Tax and the Family
Analysis Paper

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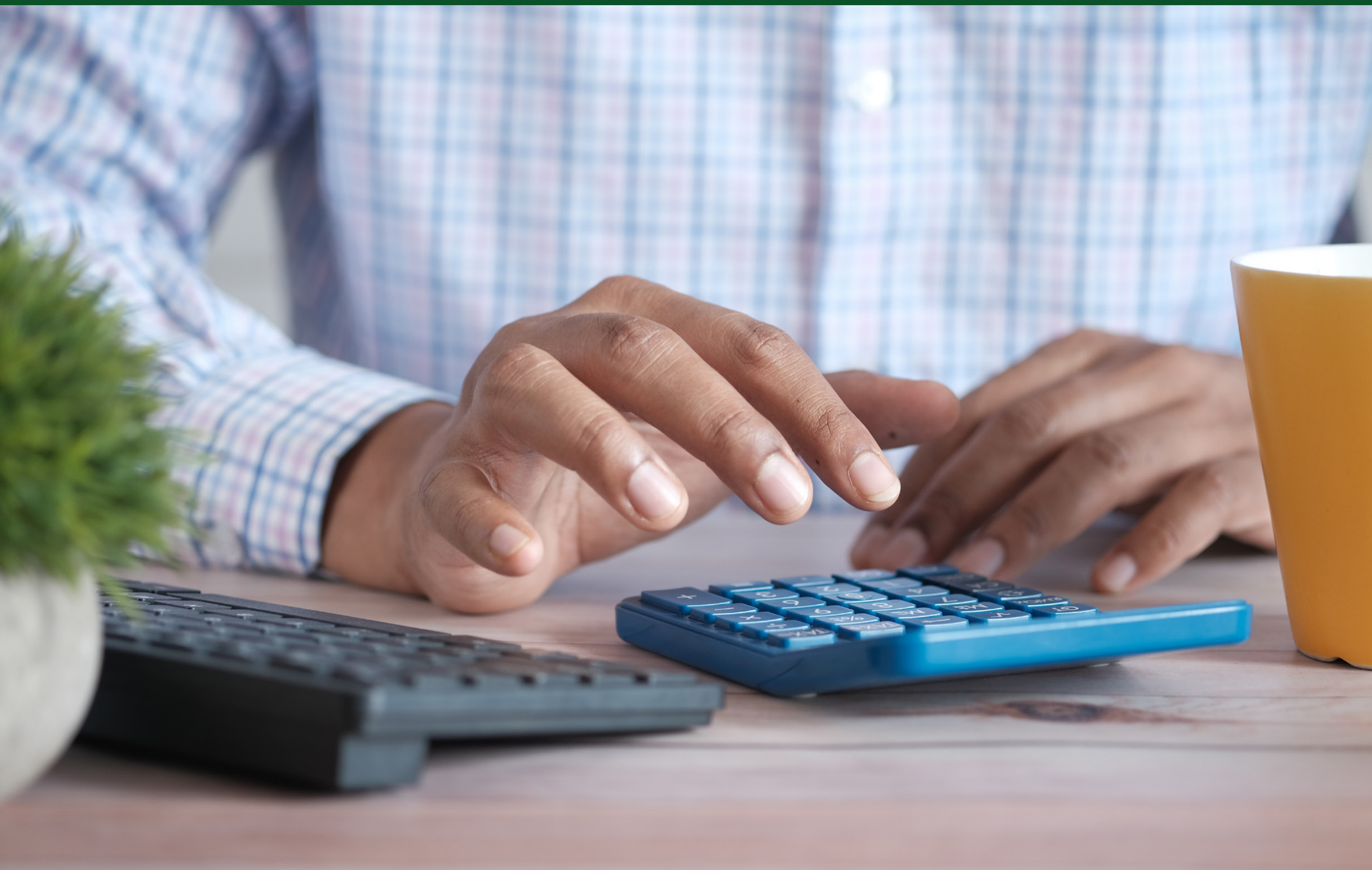

Taxation of Families 2023
Analysis Paper

The tax problem families are facing in 2023/24.

Taxation of families in 2023

The tax problem families are facing in 2023/24

1 The tax burden is increasing for everyone but people with children are the worst affected. They have the lowest incomes yet bear a disproportionately high share of the income tax burden and the Treasury take back almost 70% or more of any extra money they earn. With marginal rates as high as this there is little these families can do to do about their finances. Is this really the case and if so why are so few people talking about this? Tax and the Family was set up to help policy makers and the taxpaying public understand how the tax system works for families.. This paper looks at the situation in the current tax year.

2 A family with a couple of kids and an average standard of living could well be paying twice as much tax as a couple without children and more than four and a half times as much as a single adult.[1] There are eight million households with children. Because income tax disregards the family many of them, one in four and possibly more, will be paying income tax but also needing to claim universal credit. Because of the way the tax and benefit systems overlap these families have an effective 69% or more tax rate. Some can have a tax rate of close on 100%.

The increasing tax burden

3 Income tax is the biggest tax. It accounts for 25% of all tax revenue. National insurance contributions (NIC), a tax on income by another name, accounts for a further 15%. Taxes on incomes therefore account therefore for 40% of all revenues. It is important that these taxes should be fair, particularly at a time when the tax burden is increasing.

4 In March 2023 the Office for Budget Responsibility (OBR) said that the tax burden was set to rise to a post war high.[2] In the early 90s the tax to GDP ratio was as low as 27.4%.. The OBR expect the tax burden to rise to a post war high of 37.7% in 2027-28. Income tax thresholds are frozen until April 2028 **.** The effect of the freeze was forecast in to increase income tax receipts by £29.3 billion a year (1.0 per cent of GDP) in 2027-28, this would be equivalent to a 4p increase in the basic rate of income tax.[3] More recently, the Institute for Fiscal Studies (IFS) has said that based on the August 2023 Bank of England inflation forecasts the freeze to the income tax and NIC thresholds is now likely to raise £52 billion in 2027-28.[4]

5 The number of people paying higher rate tax has increase since the introduction of independent taxation. In 1991/92 3.5% of adults paid the 40% higher rate. By 2022/23 this number had risen to 11% and is expected to reach 14% by 2027/28 continue to increase. In 1990 no nurses and only 5% of teachers paid higher rate tax. By 2028 more than one in eight nurses and one in four teachers are expected to be higher rate taxpayers.[5]

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1 See para 13 below.

2 Economic and Financial Outlook and The UK's "s tax burden in historical and international context OBR

3 The figure for 2023/24 is £12 billion and for 24/25 it is £25 billion The impact of frozen or reduced personal tax thresholds OBR March 2023.

4 IFS Green Budget 2023 Section 4.2 Costing is affected by the inflation rate. In March 2023 the package of freezes was expected to increase revenue by £37 billion.

5 IFS Report R257 May 2023 -Section 2.

6 Paul Johnson of the IFS said that if tax is to stay high it is more important than ever that the tax system is…..equitable.[6] The tax system is not equitable. None of the political parties seem concerned.

7 The tax threshold, the income point at which income tax starts to be paid, was £6,475 in 2010. By 2014 it had risen to £10,000 taking 2.7 million people out of tax.[7] In cash terms taxpayers in the top half of the income distribution were the main beneficiaries. The threshold now stands at £12,570 but is now frozen until 2027/28.

Household incomes before housing costs

8 For income tax purposes, income has been measured on an individual basis since 1990. This is not what happens for other purposes. For benefits income is measured on a household basis. This is also how successive governments have measured income when measuring living standards. It is the way income is measured for counting the number of children in poverty.

9 More precisely, income for these purposes is the net disposable household income adjusted to reflect the extent to which households of different size and composition require to achieve the same standard of living. This adjusted income is referred to as "equivalised income".

10 At the time of the Spring Statement the Treasury published this Table which shows the gross incomes[8] different households are likely to need to be in various deciles of the income distribution before housing costs (BHC) are taken into account. Cost of living payments are not included in these figures.

Table 1
Median gross income of households in each decile 2023/24 before housing costs[9]

Median gross income of households in decile	**1 adult**	**1 adult and 1 child**	**2 adults**	**2 adults and 1 child**	**2 adults and 2 children**
Top decile	77,300	-	116,000	159,000	198,200
Ninth decile	52,400	-	76,900	100,900	124,400
Eighth decile	41,900	-	61,500	81,800	101,500
Seventh decile	35,000	47,200	51,900	67,400	84,800
Sixth decile	30,200	44,200	44,800	59,000	70,700
Fifth decile	25,800	32,200	38,200	50,500	58,800
Fourth decile	21,700	29,000	32,600	42,400	50,900
Third decile	18,300	24,100	27,600	35,300	42,600
Second decile	15,000	20,200	23,000	29,100	34,700
Bottom decile	10,900	14,800	16,400	21,300	23,300

Source: HM Treasury distributional analysis model

6 Times 21 November 2022
7 House of Commons Library Research Briefing , November 2018.
8 Gross income for this purpose is defined as earnings plus income from benefits
9 Distributional analysis accompanying Spring Budget 2023 HM Treasury March 2023

11 The Treasury say that a household consisting of two adults and two children would need a gross income of almost £59,000 to have an average standard of living. A single adult, the Treasury say, could achieve the same standard of living earning as little as £26,000. A couple with two children and gross income of £50,000 would be in the fourth decile – the least well off 40% - whereas a single adult with the same income would be in the eighth decile – top 30%. Their income tax could be the same. Because income tax is based only on individual earnings it is unrelated to how well-off they are – their capacity to pay – as measured by the Treasury who seem more concerned about unconcerned the way the tax system works than fairness.

Household incomes after housing costs

12 After Housing Cost (AHC) figures are better indicators of living standards than BHC figures. BHC income includes housing benefits and universal credit payments which may cover a substantial part of a household's housing costs. A £10 increase in rent might trigger a £10 increase in BHC income but no increase in the amount the family has to live on – it's disposable income. AHC income is also more appropriate when comparing households that own their home outright with those which rent. In this paper, all subsequent figures are AHC unless stated otherwise.

13 Table 2 below shows our calculation of the earnings (rounded to nearest £1000) the five households selected by the Treasury will need this year to be in each income decile after housing costs are taken into account. Table 3 shows the tax (rounded to nearest £500) these households pay in 2023/24. Universal credit is treated as income for the purpose of calculating household income for both BHC and AHC purposes. For modelling purposes, we assume that households are in the private rented sector[10] paying rent which is equivalent to 120% of the local housing allowance (LHA)in Leeds. The LHA has not been increased since 2011. We assume that actual rents are 20% higher.[11] This does not affect universal credit but does affect the AHC income. One expert has told us that this is almost certainly an under estimate which means that many households will be less well off than our figures suggest. The earnings figures will be higher for mortgagors with the same housing costs as they are not entitled to the housing element in universal credit. The figures for mortgagors are in Tables 4 and 5 below.

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10 A steadily growing faction of low-income households are in the private ,social housing IFS report R 290

11 The IFS has told the author that 20% is almost certainly an under estimate. Private rents rose by 5.5% in 12 months to August 2023 Index of Private Housing Rental Prices. The Office of National Statistics. Experimental Series began in 2016. The index was fairly static from 2016 to 2021. London was more volatile.

Renting Households

Table 2
Annual earnings of renting households in each decile in 2023/24[12]

		1 adult	1 adult 1 child	1 adult 2 children	2 adults	2 adults 1 child	2 adults 2 children
Top decile	above	53,000	73,000	94,000	92,000	114,000	137,000
Ninth decile	up to	53,000	73,000	94,000	92,000	114,000	137,000
Eighth decile		42,000	56,000	73,000	71,000	87,000	105,000
Seventh decile		37,000	46,000	62,000	60,000	73,000	88,000
Sixth decile		33,000	41,000	49,000	52,000	64,000	77,000
Fifth decile		29,000	31,000	36,000	45,000	54,000	67,000
Fourth decile		26,000	22,000	24,000	40,000	45,000	47,000
Third decile		23,000	12,000	12,000	34,000	31,000	31,000
Second decile		16,000	4,000	3,000	29,000	15,000	12,000
Bottom decile		8,000	1,000	0	14,000	3,000	1,000

Table 3
Tax paid by renting households in each decile in 2023/24

		1 adult	1 adult 1 child	1 adult 2 children	2 adults	2 adults 1 child	2 adults 2 children
Top decile	above	8,500	16,500	25,000	24,200	34,700	44,900
Ninth decile	up to	8,500	16,500	25,000	24,200	34,700	44,900
Eighth decile		5,900	9,700	16,800	15,800	22,200	29,700
Seventh decile		4,800	6,700	12,300	11,300	16,700	22,600
Sixth decile		4,000	5,700	7,300	8,200	13,000	18,200
Fifth decile		3,300	3,800	4,700	6,300	9,100	14,300
Fourth decile		2,600	1,800	2,200	5,200	6,200	6,600
Third decile		2,000	0	0	4,100	3,400	3,400
Second decile		700	0	0	3,100	300	0
Bottom decile		0	0	0	0	0	0

14 In the current tax year, a household consisting of two adults and two children renting will need to be earning £67,000 to be in the fifth decile after housing costs are taken into account whereas a single adult without children would need to earn only £29,000 to be in the fifth decile. The family would be paying £14,300 in tax and the single adult will be paying £3,300. A single adult with one child would need to earn £31,000 and with two children £36,000. Their tax liabilities are £3,800 and £4,700 respectively. Because tax liabilities are based on individual incomes the tax bills of these six households who are broadly equally well-off vary considerably.

[12] Table 1 is based on median in each decile. Table 2,3. 4 and 5 are based on the decile break numbers, The author does not have the decile medians. Index of Private Rental Prices UK- January 2023

Mortgagor households

Table 4
Annual earnings of mortgagor households in each decile in 2023/24

		1 adult	1 adult 1 child	1 adult 2 children	2 adults	2 adults 1 child	2 adults 2 children
Top decile	above	53,000	73,000	94,000	92,000	114,000	137,000
Ninth decile	up to	53,000	73,000	94,000	92,000	114,000	137,000
Eighth decile		42,000	56,000	73,000	71,000	87,000	105,000
Seventh decile		36,000	46,000	62,000	60,000	73,000	88,000
Sixth decile		33,000	41,000	52,000	52,000	64,000	77,000
Fifth decile		29,000	36,000	45,000	45,000	54,000	67,000
Fourth decile		26,000	32,000	40,000	40,000	46,000	57,000
Third decile		23,000	28,000	34,000	34,000	40,000	46,000
Second decile		20,000	24,000	28,000	29,000	33,000	39,000
Bottom decile		16,000	16,000	15,000	23,000	24,000	22,000

Table 5
Tax paid by mortgagor households in each decile in 2023/24

		1 adult	1 adult 1 child	1 adult 2 children	2 adults	2 adults 1 child	2 adults 2 children
Top decile	above	8,500	16,500	25,000	24,200	34,700	44,900
Ninth decile	up to	8,500	16,500	25,000	24,200	34,700	44,900
Eighth decile		5,900	9,700	16,800	15,800	22,200	29,700
Seventh decile		4,800	6,700	12,300	11,300	16,700	22,600
Sixth decile		4,000	5,700	8,000	8,200	13,000	18,200
Fifth decile		3,300	4,800	6,500	6,300	9,100	14,300
Fourth decile		2,600	3,900	5,400	5,200	6,400	10,200
Third decile		2,000	3,100	4,400	4,100	5,200	6,500
Second decile		1,400	2,300	3,200	3,100	3,900	5,000
Bottom decile		700	700	500	1,800	1,900	1,700

15 If their housing costs are the same couple households with two children and a median household income pay the same income tax irrespective of whether they are renting or owners. Earning £67,000 they have median household income and neither family qualify for universal credit.

16 With lower household incomes mortgagors pay more tax than a renter with the same housing costs because the housing costs will be partly covered by the universal credit. Where both households are in the second decile the mortgagor would be earning £39,000 and paying £5,000 tax whereas the renter would only need to earn £31,000 and pay £3,400 tax. In London where housing costs are much higher renters mortgagors will need to earn much more and assuming their housing costs are the same will as a result pay more tax .[13]

[13] In Leeds the LHA for a three bedroom house is £161 per week whereas in London it is £442, A couple with two children paying £530 per week in rent (£442 x 1.2) needs to earn £86,000 to have median income . Tax is £21,500 and universal credit £6,500.

17 Table 6 below shows the income points at which universal credit ceases to apply in 2023. Households paying rent are assumed to be paying rent equal to 120% of the LHA. Households with a mortgage are not entitled to a housing element are assumed to have the same housing costs. The phase out income points differ from one part of the country to another.

Table 6
Income points at which Universal Credit is phased out in 2023/24

	single person		married couple (1 earner)		married couple (2 earners, equal incomes)	
	1 child	2 children	1 child	2 children	1 child	2 children
no housing element	27,688	30,034	27,688	36,344	23,047	30,784
Leeds	40,463	52,873	46,824	60,799	41,297	53,394
NW London	63,406	84,836	71,331	92,762	62,363	80,613
Inner London North	76,129	98,759	84,106	108,892	73,209	92,501

18 Households with children not only pay more income tax than other households with the same standard of living/equally well off but because of the overlap between benefits (in particular universal credits) and the tax system many have a higher marginal rate and income tax. A basic rate taxpayer claiming universal credit will in effect have a 69% tax rate, income tax is 20%, national insurance 12% and the cut in universal credit 37%.[14] Universal credit is based on after-tax income. For higher rate taxpayers the effective rate is 78%. Families affected by the High Income Child Benefit Charge (HICBC) will have even higher effective tax rates (see below).

Overlap between the tax and benefit systems

19 Families paying income tax and entitled to universal credit see only a very small increase in the family's 'disposable income" as a result of a pay rise. For example, in September the inflation rate was 6.7% at the time when earnings are said to be increasing by 7.8 %. For the large number of families with an effective tax rate of 69% this means a 7.8% pay rise does not mean the family will be better -off than a year earlier. Taking account of price rises they will still be worse off . After tax, nic and the resulting loss of universal credit are taken into account a 7.8 % pay rise only amounts to a 2.4% increase in disposable income. Basic rate taxpayers not entitled to universal credit will see a 5.3% increase. The Treasury pockets the rest. These families many of whom have low household incomes will find that even if they get "inflation pay rises" they get very little benefit because an increase in pay automatically leads to a cut in universal credit as well as increased income tax and national insurance. A cut in income tax a results in a cut in universal credit. Low income households are tapped by the way the tax and benefit systems interact with each other.

20 The Government does not appear to publish figures showing the number of families affected by the overlap between the tax and benefit systems. There are however 8 million households with children and in April there were 5.9 million people on UC of which 2.3 million were in employment in 2022 most of whom with have children.

[14] The Universal Credit taper rate is 55%

[15] It is we understand comparatively rare for someone to be in work and claiming universal credit who does not have children. In addition, there are still families on legacy benefits. The latest figure we have seen is that there are 478,000 claiming both Child Tax and Working Tax credits and presumably are paying tax and getting credits and there would be some families claiming housing benefit who were not on tax credits.

21 Perhaps 2 million households with children - one in four of all families -have an effective marginal rate of 69% or higher and as a result derive very little benefit from pay rises, as their household disposable income remains almost unchanged. The number affected would presumably be greater if the savings rule did not prevent low income households with savings of over £16,000 claiming credit.

Households with 60% median income

22 The most frequently quoted poverty measure is households with less than 60% median income. As with median income the gross income required to have this income will vary from one household to another because the income measure takes account of the number of people in the house and the number of incomes as well as tax paid and benefits received. B Table 7 below shows the annual earnings the six households with a mortgage appear to need in 2023/24[16] to have 60% median household income after housing costs are taken into and there is no universal credit housing element. entitlement.

Table 7
Mortgagor households with 60% median income – no housing element

	single person		married couple (1 earner)		married couple (2 earners, equal incomes)	
	no child	2 children	no child	2 children	no child	2 children
gross earnings	19,918	23,620	29,878	39,733	24,611	34,026
income tax	1,470	2,210	3,210	5,182	0	1,751

23 Again, it will be seen that the earnings required vary considerably . A married couple with two equal income and no children would out of poverty earning together £25.000 and they would not be paying tax. The family are not entitled to universal credit. With two children and only one income they would need to be earning almost £40,000 and paying over £5,000 in tax. A single adult with two children and the same housing costs would need to be earning only £24,000, paying tax of £2,200. The question that needs to be asked is why any households in "poverty" is paying income tax. The number of these households needs to be reduced to the absolute minimum.

Households paying rent

24 Table 8 below shows the annual earnings the six households appear to need in 2023/24 to have 60% median household income after housing costs are taken into and there is an entitlement to the housing element in universal credit.[17] Again

15 Universal Credit statistics, 29 April 2013 to 13 January 2022

16 Based on latest 2022/23 available information on household incomes.
17 Based on latest 2022/23 available information on household incomes.

the housing costs are assumed to be equal to 120% of the local housing allowance in Leeds.

Table 8
Households paying rent with 60% median income and entitled to housing element

	single person		married couple (1 earner)		married couple (2 earners, equal incomes)	
	no child	**2 children**	**no child**	**2 children**	**no child**	**2 children**
gross earnings	17,885	3,560	26,645	14,756	22,421	14,287
income tax	1,063	0	2,365	187	0	0

25 The most important points to note are:

- Income tax liabilities are unrelated to household income and size and are therefore unrelated to how well off people are.

- Taxpayers in households with low household incomes pay more tax than taxpayers with higher household incomes. The larger the household the greater the disadvantage – families with more than two children are particularly disadvantaged .

- Households paying rent and entitled to universal credit need to earn less than mortgagor households with the same housing costs to have the same standard of living.

- A one earner married couple with a mortgage and the same housing costs as a similar household renting could have an income of less than 60% median and be paying over £5,000 in tax. They would need to be earning £40,000 to avoid being in poverty. They would not be entitled to universal credit.

- A married couple paying rent with two children in North West London where the LHA for a three bedroom house is £357 per week might need to be earning almost £60,000 even and paying over. £6,500 even though their income is less than 60% median.

Marginal Rates

26 Marginal tax rates- the amount the government takes back from an extra pound of income- are important. They affect incentives and the benefit households derive from cost of living pay rises. They also affect the benefit families will get from the proposed increase in the minimum wage from £10.42 to at least £11 in April 2024.

27 Of the eight million households with children, one in three and possibly more, will have an effective marginal tax rate of 69% or higher. This means, for example, (see paragraph [18]) this means that basic rate taxpayers who are entitled to universal credit see only a small increase in their disposable income from a “cost of living” pay rise. For example, a 7.8% pay rise at a time when prices have increased by 6.4% will not compensate families for inflation. A 7.8% rise only amount to a 2.4% increase in income when tax, national insurance and the resulting reduction in universal credit is taken into account. Also, the proposed 58p increase in the minimum wage comes down to 18p when these consequentials are taken into account.

28 Where there `are two adults, one of whom is not in paid work, it is also not necessarily the answer for the non-earner to move into paid work. Even if the new earnings are below the income tax and national insurance thresholds the new income will effectively be taxed at 55% unless the new earnings take the family out of universal credit completely when they would lose entitlement to benefits linked to universal credit. This autumn's £300 cost of living payment is, for example, is linked to the receipt of universal credit.

29 The Resolution Foundation has pointed out that there is a small but fast-growing group of families receiving universal credit and also having their child benefit withdrawn if their earnings are between £50,000 and £60, 000[18]

30 In addition, some families will be repaying student loans. Where this is the case the family will be losing an additional 9% of their gross income. A family with three children subject to the High Income Child Benefit Charge (HICBC), receiving universal credit and repaying a student loan has a marginal rate of 96%.[19]

31 Also, employees with earnings over £6,240 and below £50,270 are required to pay 5% of earnings to their workplace pension scheme.

32 Reducing the universal credit taper increases the number of households facing a high marginal rate. The only really satisfactory answer is to reduce the number of households paying income tax and claiming universal credit. It makes little sense to start by reducing incomes of families through the tax system only to top up their incomes through the benefit system. One advantage tax credits had over universal credit was that credits were based on gross income. The Treasury pointed out at the time that this had the advantage that tax cuts were fully based on to credit recipients.

How other countries tax families

33 The most up to date information is that published by OECD for the 38 member countries in Taxing Wages. The recent figures are those for 2022, published in April 2023. At the average wage for the UK of £44,300, the income tax burden on a married couple with two children was 13.8%, considerably greater than the OECD average of 10.1%, whereas the figure for a single person without children was 14.3%, lower than the OECD average of 15.0%.[20] These OECD averages are unweighted. The OECD provides figures for individual countries. In 2022 the income tax burden on a one-earner married couple with two children at the average wage was 9.5% in France, 5.7% in the US and nil in Germany – lower than in the UK. The comparable figures for a single adult with the same earnings were 16.2% in France, 17.2% in the US and 17.7% in Germany – higher than in the UK. A more detailed analysis will be available on the website shortly.

Comment

34 The analysis shows how unfair income tax has become since 1990. This is not the fault of any one Chancellor but the cumulative effect of successive policy decisions taken without it would seem an adequate understanding of the distributional

18 System Collision Kelly January 2023,
19 Op.cit.
20 Table 3.4 Taxing Wages 2023

effects. It is difficult to believe that any Chancellor would have deliberately chosen to increase disproportionately the tax burden on low income families or impose income tax on households in poverty. Low income families would be in a better position today if Nigel Lawson's original plan for independent taxation been adopted.[21] Nigel Lawson had envisaged that married couples would have been able to pool their tax allowances or , as happens, in Germany and the US to op to be taxed jointly on their combined income.

35 Tax and the Family have been saying for many years that we need fairer taxes not necessarily lower taxes. The rising tax burden at a time when everyone but especially households with children are experiencing a sharp rise in the cost of living makes this is more than ever necessary. Paul Johnson of the IFS said in his article in the Times "if tax is to stay high it is more important than ever that the tax system is…..equitable."

36 As the 2023/24 figures show the income tax system is not equitable income tax because it is based on individual incomes and unrelated to taxpayers' household incomes. Even families in poverty may be paying thousands of pounds in income tax.

37 The problem does not however stop there. A substantial number of families have an effective tax rate of 69% or higher because of the way the income tax and benefit systems overlap and interact. A 7.8% pay rise may as a result only increase a family's disposable income by 2.4%

38 Any tax cuts that can be afforded in these difficult times should surely be focussed on households with low household incomes. In practice this means households with children. The temptation to restore the value of the personal allowance will be considerable but this would mainly benefit households in the top half of the income distribution. [22]

39 Households with children, particularly single-earner couples and single parents, have higher income tax liabilities than other households with the same equivalised household income. Moreover, in many cases, these households face much higher marginal rates. Higher marginal rates are unavoidable unless benefits are universal, however, the consequences need to be thought through. The analysis raises a number of questions; whether the income tax burden is distributed fairly, whether income tax should pay so little regard to the size and composition of the household. If it is right to take account of household resources and size for universal credit what is the argument for not doing so for income tax.

40 Treasury Ministers may say this is incompatible with independent taxation and it would require 8 million families to complete tax returns. Is this a sufficient reason for ignoring the gross unfairness for the system of independent that was designed to meet the needs of the 1980s and which are not the same now? Many of these families have in effect to file returns in order to claim universal credit and in this context couples have to disclose to each other their incomes.

41 Independent taxation is in any case does not mean that we have to rule out changes that would make the tax system fairer. Lord Lawson, whose project it was,

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21 See Interview with Lord Lawson on Tax and Family website. With a fully transferable tax allowance a married couple with 60% median equivalised household income would be paying only £1800 income tax in 2023/24.

22 Adam and others, The Parties Plans IFS 2010.

reminded us that his aim had been to make the system fairer and that his original plan had envisaged that married couples would be able to share their personal allowances and when asked if he would favour the German system which gives married couples the option to be in assessed jointly he said that this had been implicit in his original proposal. Giving married couples and civil partners this right might complicate the tax system but it would not be inconsistent with independent taxation. Nor would allowing married couples and civil partners to transfer the whole of their personal allowance. At present they can transfer 10% if the transferee is a basic rate taxpayer.

42 When independent taxation was introduced married couples and others with children were given allowances to ensure that their tax bills did not increase in 1990. These allowances were phased out during the subsequent decade and finally withdrawn in 2000. Reintroducing them or something like them would not be inconsistent with independent taxation and would be a step in the right direction. It used to be said that they were something of an anomaly. We can now see that they were an essential part of the structure to ensure that families do not, as has happened, end up bearing a disproportionate share of the income tax burden. They need to be reintroduced.

43 The HICBC is inconsistent with independent taxation and is totally unfair. Child Benefit is withdrawn from low income families whilst some high income families are allowed to keep their benefit. Families with incomes between £50,000 and £60,000 can have a marginal rate as high as 87% or more even before student loan repayments and pension contributions are taken into account. This may be felt particularly by one earner married couples who also face a cliff edge withdrawal of the marriage allowance if they become liable to higher rate tax with an income over £50,570.

44 Gavin Kelly of the Resolution Foundation has said

"Before long… we are going to have to sort out the coherence of support for most families with children. We have moved from a blend of universalism and targeting to having two increasingly overlapping means-tested systems… A decade of tactical trimming and fiscal freezes have left us with a mess"

45 He is right. At a time when those with children face extreme cost of living pressures and confiscatory tax rates this must surely be a political priority for everyone. It should not be forgotten that child benefits were originally introduced as a replacement for child tax allowances.

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Tax and the Family
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Tax & the Family

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