

Press Release

Northern Ireland to be hit more than average by tax and benefit changes

A series of changes to the tax and benefit system, announced both by the last government and the current one, is being implemented across the UK between January 2011 and April 2014. Some of these changes involve increases in tax payments, particularly affecting those on higher incomes. Some will reduce benefit entitlements. Their impact on the regions of the UK will depend on the incomes of the regions' residents and the degree of their dependence on benefits.

New research published today by the Institute for Fiscal Studies, and commissioned by the Law Centre of Northern Ireland, shows how incomes will be affected across different regions. Whilst differences are not dramatic these reforms will reduce incomes in Northern Ireland by more than those in any other region of the UK except London. In contrast incomes in the South West of England will be reduced by less than those in other regions. This pattern across the regions mirrors the pattern of high incomes and benefit dependency in exactly the way one would expect. (This research does not update previous IFS analysis of these tax and benefit reforms, but instead examines how the impact of these reforms varies across different regions of the UK.)

James Browne, senior research economist at the Institute for Fiscal Studies and author of the new report, said "Tax and benefit reforms to come into force over the next few years will reduce incomes in London and Northern Ireland by more than in other regions of the UK. London is particularly affected by the tax increases and cuts to housing benefit, while Northern Ireland contains relatively more Disability Living Allowance claimants and families with children, both of whom will see their benefits cut".

The average losses, by region, from tax and benefit measures to come into effect between now and 2014–15 are shown below in Figure 1. The overall impact is split by measures originally announced by the last Labour Government that the new Government is choosing to go ahead with, measures announced in the June 2010 Budget and measures announced in the October 2010 Spending Review.

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Embargo

Until 0.00 am
Fri 10th December 2010

Contacts

IFS Press Office
Institute for Fiscal Studies

020 7291 4800

Acting Director:
Carl Emmerson

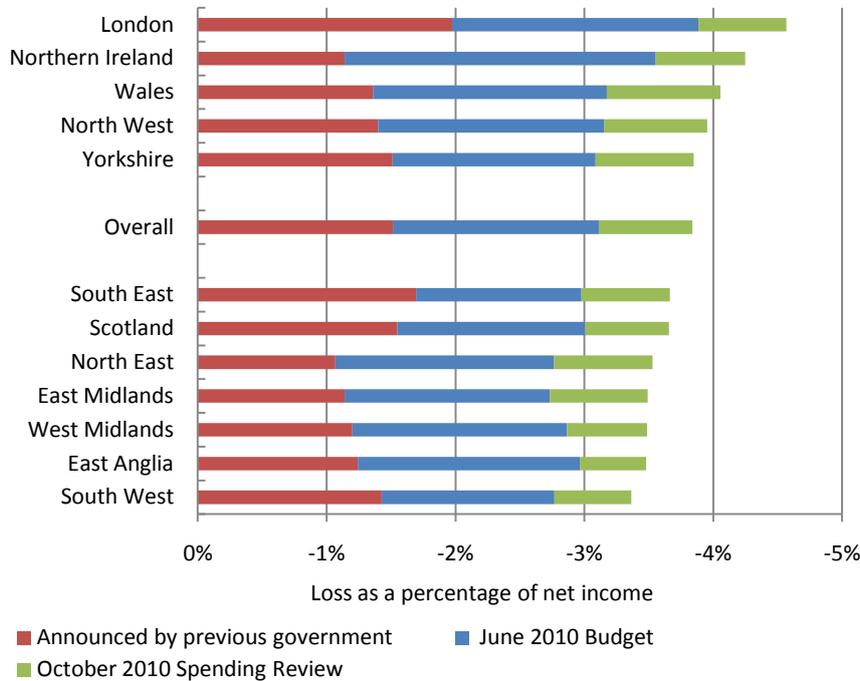
Research Director:
Richard Blundell

The Institute for Fiscal Studies
Limited by Guarantee,
Registered in England: 954616
7 Ridgmount Street
London
WC1E 7AE

Registered Charity: 258815
VAT no: GB 394 5830 17

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Figure 1: The effect of all tax and benefit reforms to be introduced between January 2011 and April 2014 by region



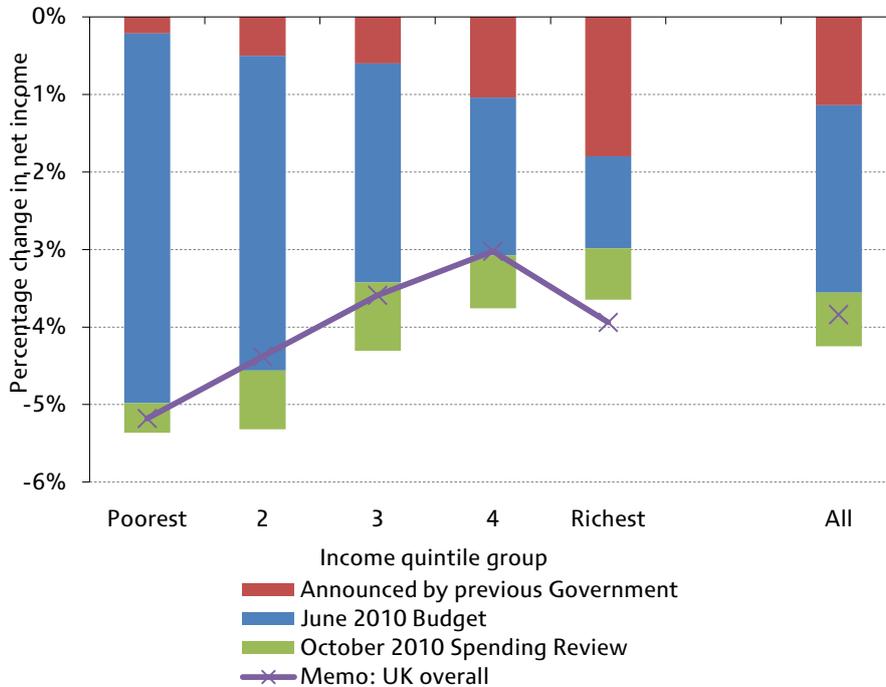
The relatively large average losses in Northern Ireland reflect two aspects of the changes announced by the coalition government. First, an unusually high proportion of Northern Ireland residents receive Disability Living Allowance. Northern Ireland is therefore likely to lose disproportionately from the new tighter test for eligibility that was announced in the June Budget. Second, a relatively high proportion of households in Northern Ireland contain children. Such households will on average lose more as a percentage of income from the benefit cuts than will those without children. By contrast, Northern Ireland is less affected by the tax increases announced by the previous government that are yet to come into effect. This is because relatively few of the UK's richest households are in Northern Ireland, and this is the group that will lose the most as a percentage of income from these measures. These households are relatively more likely to be found in London and the South East of England, explain why these regions lose more, on average, from these tax rises. Were we to include the increase in the top rate of income tax to 50% implemented in April of this year the pattern would be much starker with London and the South East doing much worse than other regions.

The new research also examines how the distributional impact of tax and benefit reforms between income groups is different in Northern Ireland compared to the UK as a whole. Because those on lower incomes in Northern Ireland are relatively more likely to receive DLA and more likely to have children they lose more as a proportion of their income than those in the same part of the UK income distribution. On the other hand the richest in Northern Ireland are not as well off as the highest earners in the rest of the UK and so the highest income fifth of households there lose somewhat less than their counterparts across the UK as a whole.

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Figure 2: The effect of tax and benefit reforms to be introduced between 2010–11 and 2014–15 by Northern Irish household income quintile group



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Notes to Editors:

1. 'The impact of tax and benefit reforms to be introduced between 2010–11 and 2014–15 in Northern Ireland' by James Browne will be published on Friday 10th December and will be available on the IFS website at: <http://www.ifs.org.uk/bns/bn114.pdf>

For embargoed copies of the report or other queries, contact:
IFS Press Office at IFS: 020 7291 4800. The Law Centre of Northern Ireland can be contacted on 028 9024 4401.

2. This research was funded by the Law Centre of Northern Ireland and the Economic and Social Research Council through the Centre for the Microeconomic Analysis of Public Policy at the IFS (RES-544-28-5001). The Law Centre of Northern Ireland promotes social justice and provides specialist legal support to over 400 advice giving organisations in Northern Ireland. The Law Centre's areas of work are social security, employment, immigration, mental health and community care. Services include an advice line, casework and representation on referral, training, publications and policy work.
3. The table below gives the number of DLA recipients by region in absolute terms and per thousand of the population:

Table 1: Number of DLA recipients by region, February 2010

<i>Country/Region</i>	<i>Total number of recipients (thousands)</i>	<i>Number of recipients per thousand of population</i>
Great Britain	3,137.7	52.3
Unallocated	3.3	
England	2,552.6	49.3
North East	175.3	67.8
North West	471.4	68.3
Yorkshire	293.9	55.9
East Midlands	229.5	51.6
West Midlands	301.4	55.5
East	225.0	39.0
London	313.3	40.4
South East	308.1	36.5
South West	234.7	44.9
Wales	241.5	80.5
Scotland	340.5	65.6
Northern Ireland	181.5	102.2