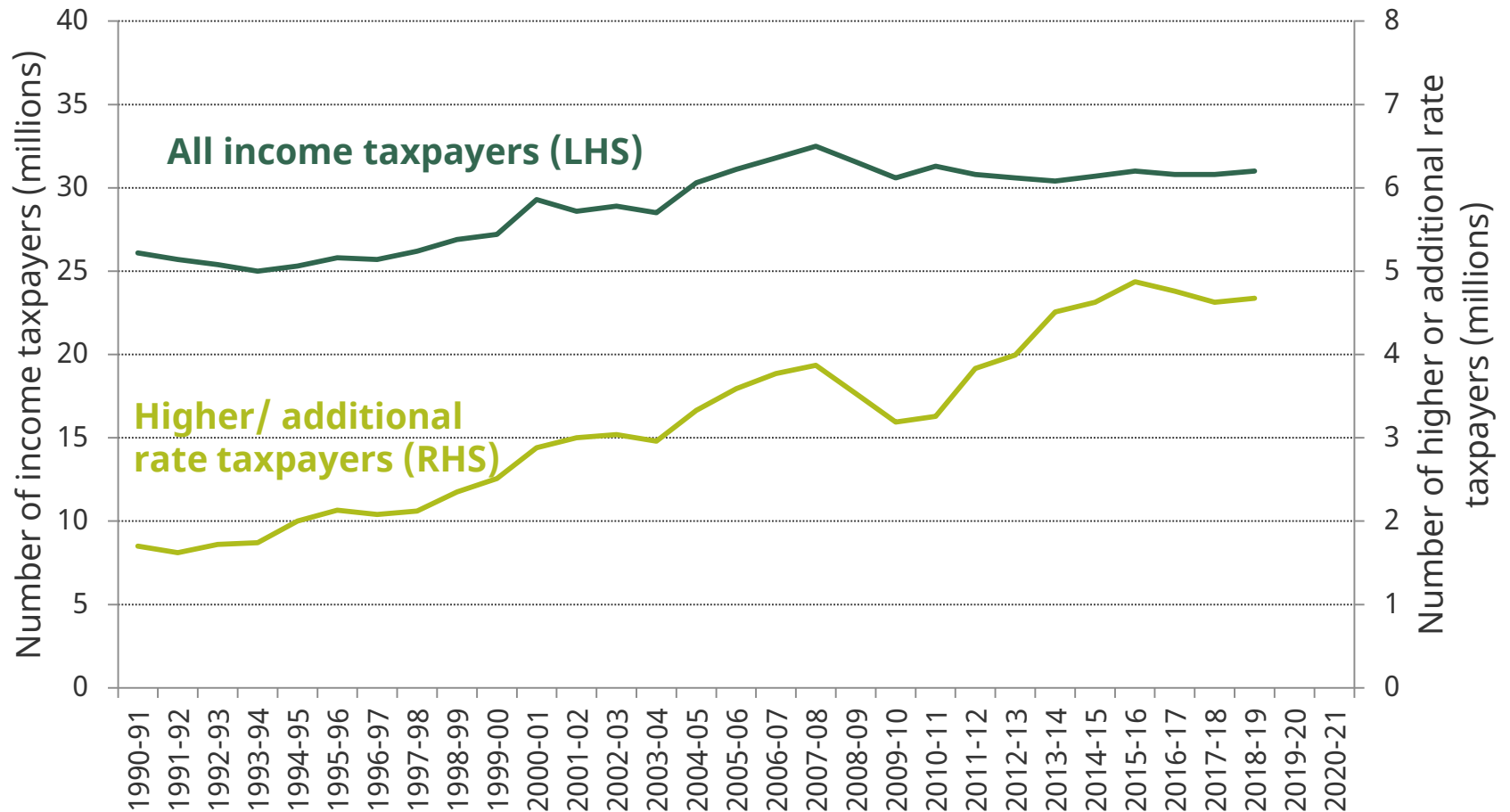
**PA increase benefits around 30 million taxpayers, HRT 4 million**

## **Gains in 2020-21 (in 2018-19 prices):**

- Typical basic rate taxpayer – £21 per year
- Typical higher rate taxpayer – £156 per year

**Cost to Exchequer £1.4 billion p.a.**

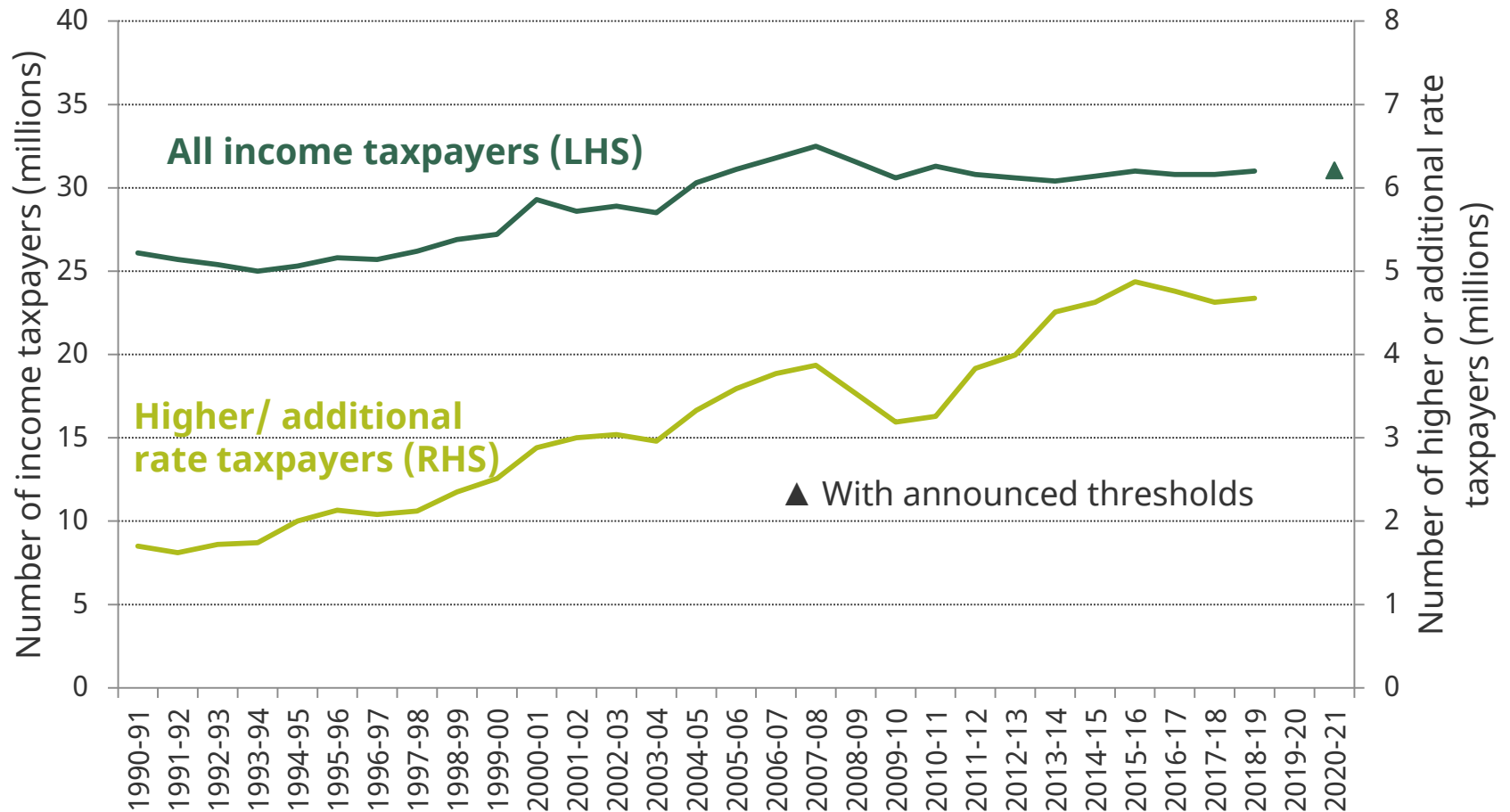
# Number of income taxpayers



Source: HMRC, Table 2.1

Note: Data points for 2008-09 are linear interpolations

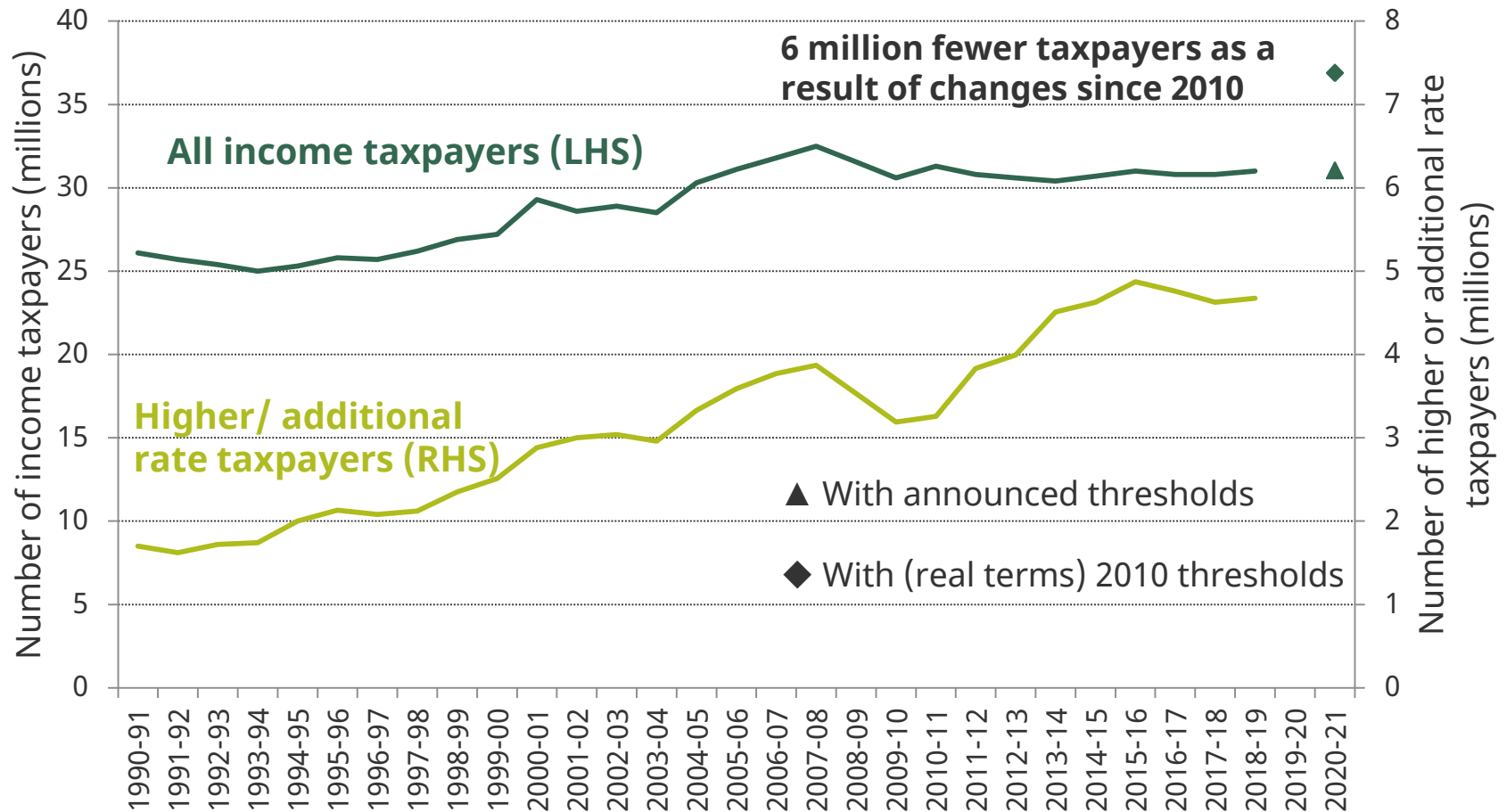
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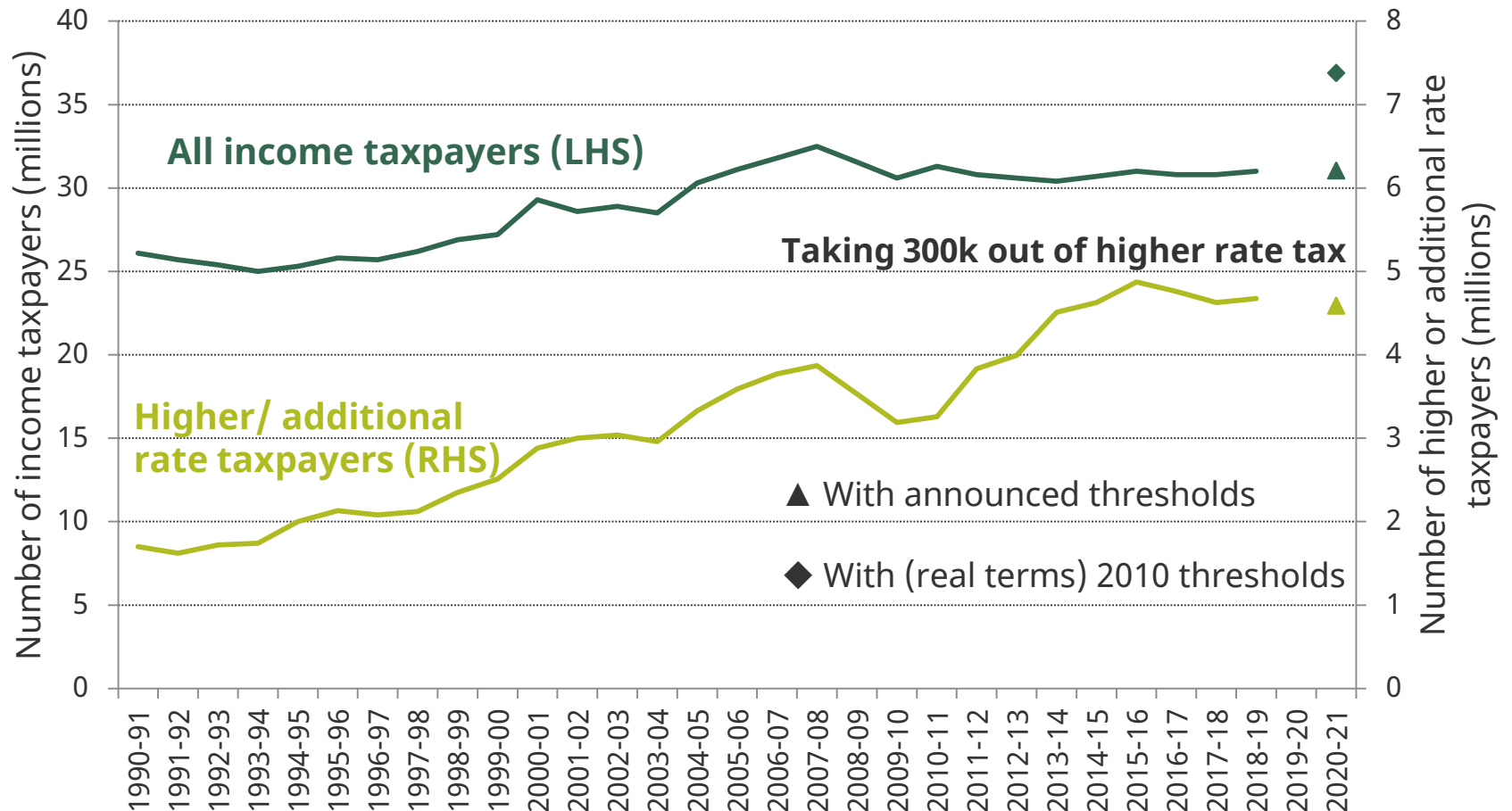
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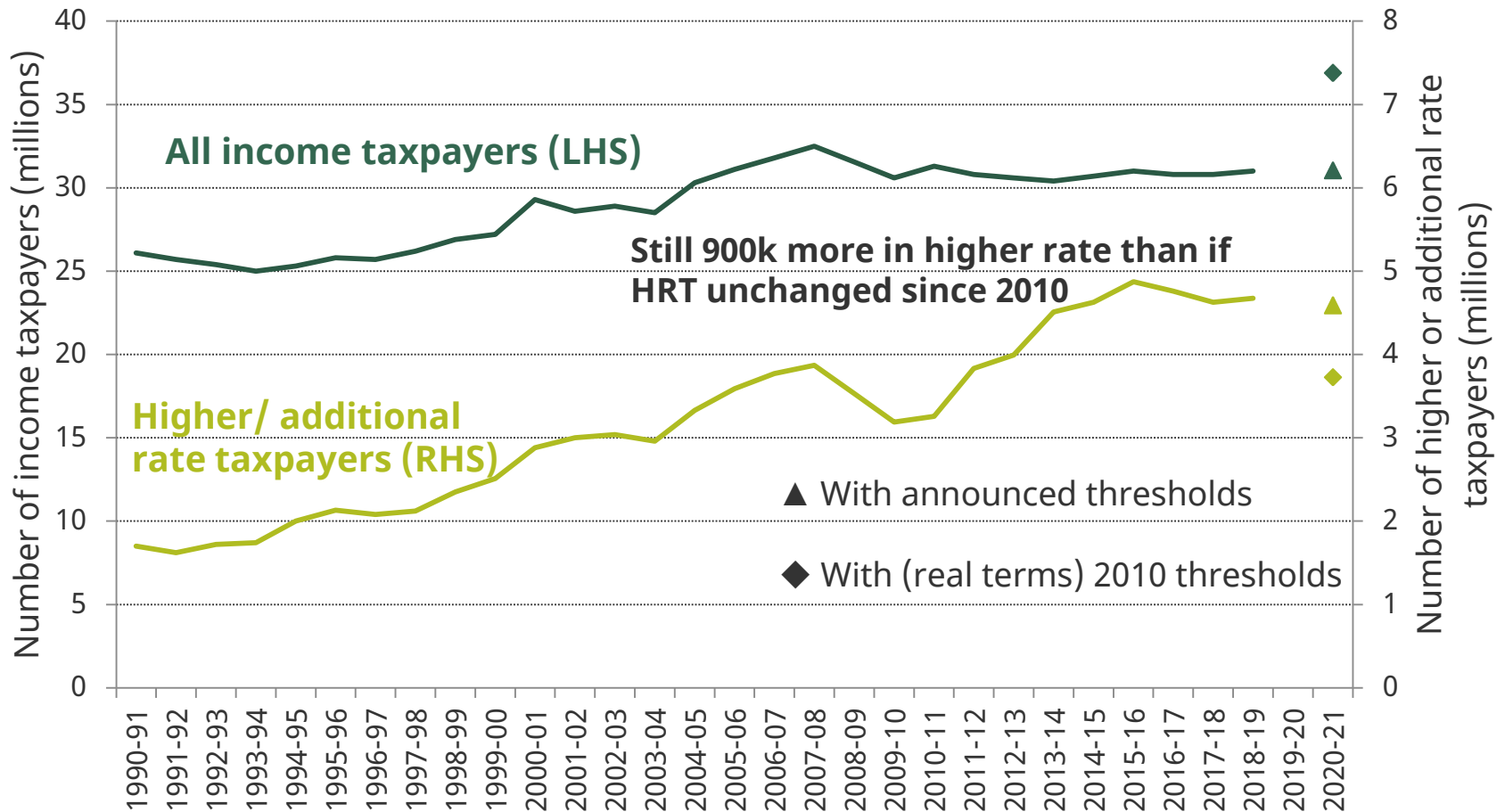
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# Universal Credit: a recap

## Universal credit (UC) replacing six major means-tested benefits

- Large potential benefits from simplification and getting rid of very weakest work incentives
- Currently 1m claimants, eventually planned to rise to c. 7m – 1 in 3 working age families – getting a total of £60bn p.a.
- Lots of losers, lots of winners, but overall a cut to entitlements – though OBR expect increased take-up
  - Recipients protected in cash terms when moved to UC

## Yesterday:

- Number of changes to ease transition, esp. for self-employed, disabled, out of work claimants
- Rollout pushed back again – more than pays for policies to ease transition
- Increase to some work allowances

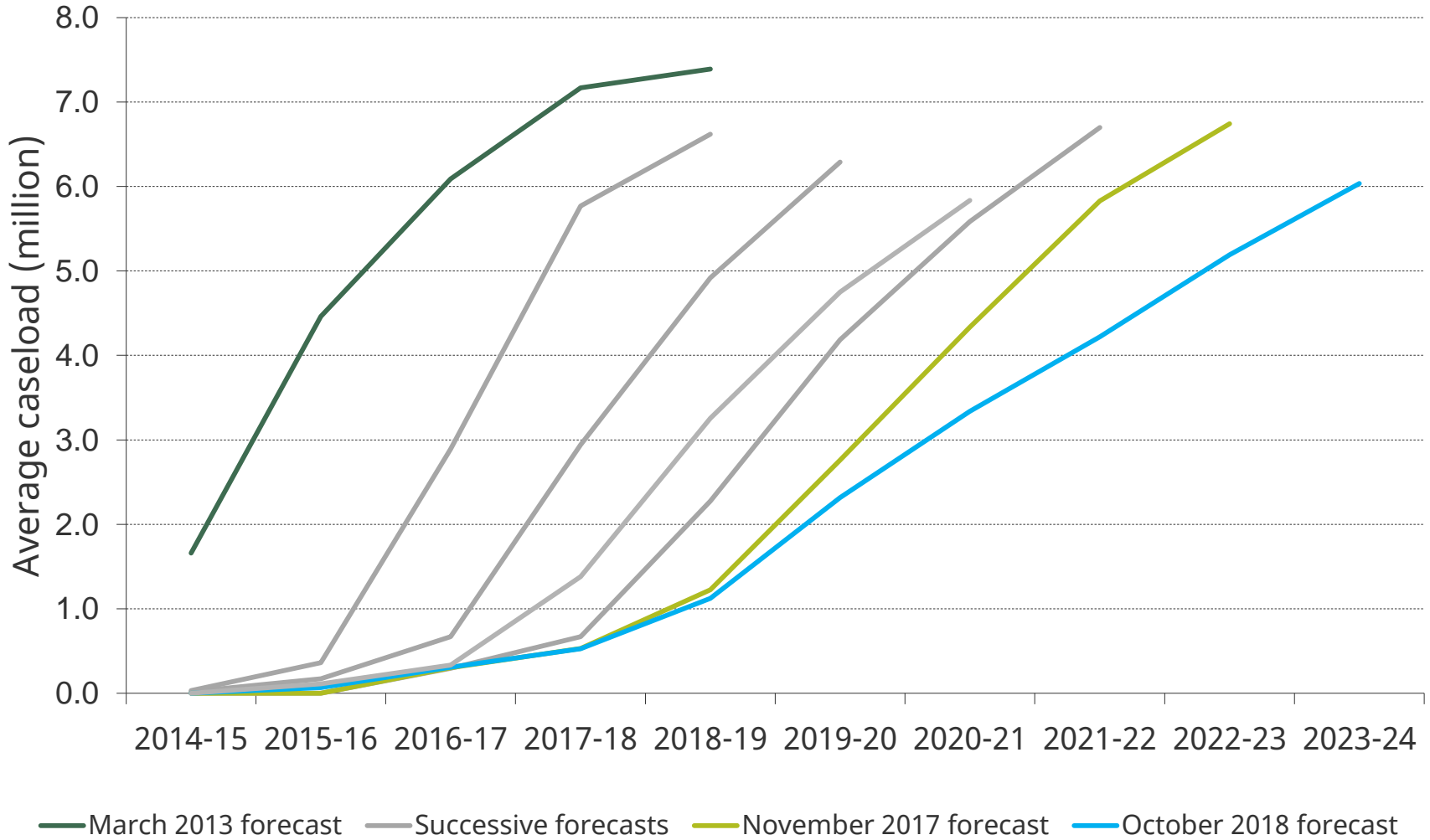
# Universal Credit rollout

**By the end of the year, almost all new working-age benefit claimants will be on UC**

**Date for existing benefit claimants to be moved over has been pushed back again**

- Full rollout now not expected to finish until mid-2024

# UC rollout



# Increase to work allowances

**Work allowances – the amount you can earn before your UC starts to be withdrawn**

**Summer Budget 2015 takeaway: cut work allowances for majority of families**

- Cut to zero for non-disabled families without children

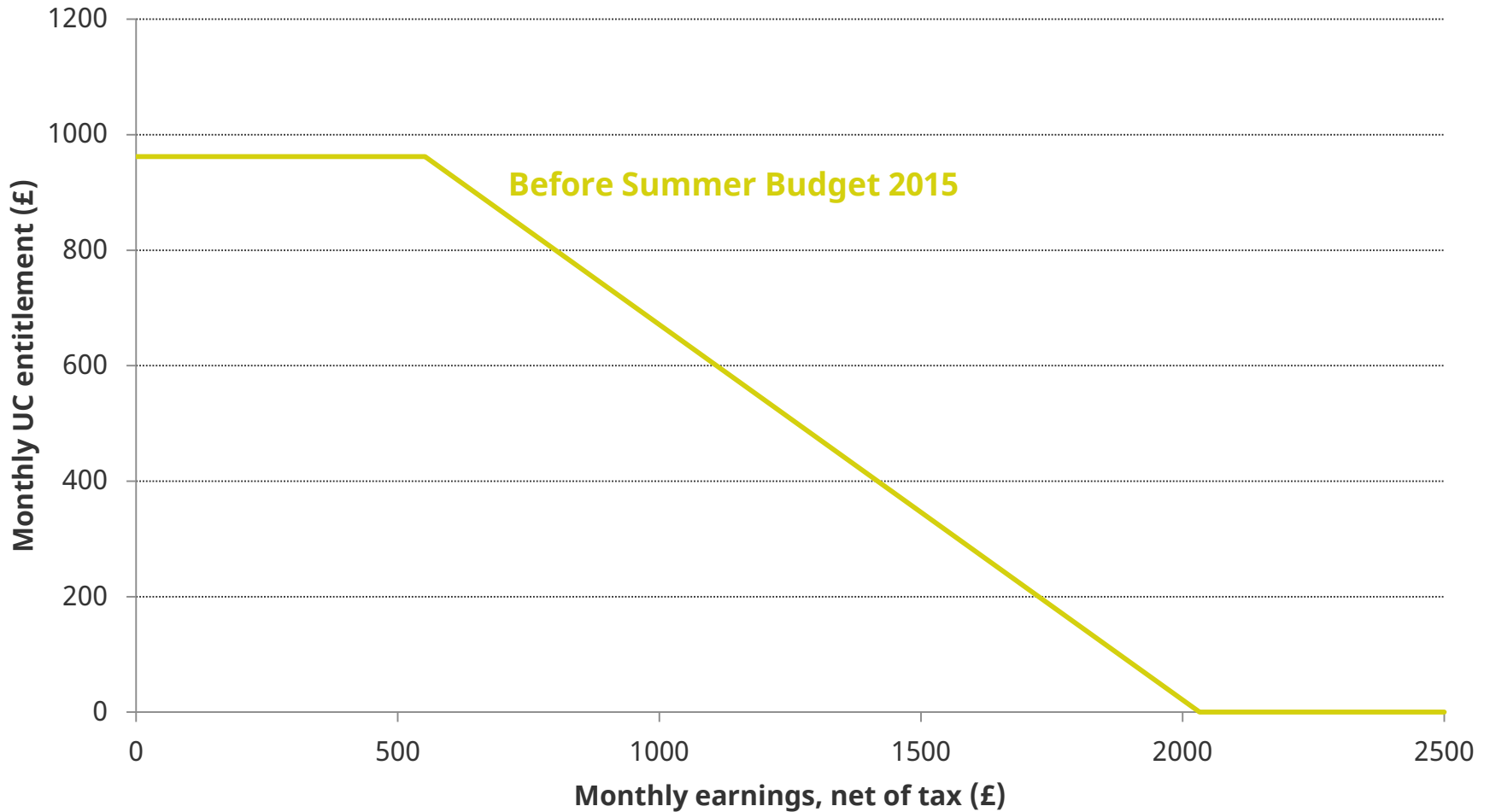
**Autumn Budget 2016 giveaway: reduced taper rate**

**Yesterday giveaway: families with children or disabled claimants see work allowance increase of £83 p.m. from 2019-20. Benefits 2.4m families by £52 p.m.**

- Still zero for non-disabled families without children
- For others, leaves work allowances for renters higher than they were before Summer Budget 2015, and lower for owner-occupiers

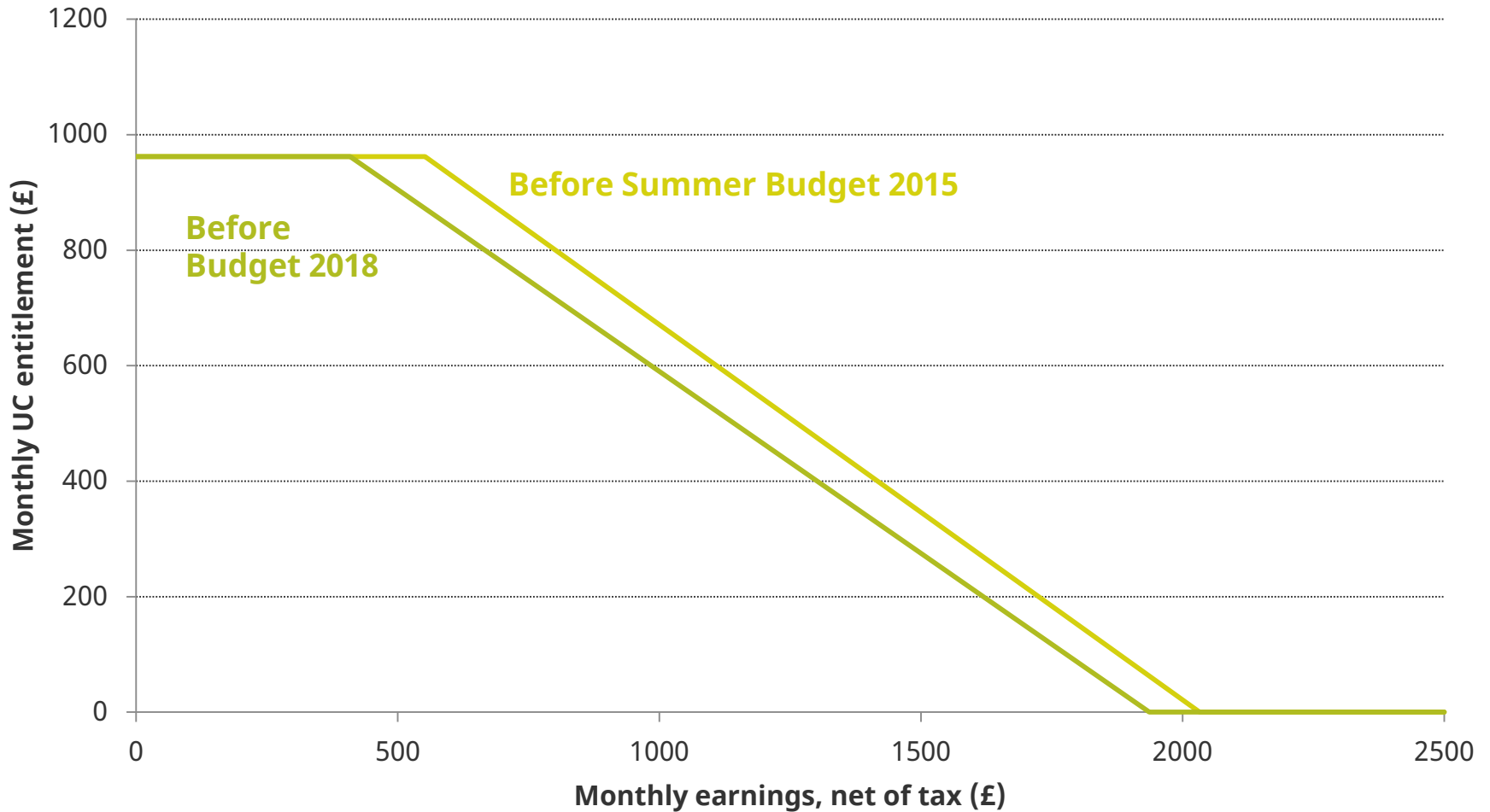
# Increase to work allowances

## Couple with two children, owner-occupiers



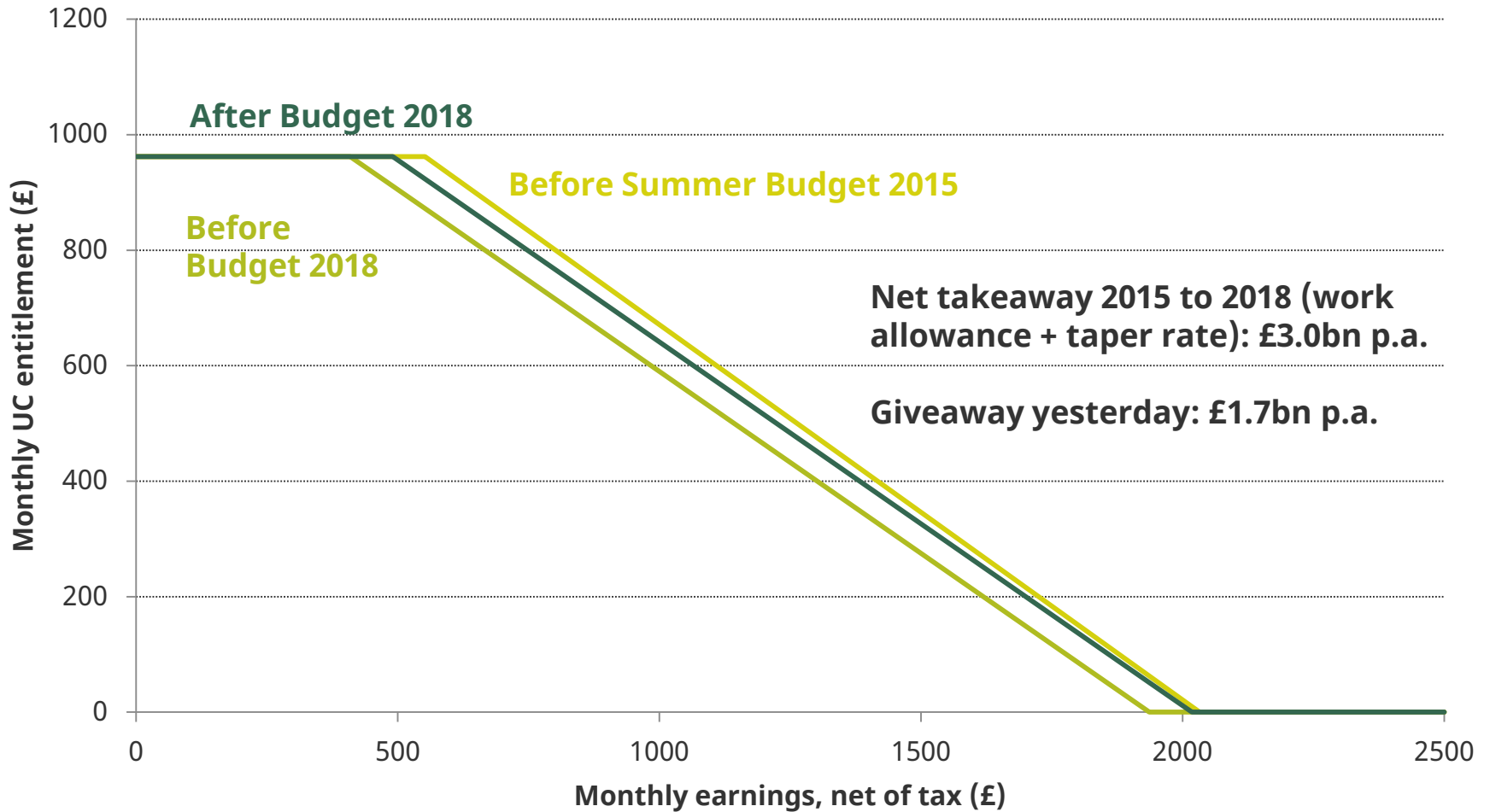
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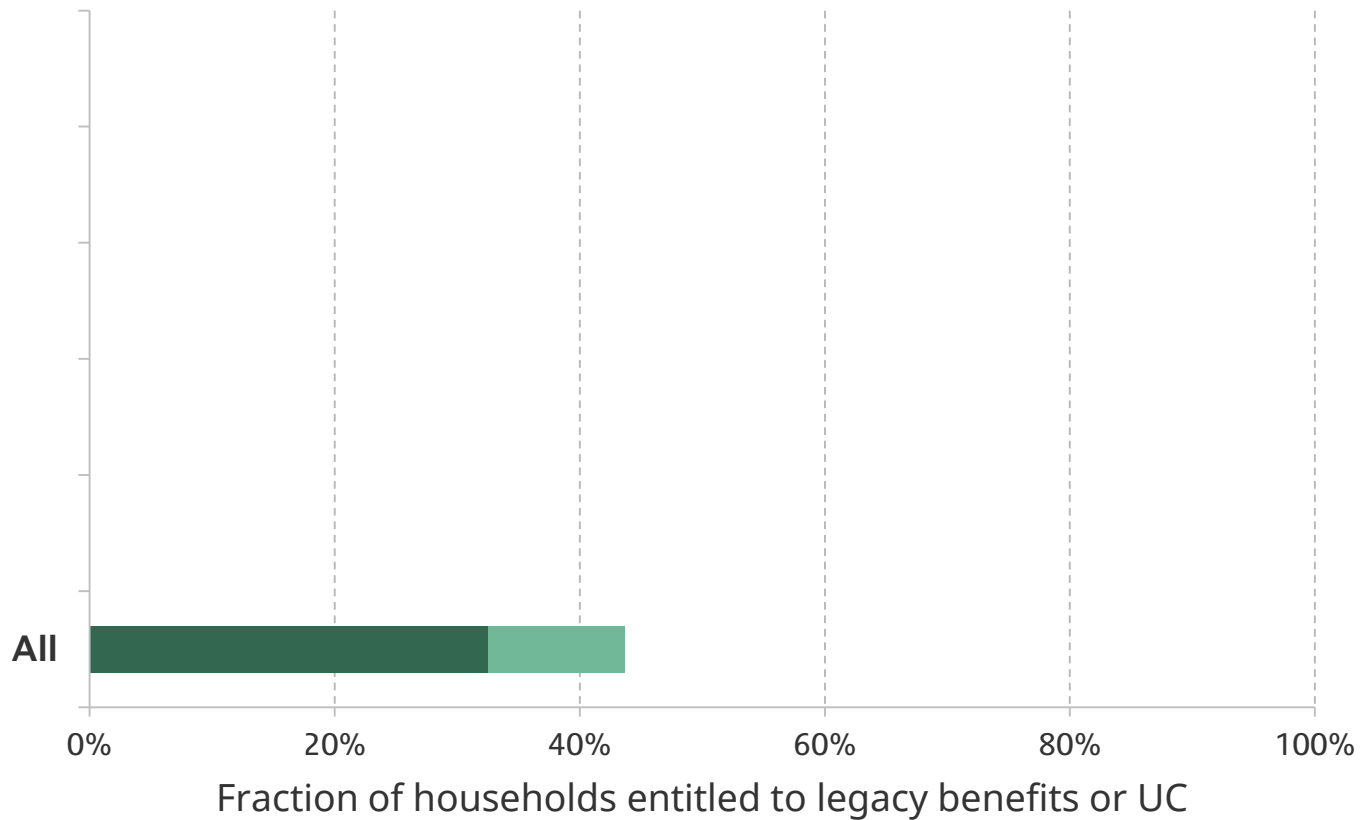
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## Change in annual entitlement among those entitled

■ Lose > £1000   ■ Lose £100-£1000

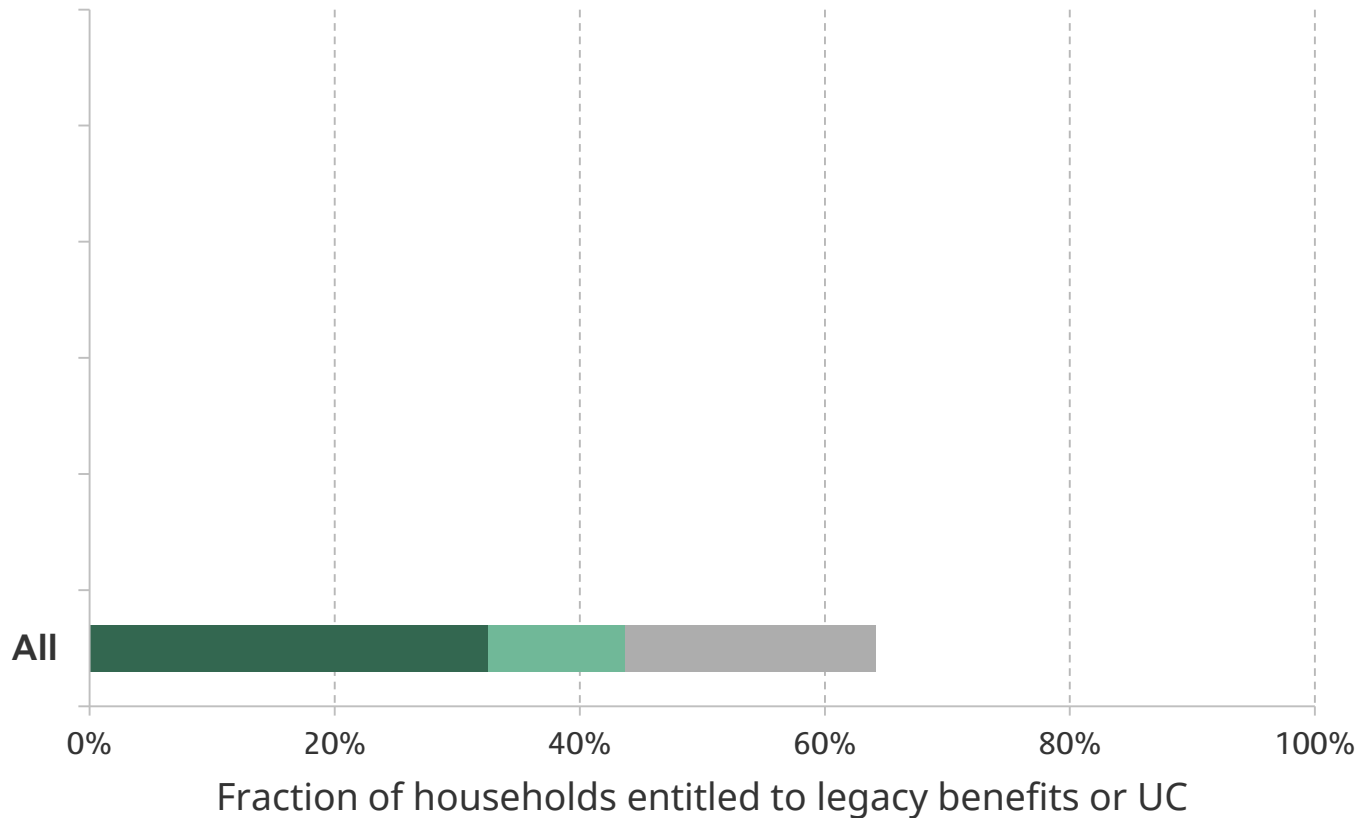


Note: Four household types do not include multiple family households or pensioner households

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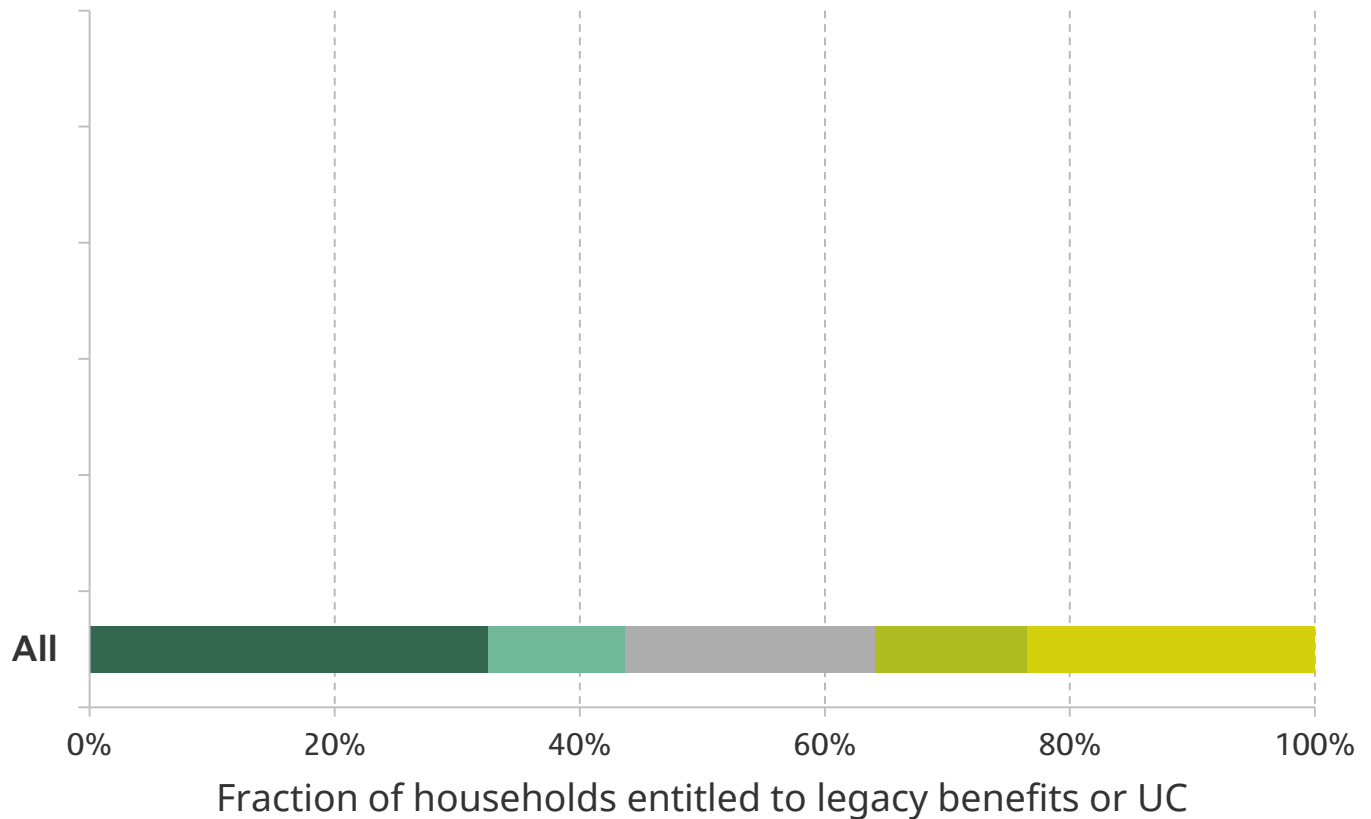


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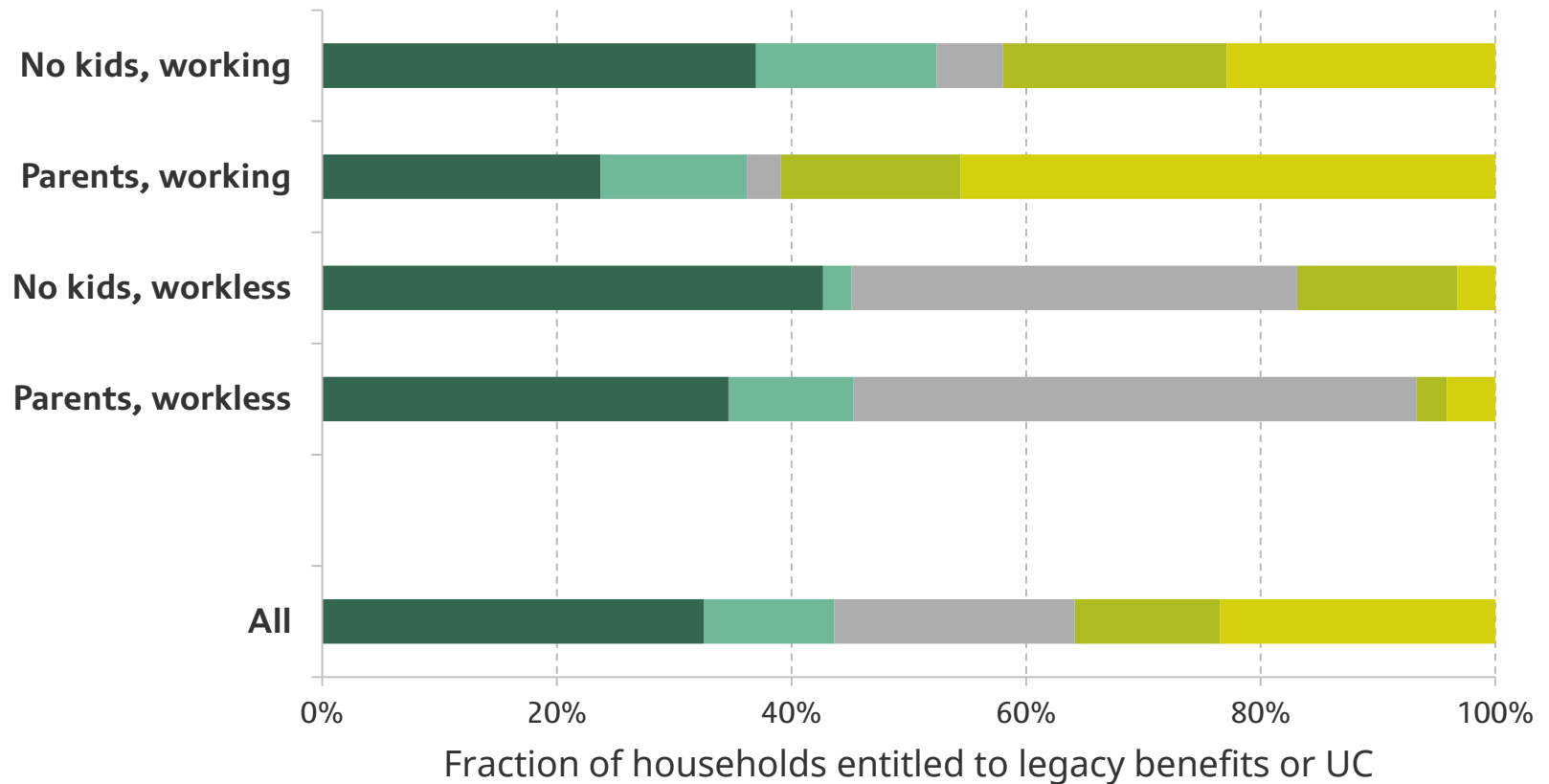


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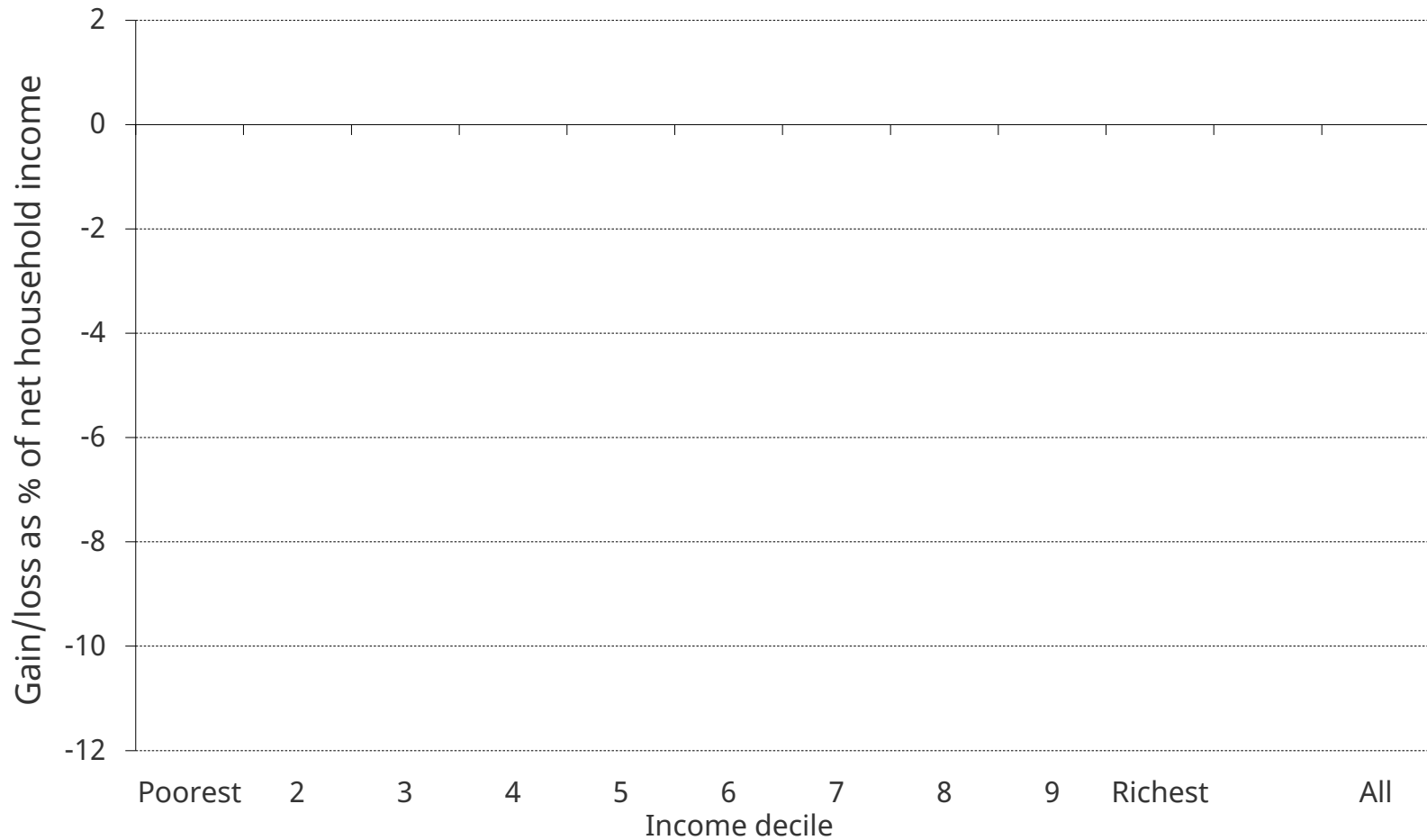
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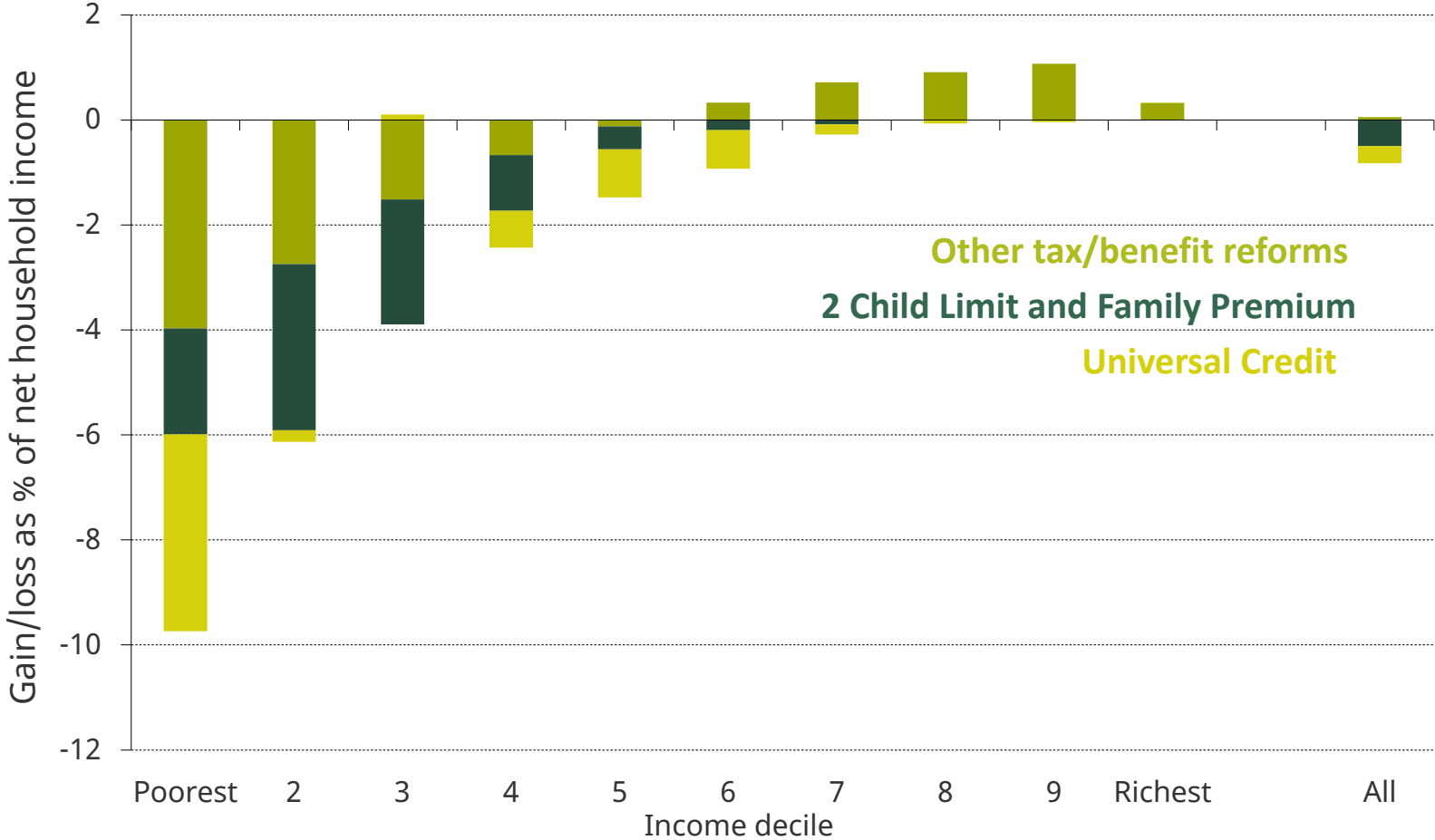
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# Long run impact of personal tax/benefit reforms since 2015



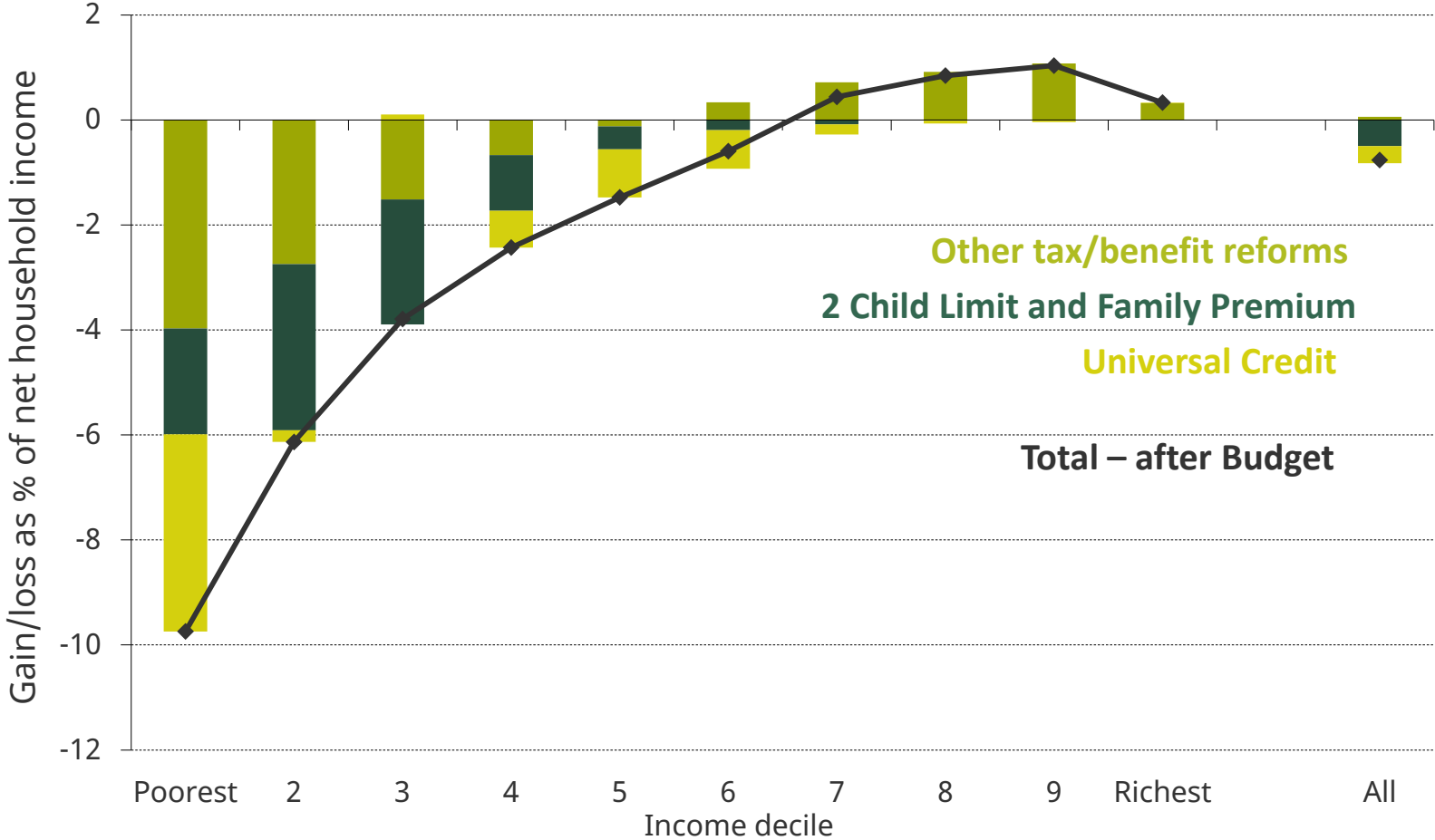
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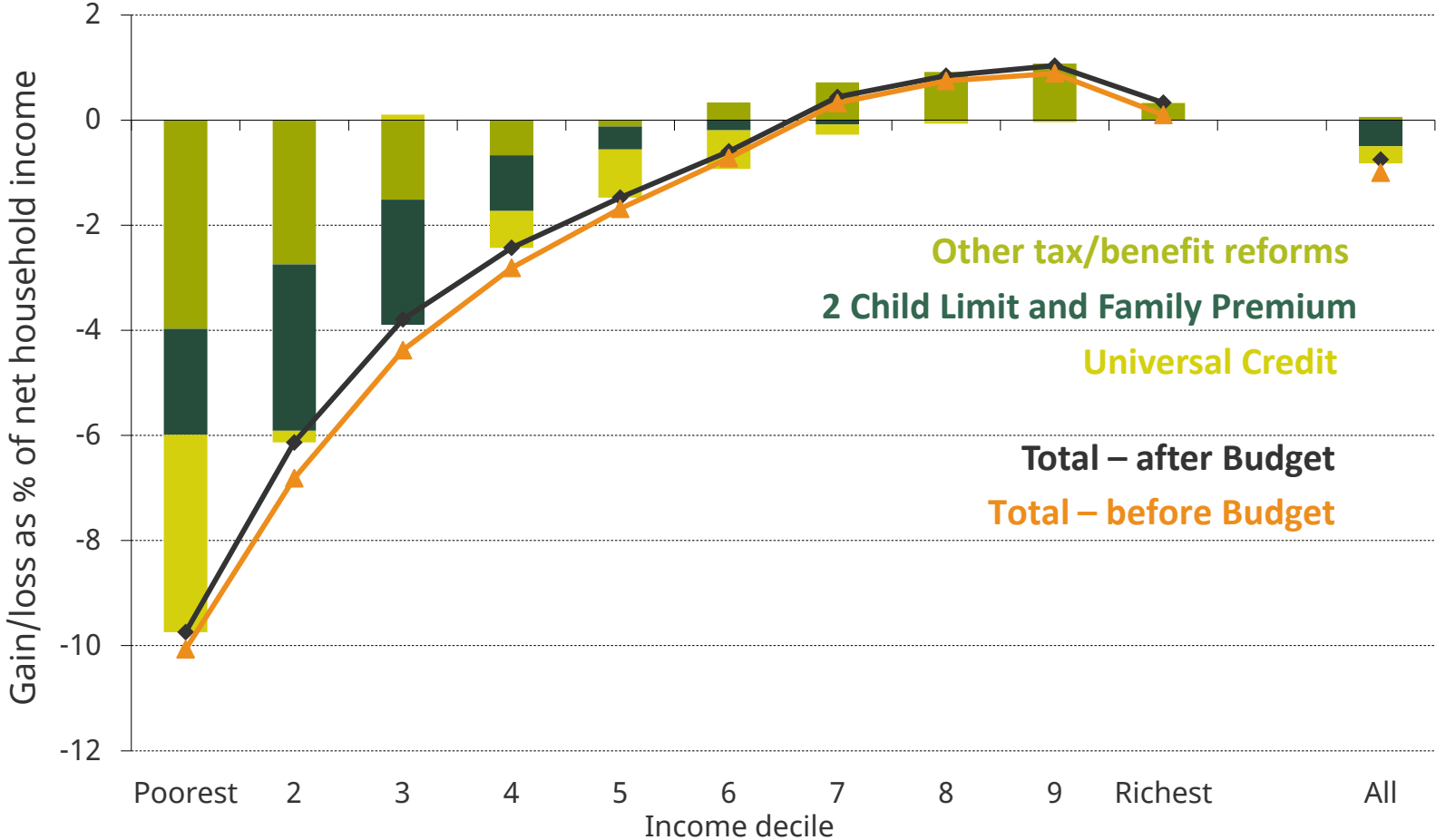
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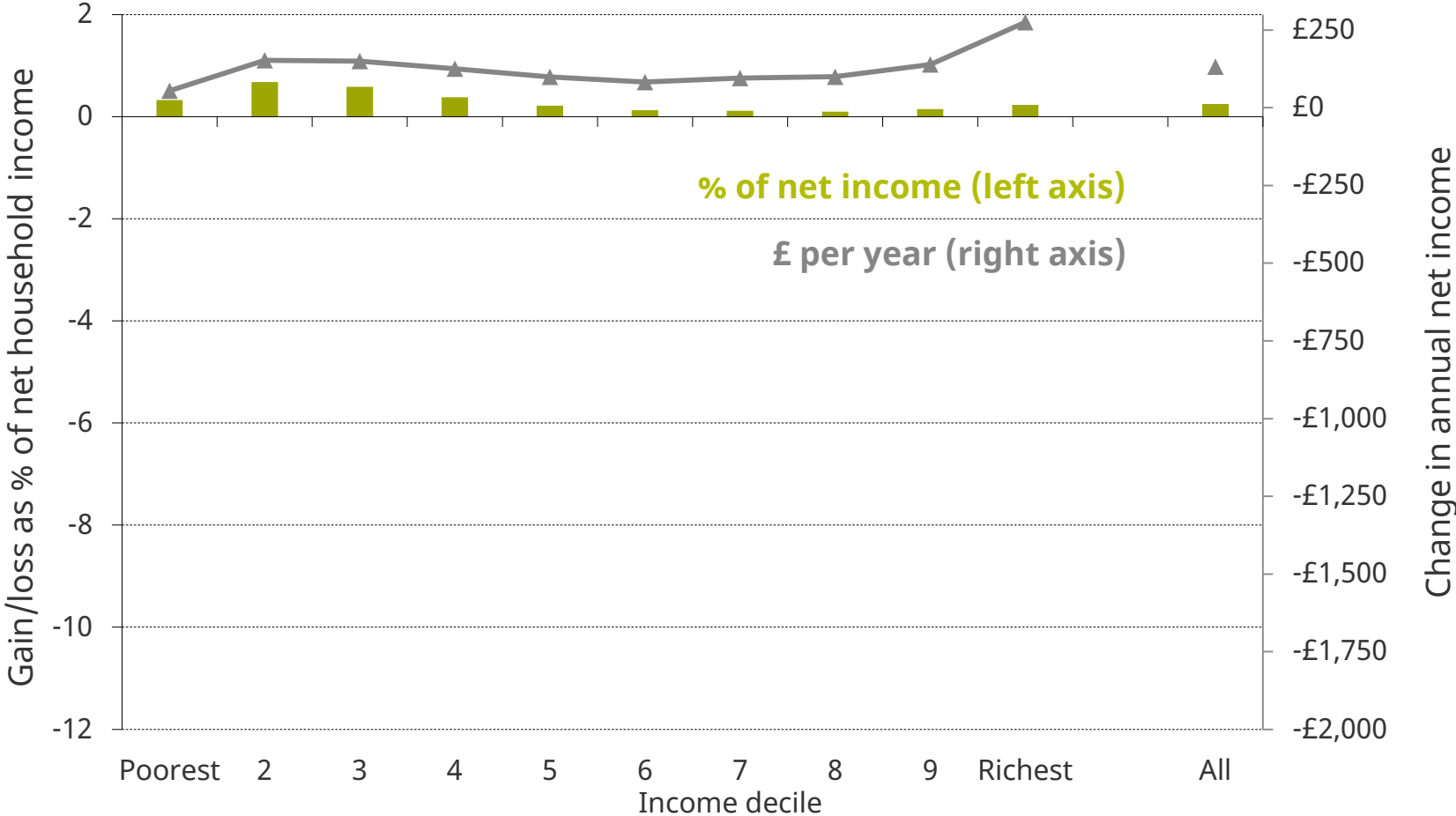
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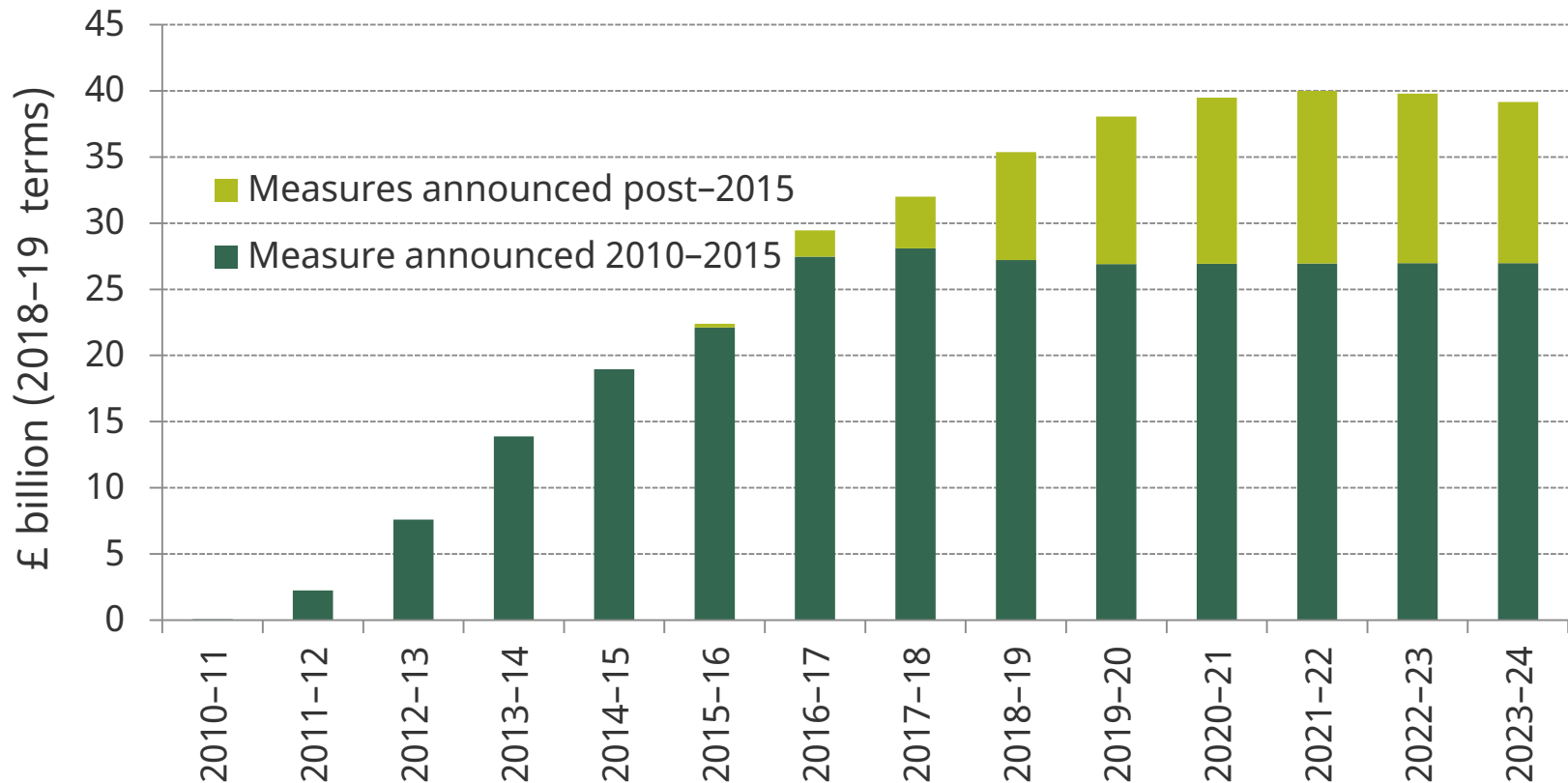
# Long run impact of personal tax/benefit reforms announced yesterday



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# Still more social security cuts to come

Forecast saving from social security measures announced since June 2010



Note: Effect of move to CPI indexation held constant from 2015-16 onwards; Excludes triple lock.

Source: Office for Budget Responsibility *Policy Measures Database*, various *Economic and Fiscal Outlook*; IFS calculations.

# Conclusion

**Modest income tax giveaway, especially benefiting higher rate taxpayers**

## **Universal Credit changes**

- Protections introduced may ease transitions
- ... the timings of which are again pushed back
- Work allowance giveaway partly undoes previous takeaways
- But still many winners and losers
- And many other benefit cuts since 2015, only partly implemented