



Institute for
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Personal tax and benefit changes

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What we already knew about

In 2010/11:

- 50% income tax above £150,000, and personal allowance phased out over £100,000.
- £20 increase above indexation in child element of Child Tax Credit
- £50 (£100) increase in winter fuel payment to 60+ (80+) being withdrawn

In 2011/12:

- Income tax personal allowance to fall £130 below indexation, and basic rate limit frozen
- Pension contribution tax relief to be reduced from 50% to 20% between £150,000 and £180,000
- 0.5% increase in NI rates paid by employees, employers and the self employed, and £600 increase in primary threshold

New announcements: benefits and tax credits

In 2010/11:

- 1.5% real increase in child benefit, disability benefits and the working tax credit.
- Start roll-out of free school meals for primary school children whose parents work and earn less than £16,190 (England only)

In 2011/12:

- Same benefit rates to be cut by 1.5% in real terms
- Complete roll-out of free school meals
- Working Tax Credit hours threshold of 16 hours for age 65+

New announcements: taxes

In 2010/11:

- 50p per month tax on landline phones

In 2011/12:

- Further 0.5% increase in employee, employer and self-employed rates of NI
- Further increase of £570 in NI primary threshold
 - Those earning up to about £20,000 gain if exclude impact of employer NI increase (about £14,000 if wages are cut in response to employer NI)

In 2012/13:

- Higher-rate income tax threshold frozen in cash terms (forecast 3.25% real cut)

Changes to combined income tax and NI schedule

Year	£0 – £5.7k	£5.7k – £6.4k	£6.4k – £6.9k	£6.9k – £44.3k	£44.3k – £100k	£100k –£113k	£113k – £150k	Over £150k
Budget 2007 intention	0%	38.8%			47.7%			

Note: assumes contracted in to second state pension, only one job, constant earnings throughout the year

Changes to combined income tax and NI schedule

Year	£0 – £5.7k	£5.7k – £6.4k	£6.4k – £6.9k	£6.9k – £43.9k	£43.9k – £100k	£100k –£113k	£113k – £150k	Over £150k
Budget 2007 intention	0%	38.8%			47.7%			
April 2009	0%	21.1%	38.8%		47.7%			

Note: assumes contracted in to second state pension, only one job, constant earnings throughout the year

Changes to combined income tax and NI schedule

Year	£0 – £5.7k	£5.7k – £6.4k	£6.4k – £6.9k	£6.9k – £43.9k	£43.9k – £100k	£100k –£113k	£113k – £150k	Over £150k
Budget 2007 intention	0%	38.8%			47.7%			
April 2009	0%	21.1%	38.8%		47.7%			
April 2010	0%	21.1%	38.8%		47.7%	65.4%	47.7%	56.6%

Note: assumes contracted in to second state pension, only one job, constant earnings throughout the year

Changes to combined income tax and NI schedule

Year	£0 – £5.7k	£5.7k – £6.3k	£6.3k – £6.9k	£6.9k – £42.6k	£42.6k – £100k	£100k –£113k	£113k – £150k	Over £150k
Budget 2007 intention	0%	38.8%			47.7%			
April 2009	0%	21.1%	38.8%		47.7%			
April 2010	0%	21.1%	38.8%		47.7%	65.4%	47.7%	56.6%
April 2011 before PBR	0%	11.7%	39.5%		48.4%	66.0%	48.4%	57.2%

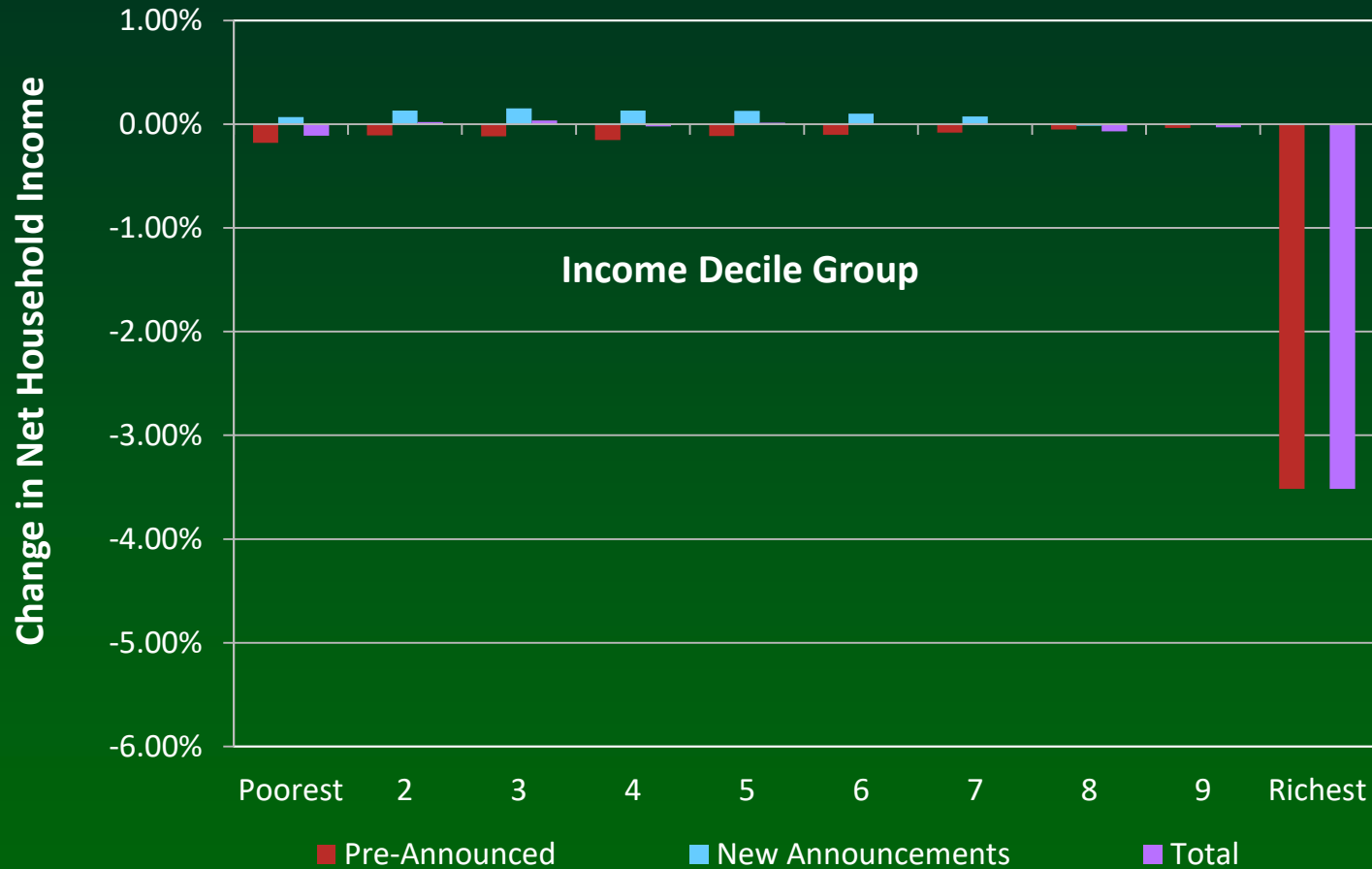
Note: assumes contracted in to second state pension, only one job, constant earnings throughout the year

Changes to combined income tax and NI schedule

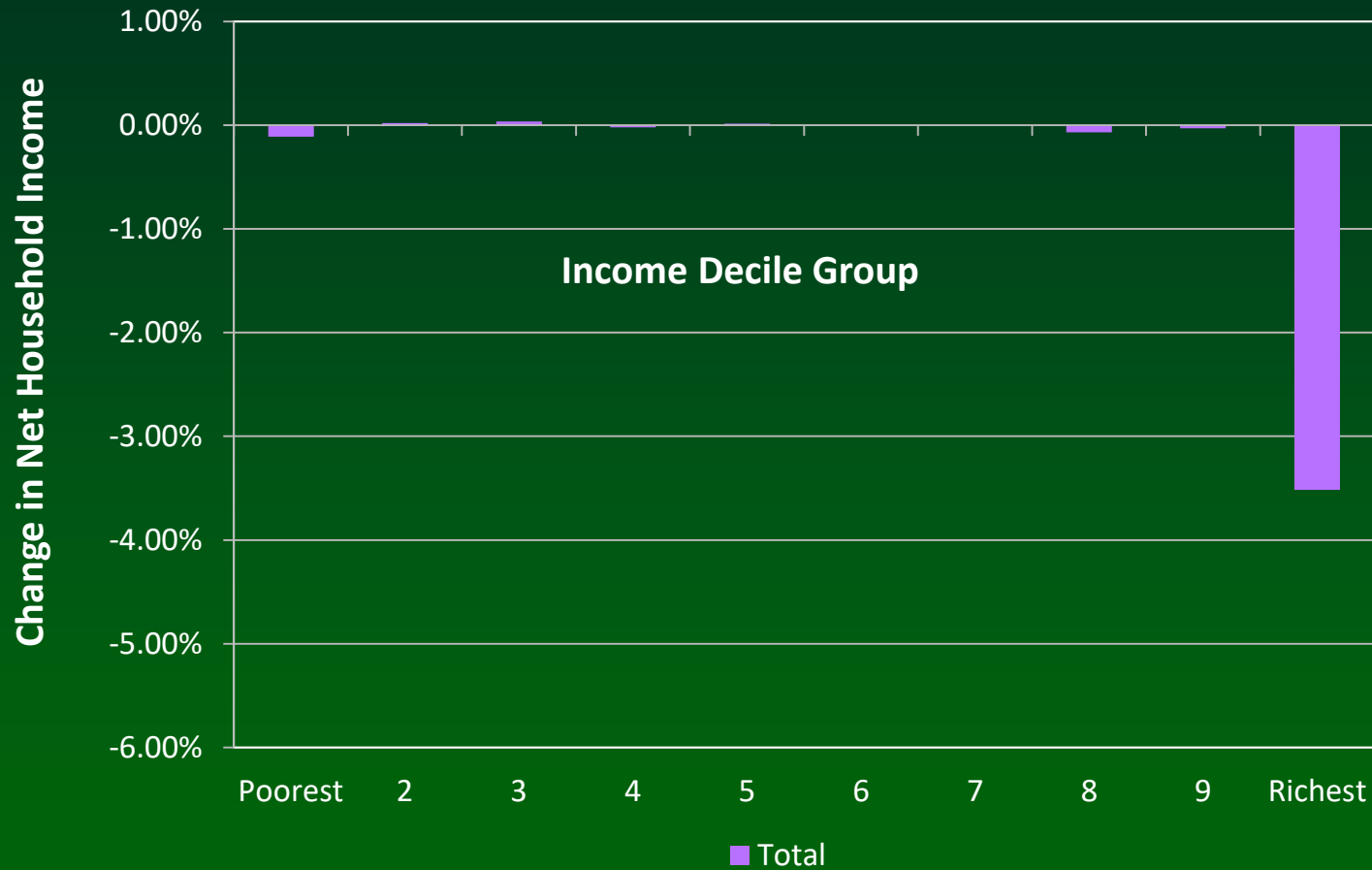
Year	£0 – £5.7k	£5.7k – £6.3k	£6.3k – £6.9k	£6.9k – £42.6k	£42.6k – £100k	£100k –£113k	£113k – £150k	Over £150k
Budget 2007 intention	0%	38.8%			47.7%			
April 2009	0%	21.1%	38.8%		47.7%			
April 2010	0%	21.1%	38.8%		47.7%	65.4%	47.7%	56.6%
April 2011 before PBR	0%	11.7%	39.5%		48.4%	66.0%	48.4%	57.2%
April 2011 post PBR	0%	12.1%	29.7%	40.2%	49.0%	66.6%	49.0%	57.8%

Note: assumes contracted in to second state pension, only one job, constant earnings throughout the year

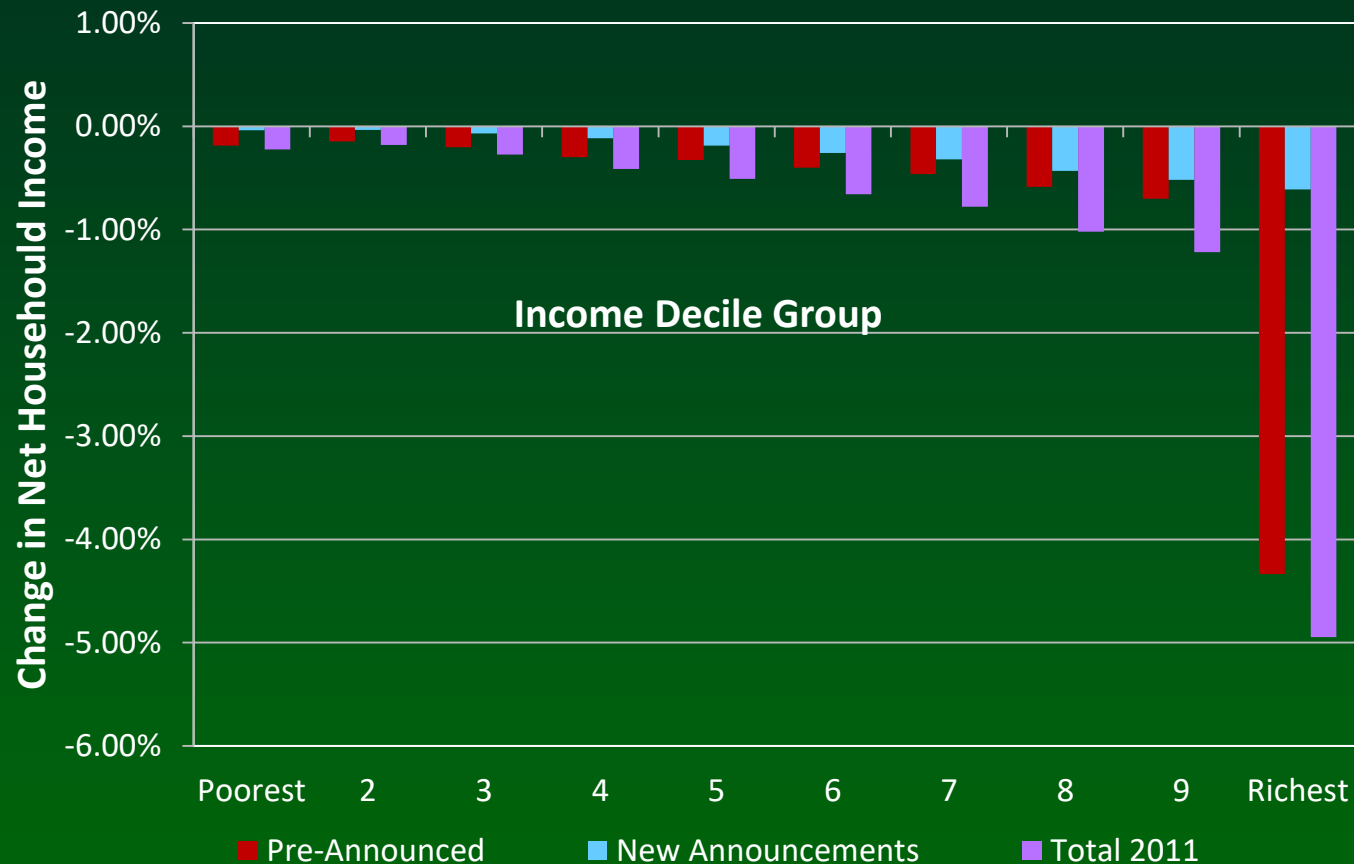
Distributional effects of reforms for April 2010



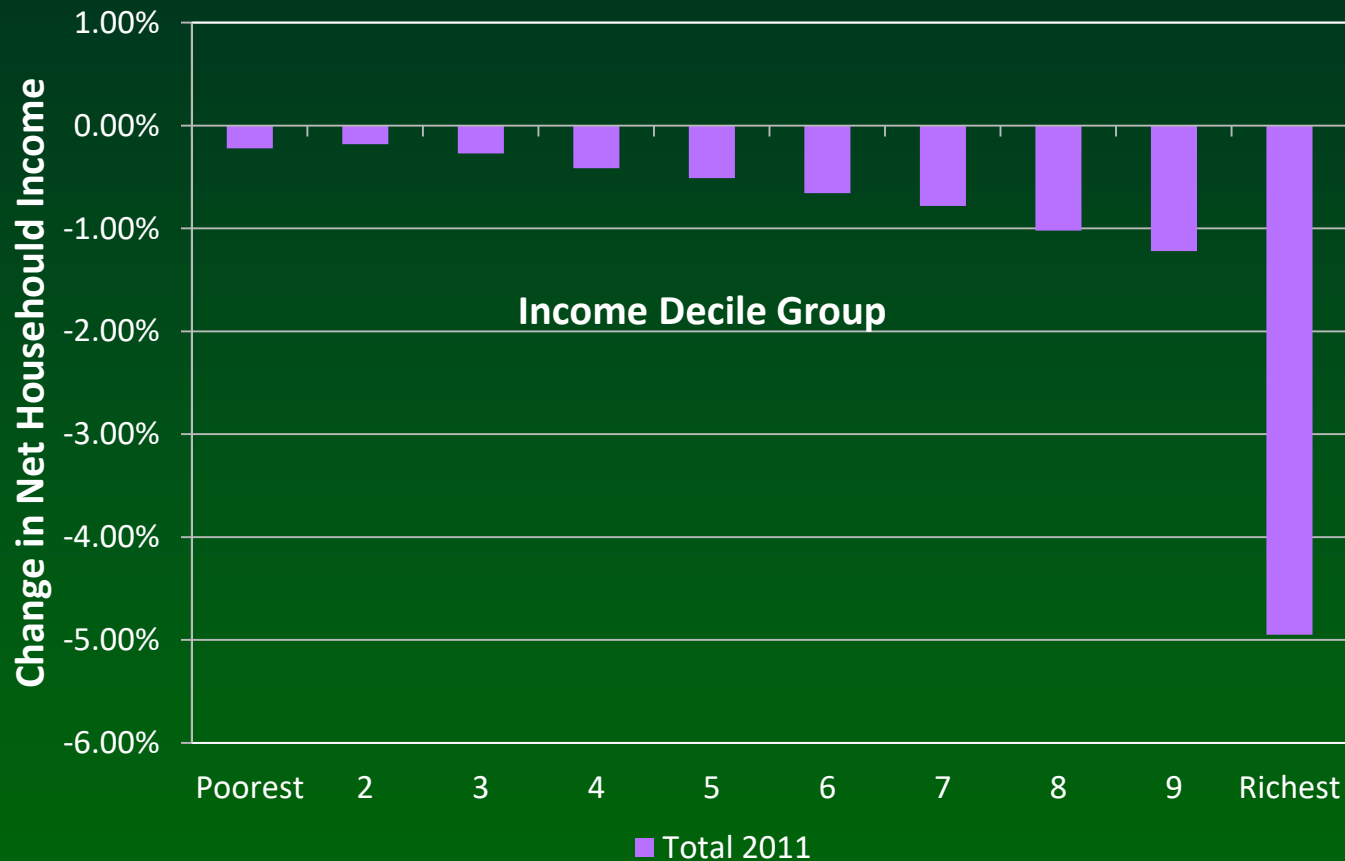
Distributional effects of reforms for April 2010



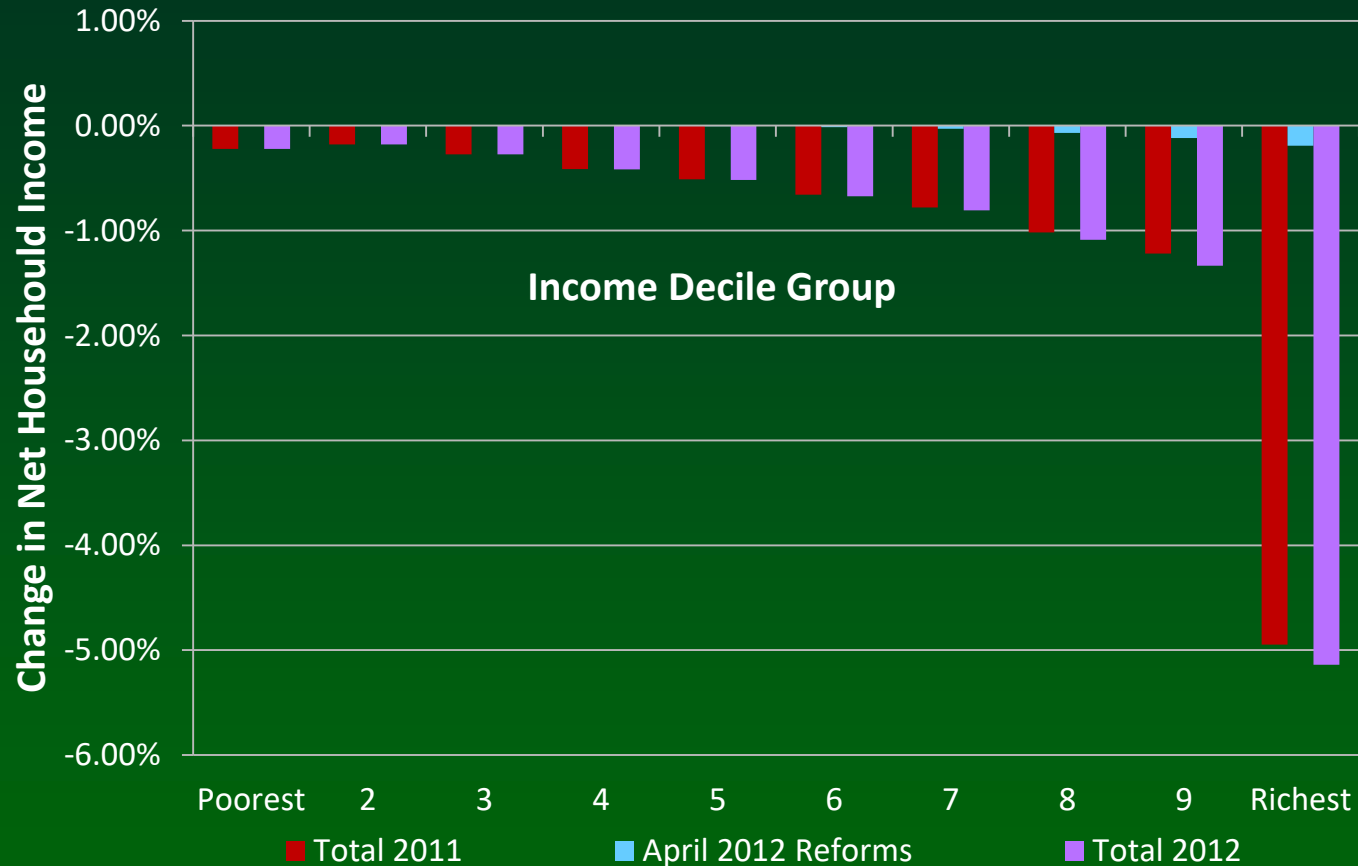
Distributional effects of reforms for April 2011



Distributional effects of reforms for April 2011



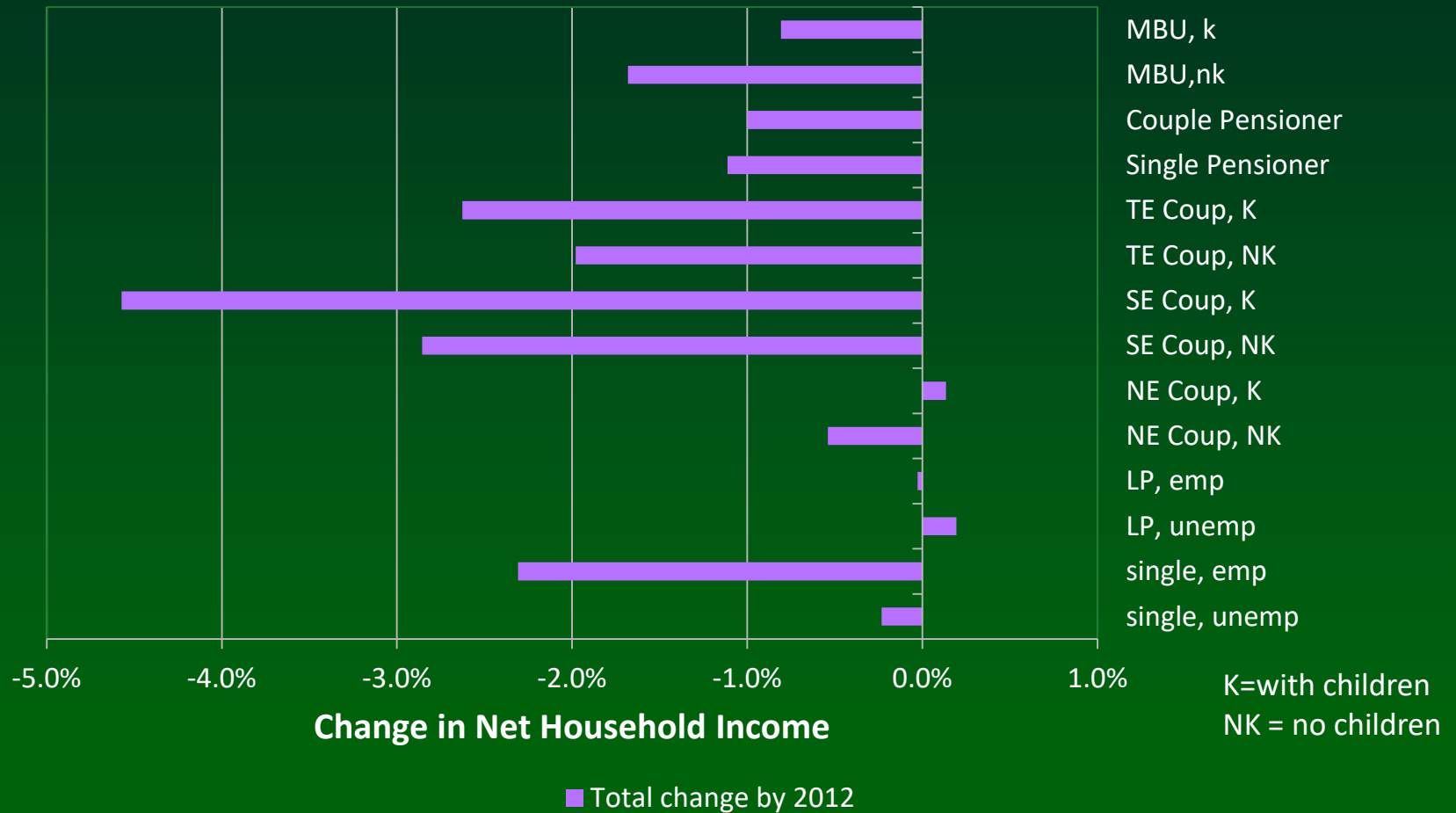
Distributional effects of reforms for April 2012



Distributional effects of reforms for April 2012



Distributional effects by household type



New announcements: other measures

- Slower roll-out of auto-enrolment in personal pension accounts
 - Raises £0.1 billion in 2012/13, £0.7 billion in 2013/14 and £1.6 billion in 2014/15
- Curbs to public sector remuneration to affect earnings and pensions of public sector workers
 - 1% cap on pay settlements in 2011/12 and 2012/13 (expected to amount to a cut of £3.4 billion in annual pay bill by 2012/13).
 - £1 billion cut in annual contributions to public sector pensions by 2012.