

Personal tax and benefit reforms

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Outline

- Pensioners
- Families
- Transport
- Other
- Distributional effects

Pensioners

- Nothing new yesterday
- No repeat of “one-off” winter payments

Winter fuel allowance: a brief history

1997, 1998	£20 (£50 if on means-tested benefits)
1999	£100
2000 – 2002	£200
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 don’t receive pension credit guarantee Plus “one-off” £50 if 70+ and receive pension credit guarantee
2006 Pre PBR 05	£150
2006 Post PBR 05	£200 for 60-79, £300 for 80+

Pensioners

- Nothing new yesterday
- No repeat of “one-off” winter payments
 - Follows 11 changes announced in Labour’s 10 years
 - Pensioners lose £1bn compared with 2005-06
- Pension Credit Guarantee increases in line with earnings
 - Pensioners gain £0.7bn compared with 2005-06

Families (1)

- Had already announced £0.3bn give-aways
 - Childcare credit rises from 70% to 80% of eligible spending
 - Child element of child tax credit rises in line with earnings in 2006-07 and 2007-08
- Earnings link of child element of CTC will continue in 2008-09 and 2009-10
 - Costs £200m for each extra year
 - Seems to be main anti-child-poverty tool, but worsens work incentives
 - Not enough to hit child poverty target for 2010 anyway

Families (2)

- Child Trust Fund: payments at age 7 confirmed at £250 and £500
 - Same as payments at birth
 - Will cost around £¼ bn per year
 - First payments September 2009
 - Consultation continues on payments at later ages
- Tax and NICs relief on employer-supported childcare increases from £50 to £55 per week

Transport

- Vehicle Excise Duty made more closely related to emissions
 - Maximum payment rises from £170 to £210
 - Minimum payment falls from £65 to zero
 - Little change on average
- Fuel duty revalorisation postponed until September
 - Has been cancelled altogether in the last two years
 - By September, duty will have fallen 14% in real terms since October 2000
- Air passenger duty frozen

Other announcements

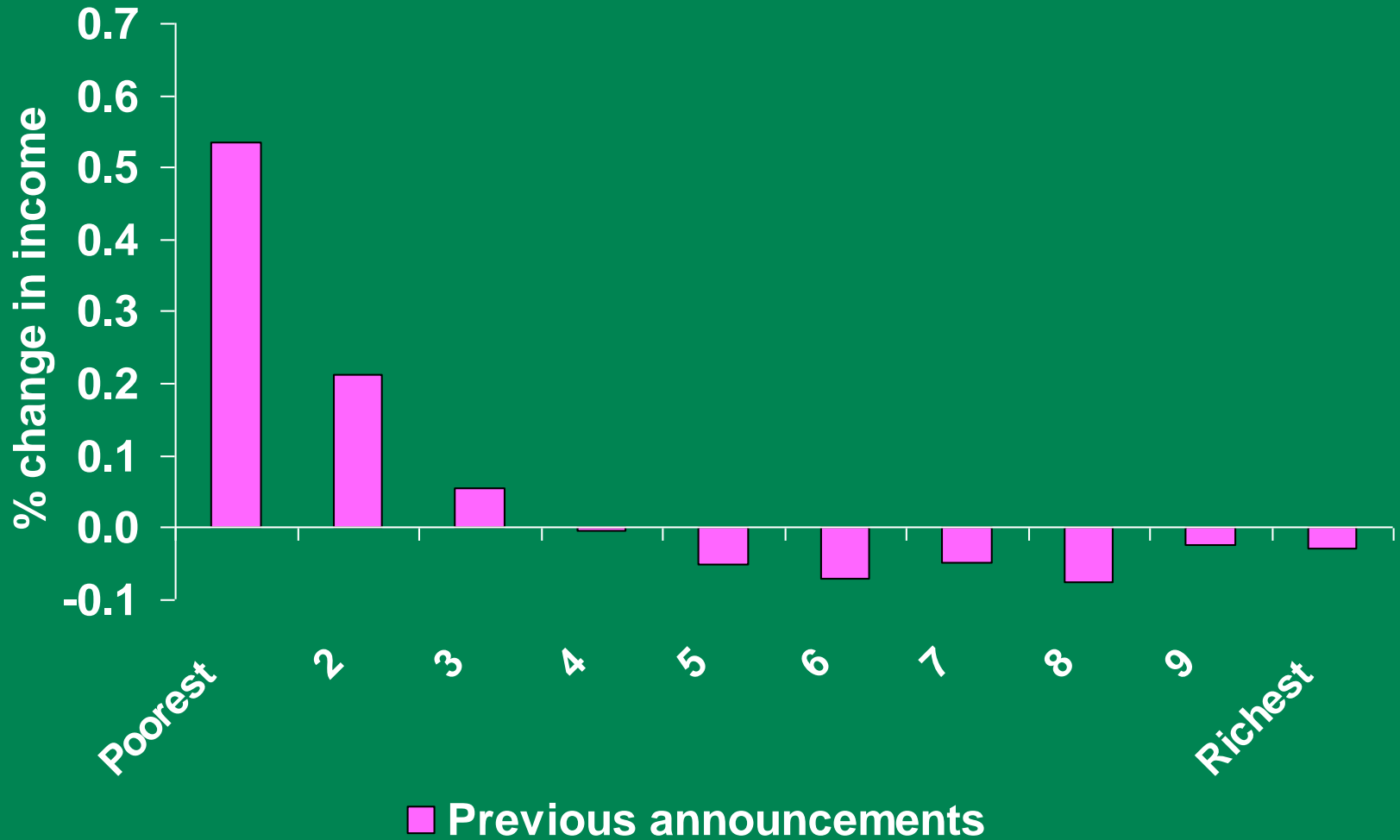
- Duty on spirits frozen
- Rise in inheritance tax threshold
 - Already rising from £275,000 now to £300,000 in 2007-08
 - Now rising to £325,000 in 2009-10
- Rise in stamp duty exemption threshold
 - In line with inflation
 - Large gains for a small number of people
- Tax relief on employer-provided computers abolished

Distributional effects

Changes already expected were fiscally neutral

- Families gain £0.3bn:
 - Child element of Child Tax Credit rises with earnings
 - Childcare credit rises from 70% to 80% of eligible spending
- Pensioners lose £0.3bn:
 - Pension Credit Guarantee increases with earnings
 - End of “one-off” winter payments

Changes 2005-06 to 2006-07



Distributional effects

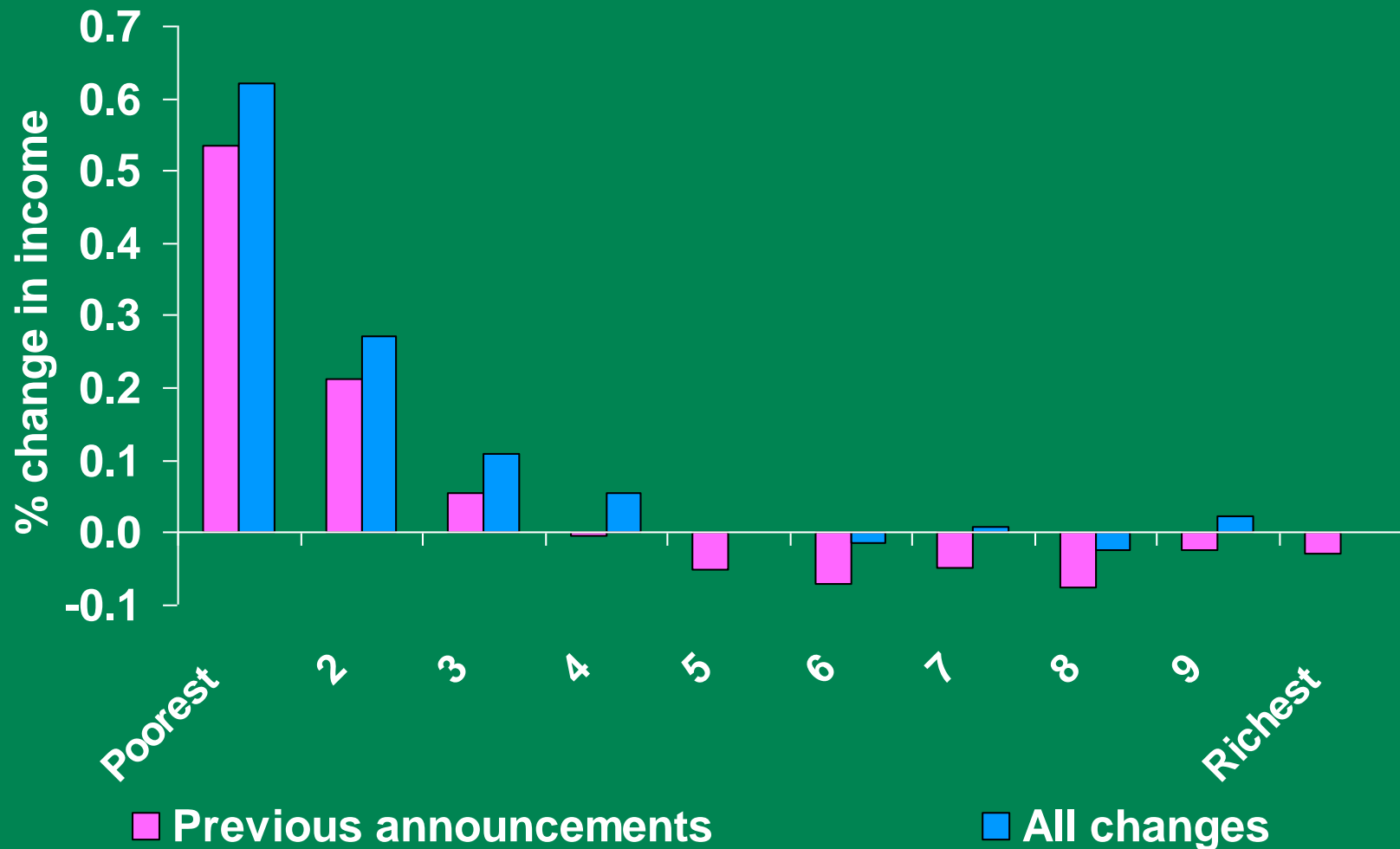
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 - Pension Credit Guarantee increases with earnings
 - End of “one-off” winter payments

Yesterday's changes were minor and difficult to model

- Most new spending doesn't happen until at least 2008-09
- Only show freeze in spirits duty and 5 months' fuel duty

Changes 2005-06 to 2006-07



Conclusions

- Very little announced yesterday
 - Changes we already knew about are much more significant
 - Most new spending postponed until 2008-09
- Nothing for pensioners
- Small give-aways for families with children
- Fall in cost of motoring
 - Not clear that reforms benefit the environment