

Measures directly affecting households

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Outline

- Tax rises on businesses pay for give-aways to households
- Who gains?
- Focus on policies for pensioners

Main changes affecting households: permanent

- Threshold for stamp duty on residential housing doubled
- Rise in child tax credit until 2007
- Current ISAs limits extended to 2010
- Inheritance tax threshold to £300,000 by 2007
- No benefit cuts for pensioners in hospital, free bus passes
- Freeze in air passenger duty, some VED rates, some alcohol duties
- Cost: £0.3bn / 1.2 bn / 1.6bn

Main changes affecting households: 2005 only

- £200 for pensioners not on pension credit guarantee
- Fuel duties to rise in September, not April
- Cost: £1.0bn

Who gains?

- Can directly attribute gains from:
 - Child tax credit, help with council tax, stamp duty, freezing fuel duties
Cost £1.8bn / 0.5bn / 0.7bn
- Do not attribute
 - Other policies directly affecting households
Cost £0.1bn / 0.7bn / 0.9bn
 - Tax rises directly affecting businesses
Yield £2.0bn / 1.4bn / 1.4bn
 - Assume these are distributed equally
- Pre-announced changes benefit poor pensioners and parents (not shown)

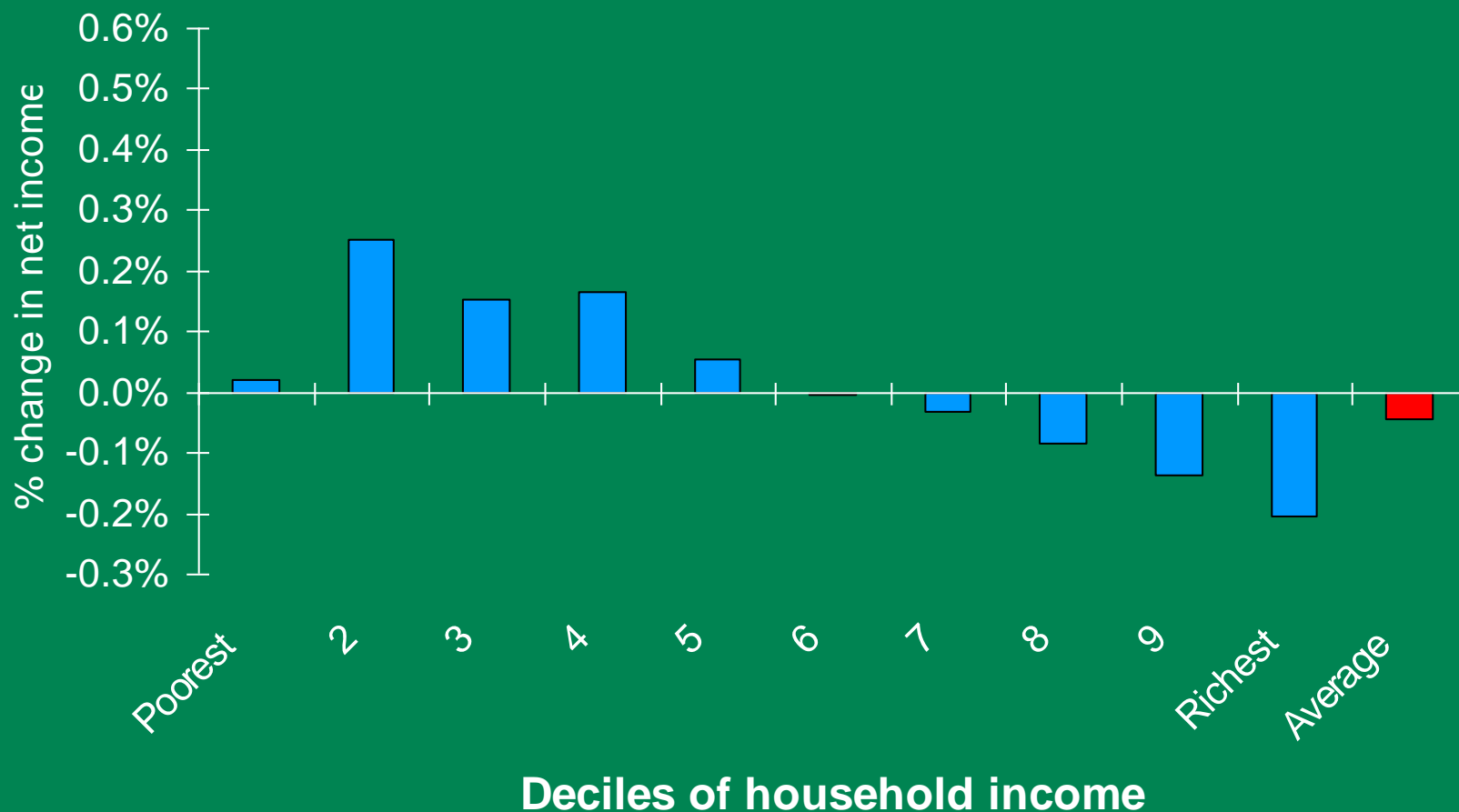
A pre-election giveaway...

Distributional effect in 2005/6 of main reforms affecting households in Budget 2005



...or a fiscal tightening?

Distributional effect in 2005/6 of all reforms in Budget 2005



After the temporary measures

Distributional effect in 2006/7 of main reforms affecting households in Budget 2005



After the temporary measures

Distributional effect in 2006/7 of all reforms in Budget 2005



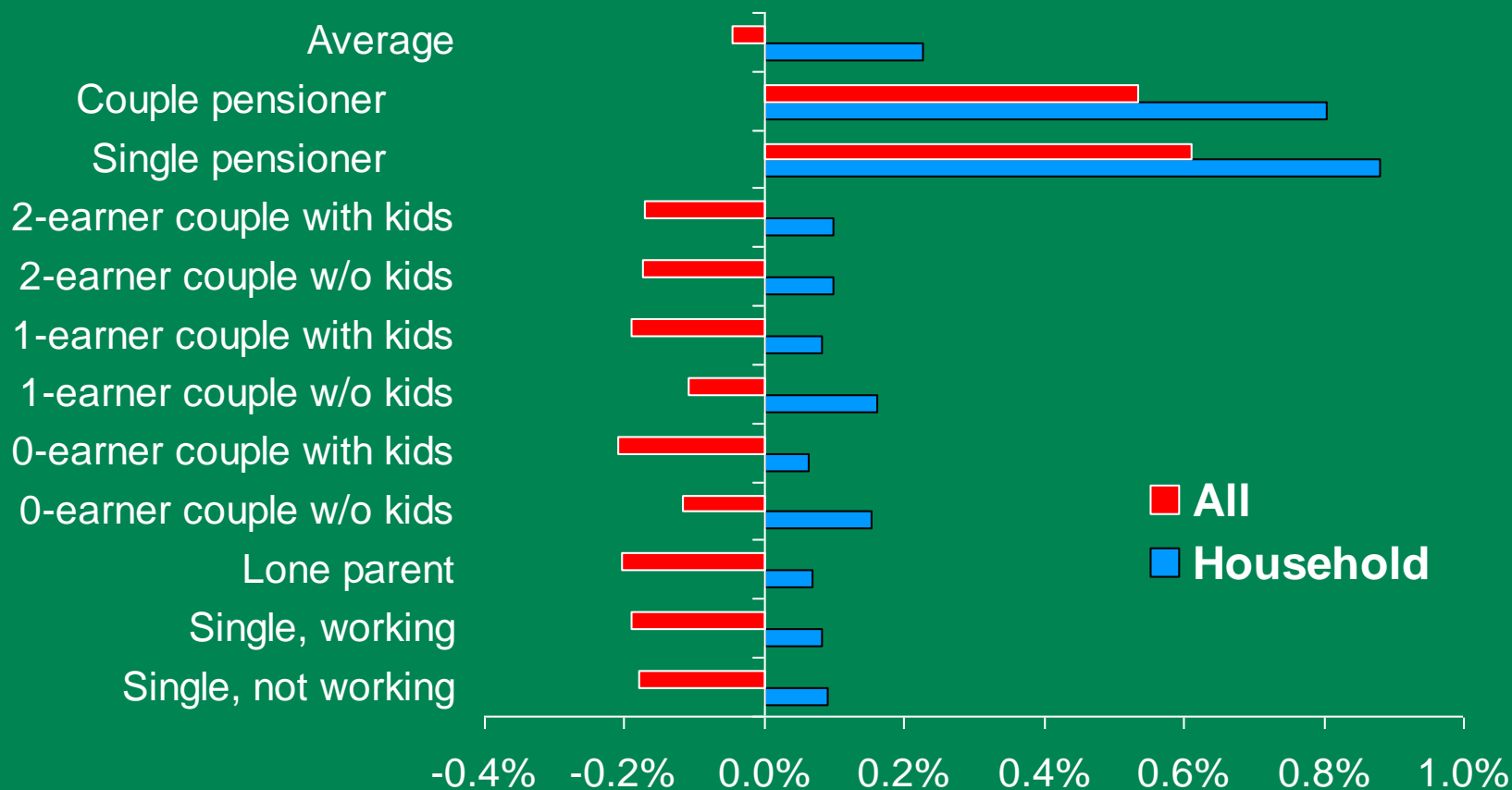
All measures since 1997

Distributional effect in of all reforms announced since Budget 1997



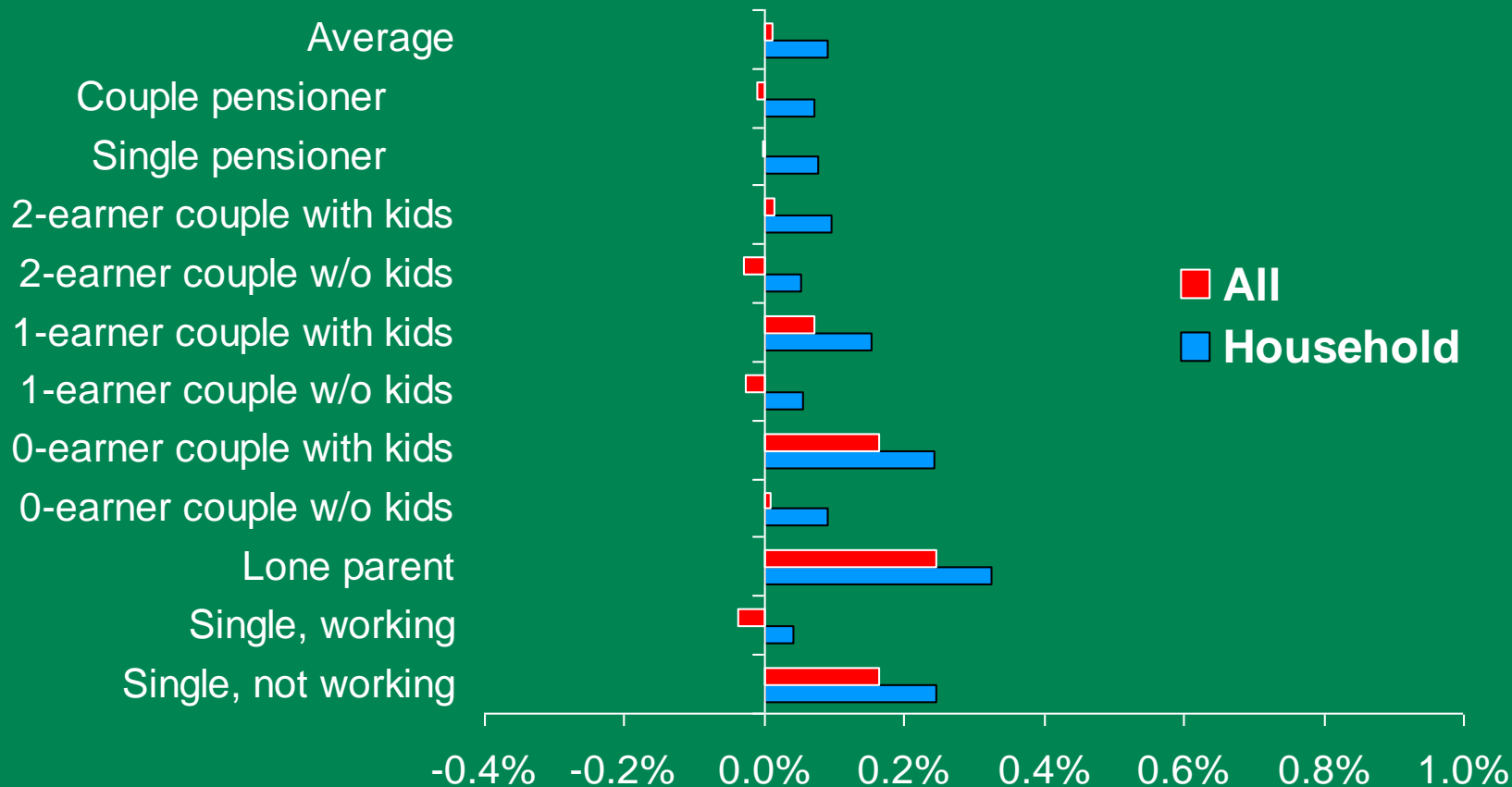
Change by household type

Distributional effect in 2005/6 of reforms in Budget 2005



Change by household type

Distributional effect in 2006/7 of reforms in Budget 2005



Winter fuel allowance: a brief history

1997, 1998	£20 (£50 if on means-tested benefits)
1999	£100
2000 – 2002	£200 (NB: PBR 2000 announced “one-off” £200 for winter 2000)
2003	£200 for 60-79, £300 for 80+
2004	£200 for 60-79, £300 for 80+ Plus “one-off” £100 for 70+
2005	£200 for 60-79, £300 for 80+ Plus “one-off” £200 if 65+ and pay council tax Plus “one-off” £50 if 70+ and don’t pay council tax
2006	£100

Helping pensioners pay council tax

Labour	Conservatives	Liberal Democrats
£200 if over 65 and pay net council tax	Net council bill halved if all in household are 65 or over and live in England	Council tax replaced by local income tax

Helping pensioners pay council tax

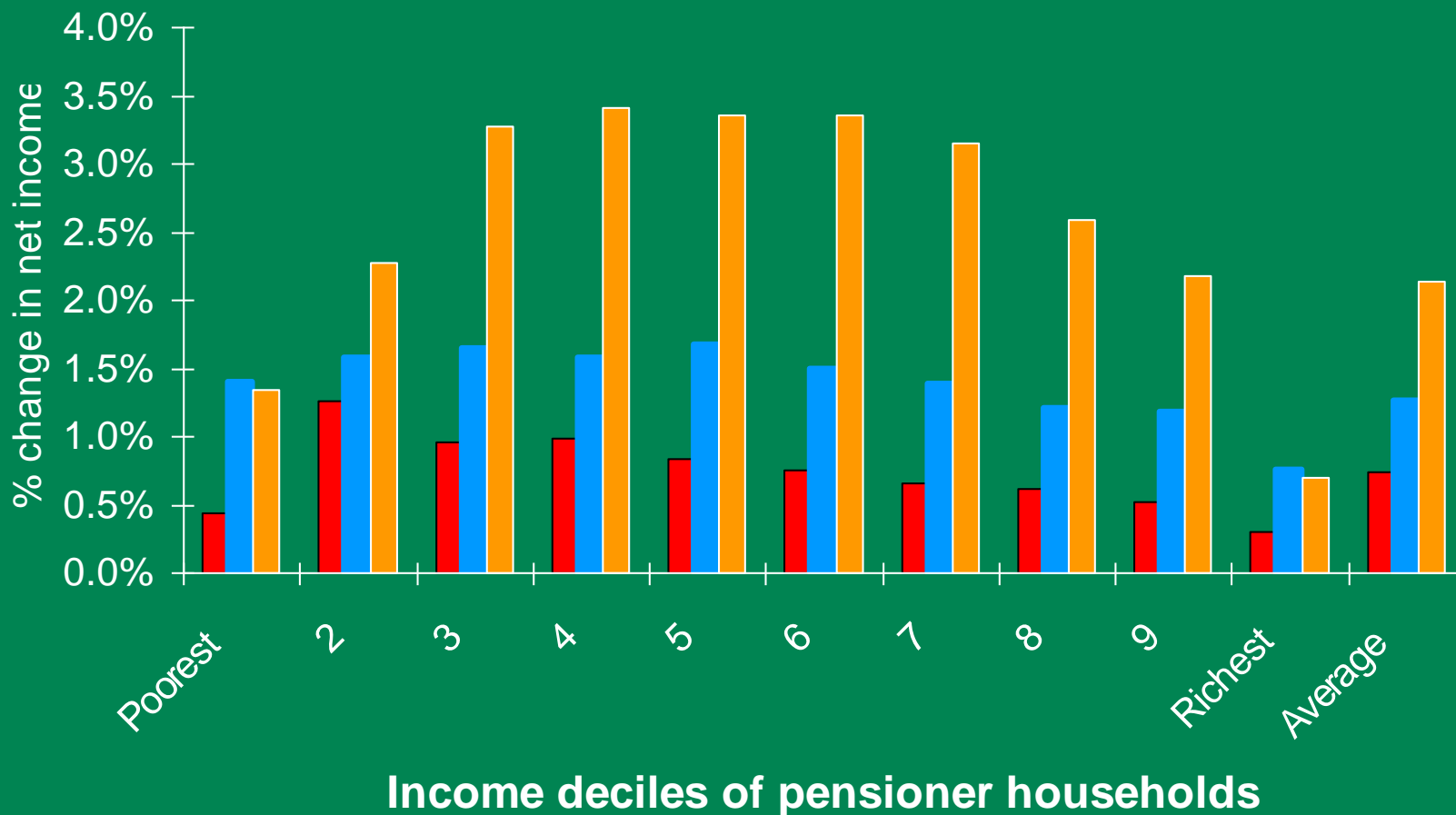
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<p>4.7m households would gain. No losers. Poorest unaffected.</p> <p>“Cliff-edge” as council tax benefit tapered away.</p> <p>Does not benefit women aged 60-64 unless live with adult aged 65+</p>	<p>3.8m households, would gain. No losers. Poorest unaffected.</p> <p>Unclear what would happen to households in Scotland and Wales.</p> <p>Does not benefit pensioners under 65 or those living with adults under 65</p>	<p>Around 4.5m pensioner families would gain. <0.3m losers. Poorest unaffected.</p> <p>Adults of all ages could benefit, depending on income and council tax bill</p>

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Cost: £800m in 2005 only	Cost: £1.3bn a year	Cost: £2.1bn a year

Who would gain?

Distributional effect of schemes to help pensioners pay council tax



Note: These numbers are preliminary and will be updated in our election commentary.

Conclusions

- Tax rises on businesses pay for give-aways to households
- Pensioners, motorists and home-owners gain in 2005
- Home-owners, bus-using pensioners, and parents gain in 2006
- Labour's policy to help pensioners pay council tax costs less than opposition parties', and is only funded for 2005