

Personal tax and benefit reforms

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Outline

- What is usually set in the PBR
- Changes we already knew about
- Yesterday's announcements

What is usually set in the PBR

- Benefit and tax credit rates and thresholds
- National Insurance rates and thresholds
- Income tax allowances

Other tax rates are set in the Budget

Changes we already knew about

Increases in:

- Pension Credit Guarantee Credit
- Higher income tax personal allowances for those aged 65+
- Per-child element of Child Tax Credit

in line with average earnings.

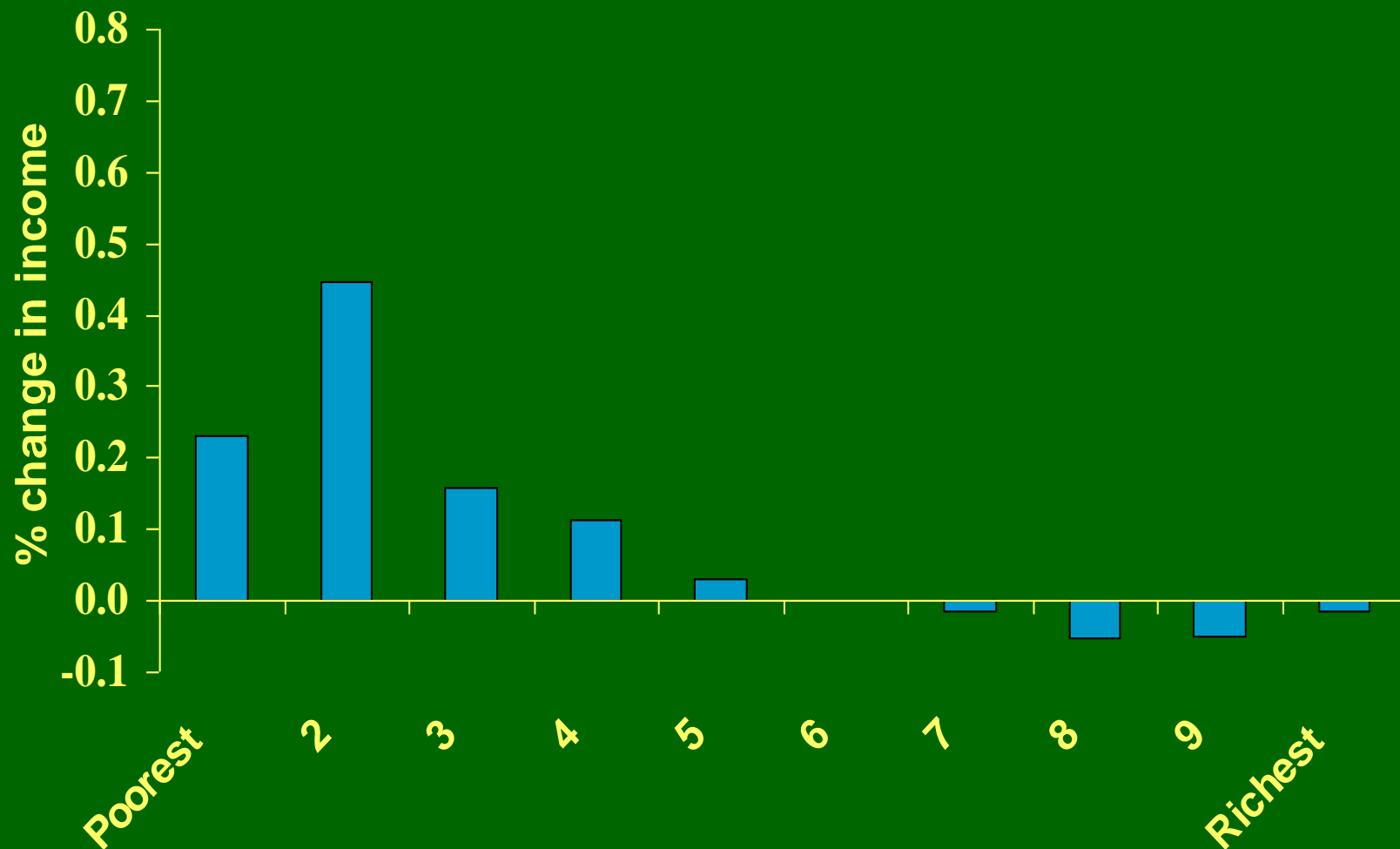
Freezes in:

- Family element (and baby addition) of Child Tax Credit
- The two main tax credit thresholds

End of “one-off” £100 winter payment to over-70s

Net effect: £150m give-away

Changes we already knew about

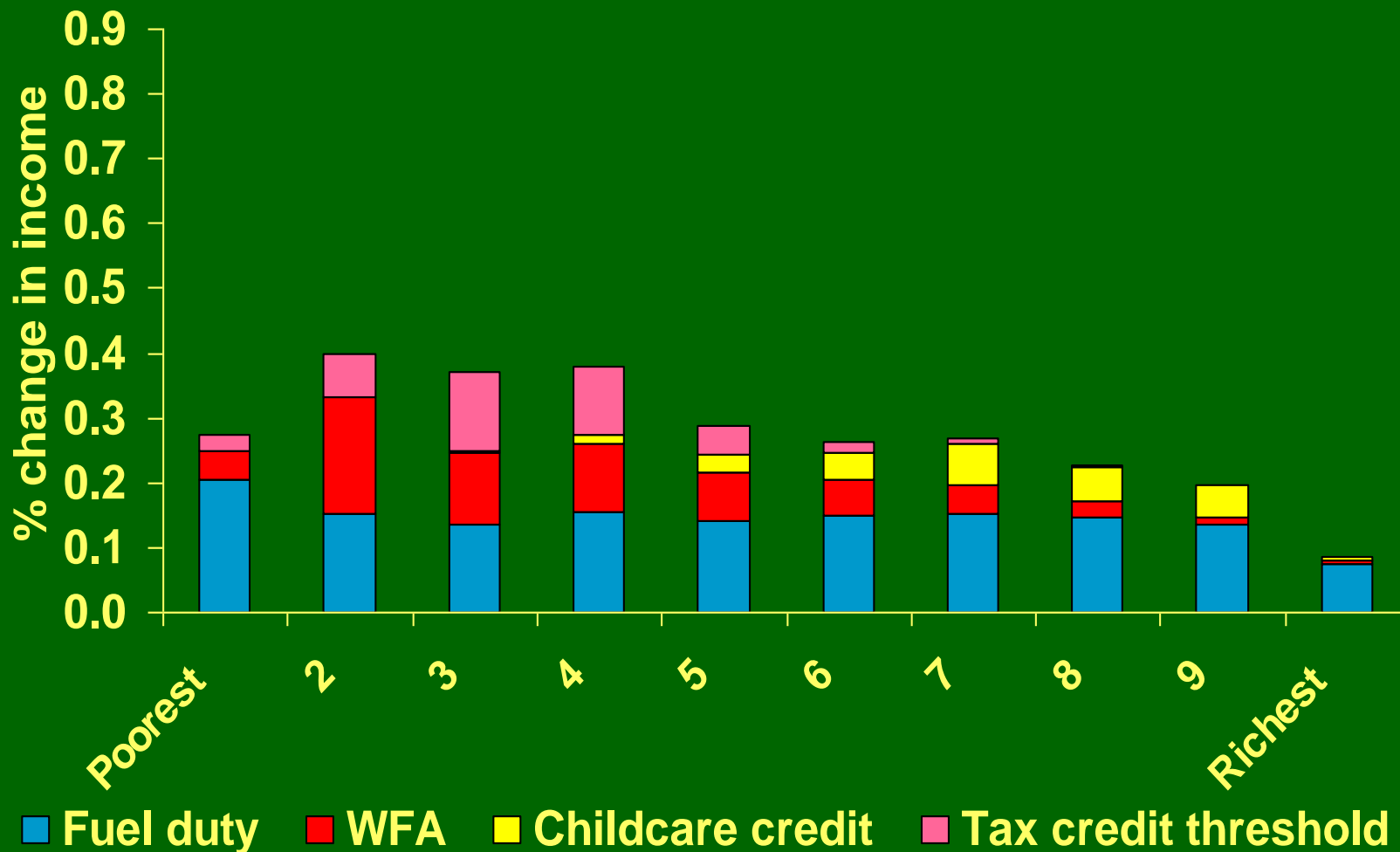


Yesterday's announcements

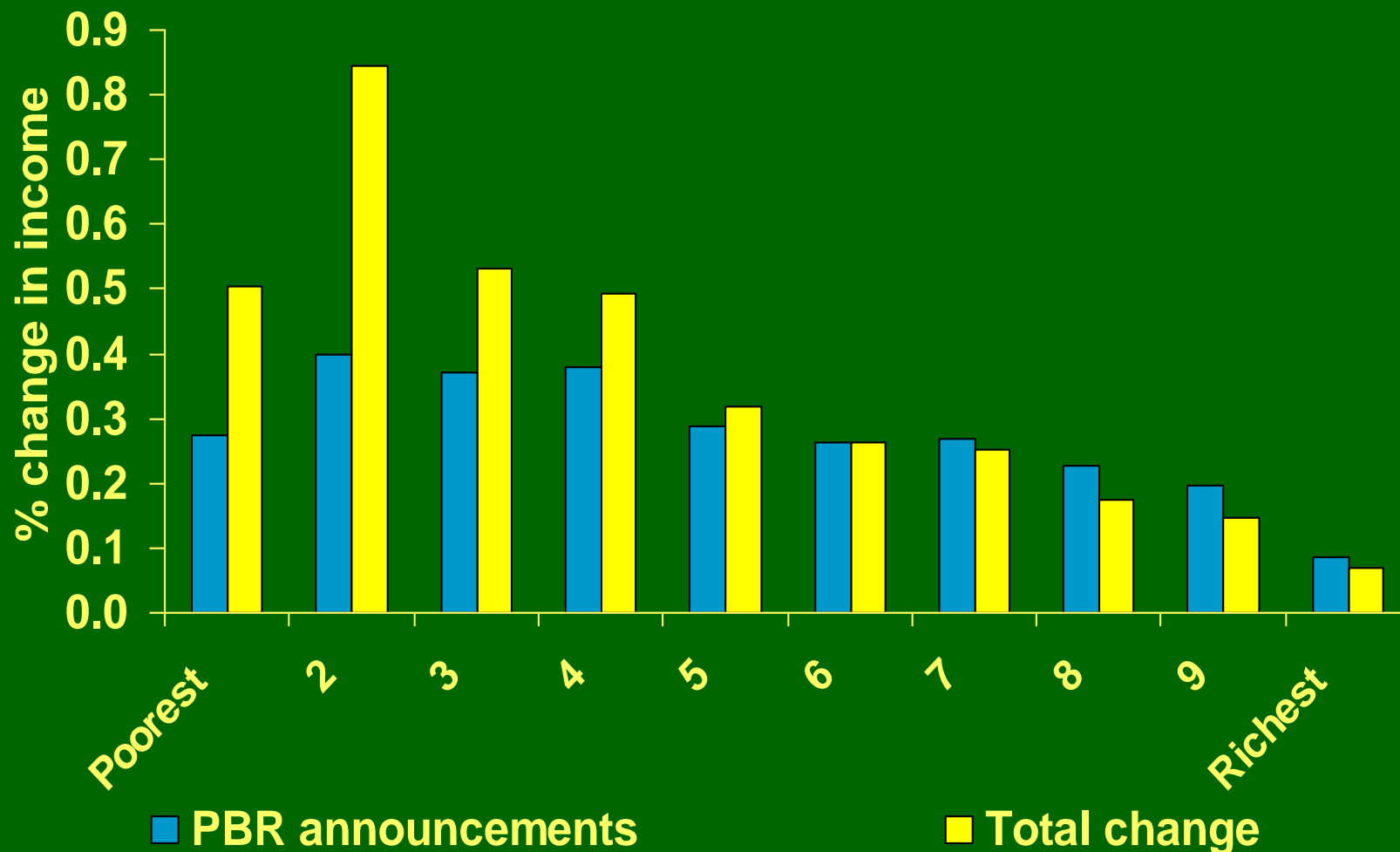
- £50 “one-off” winter payment for over-70s (cost: £260m)
- First tax credit threshold increased in line with inflation (cost: £140m)
- Childcare credit increased (cost: £160m)
 - Maximum eligible spending (£30m)
 - From 2006-07, proportion of this spending covered (£130m)
- Postponed fuel duty rise abandoned: freeze instead (cost: £665m)

Net effect: £1,225m give-away

Yesterday's announcements



Changes 2004-05 to 2005-06



Council tax reductions?

Chancellor announced an extra £967m for local authorities.

- £125m new money
- £512m cuts in departmental spending
- £330m saved through less ring-fencing and targeting

Does this mean a £967m gain for families?

- Who loses from reduced departmental spending?
- Will councils meet the targets etc anyway?
- Will councils spend extra money reducing council tax?

Yesterday's announcements

