

Liberal Democrats' Manifesto Plans

The IFS today published an analysis of the Liberal Democrat proposals on tax and benefit reform: IFS election briefing note 8. It is available free from the IFS website www.ifs.org.uk/election/ebn8.pdf

Wednesday 16 May 2001
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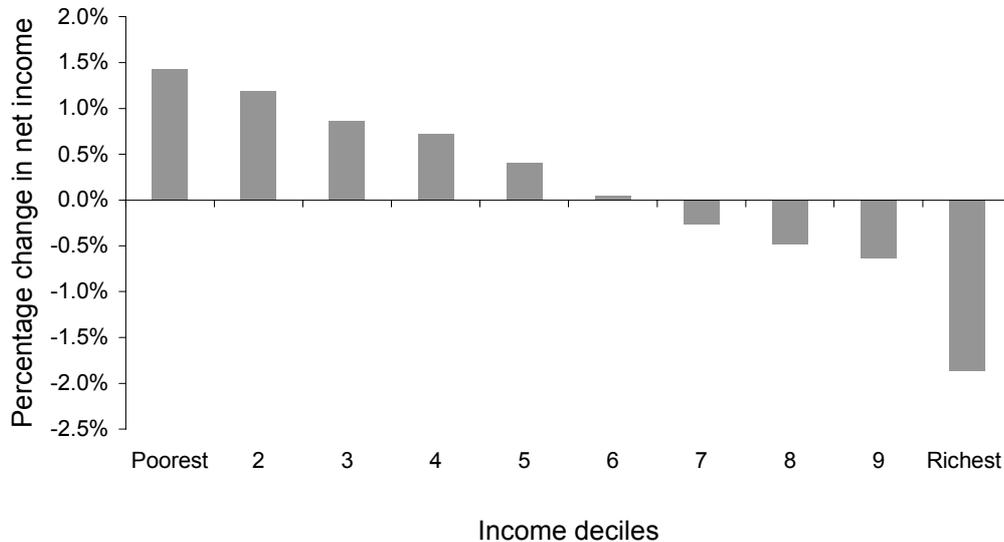
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The Liberal Democrats propose a range of tax increases to fund higher public spending: an increase of 1p in the basic rate of income tax, a new 50% rate on incomes over £100,000 and increased capital gains tax. The

average effect of the measures on household disposable income is negative, even though the plans would increase pensions, because a large part of the tax increase is allocated to increased spending on public services. The distributional impact of the measures is shown in the Figure.

Distributional effect of Liberal tax and benefit reforms



The effects are progressive, with gains on average in the bottom 60% of the income distribution and losses in the top 40%.

The Liberal Democrat manifesto openly accepts that public spending increases require tax increases. The proposed tax increase would still leave UK tax as a share of GDP below the level of most European economies.

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