

The Impact of Tax and Benefit Reforms to be Introduced between 2010-11 and 2014-15 in Northern Ireland

IFS Briefing Note 114

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1. Introduction¹

Immediately following the Spending Review of 20th October, the IFS updated its analysis of the distributional impact of tax and benefit reforms to be introduced between 2010–11 and 2014–15, taking into account the effects of the reforms announced in the Spending Review.² This did not substantially alter the conclusions from previous analysis by IFS researchers that the impact of the tax and benefit reforms to be introduced over this period was decreasing as a proportion of income within the lowest 90% of households in the income distribution, although it is the very richest households that will lose the most overall. If we were instead to rank households by expenditure, which as we have argued previously might better reflect households' lifetime incomes, losses as a proportion of expenditure again fall as we move up the expenditure distribution.³

Our analysis differs from that of HM Treasury in the Spending Review documents for two main reasons. First, we also account for reforms to be introduced after 2012–13. The Spending Review document says that reforms to be introduced in future years are excluded from HMT's analysis because 'the Government will take a view on tax and welfare policy based on the emerging fiscal position in future fiscal events' and that 'behavioural and macroeconomic effects, which are not captured by the model, are also likely to become more significant over time'. However, it

¹ This research was funded by the Law Centre of Northern Ireland and the ESRC Centre for the Microeconomic Analysis of Public Policy at IFS (RES-544-28-5001). The Family Resources Survey was made available by the Department for Work and Pensions, which bears no responsibility for the interpretation of the data in this Briefing Note. Expenditure and Food Survey data are collected by the Office for National Statistics and distributed by the Economic and Social Data Service. Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland. Contact: james_browne@ifs.org.uk.

² See <http://www.ifs.org.uk/publications/5313>.

³ Browne J. and P. Levell (2010), 'The distributional impact of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment', IFS Briefing Note 108, <http://www.ifs.org.uk/bns/bn108.pdf>.

does still seem justifiable to examine the distributional impact of tax and benefit reforms that have been announced, while of course bearing in mind that future announcements may alter this picture, and to isolate the direct impacts of tax and benefit reforms as we do in this analysis. The second reason for our results being substantially different to those produced by HM Treasury is that we also include some benefit measures which cannot be precisely allocated to particular households in the models that both we and HMT use.⁴ However, we believe that we can make a reasonable approximation that enables us to model the impact of these changes across the income distribution. Therefore, our analysis offers a more complete picture of the distributional impact of the tax and benefit changes to be introduced between 2010–11 and 2014–15, even if our results are a less accurate measure of the effects of the reforms we model than HMT’s estimates of the effects of the reforms they model.

This paper does not update our previous analysis of the distributional impact of the tax and benefit reforms to be introduced between 2010–11 and 2014–15. Indeed, the analysis in this paper is consistent with our previous work. Our aim here is to examine how the average loss from the tax and benefit reforms in Northern Ireland is different to the UK average and then look at how the Northern Irish households in each quintile of the national income distribution are affected relative to their counterparts in the rest of the UK.⁵ We then examine the distributional impact of tax and benefit reforms within each fifth, or quintile of the Northern Irish income distribution (i.e. dividing the NI population into five equally sized groups based on income, rather than dividing the whole UK population into five equally-sized groups). We repeat this analysis for the other regions of the UK in Appendix A.

It is important to note that throughout this analysis, we do not allow tax and benefit reforms to change either households’ behaviour or pre-tax prices in the economy. It is also far from clear that incorporating

⁴ The HMT analysis includes 72% of benefit measures announced in the June 2010 Budget and 65% of benefit measures announced in the Spending Review to be introduced by 2012–13 as measured by their absolute size. See supplementary IFS evidence to Treasury Select Committee, <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/544/544pwe09.htm>. A full list of the tax and benefit reforms to be introduced over the period in question can be found in Appendix C.

⁵ Previous IFS research has tended to use tenths, or deciles of the income distribution when doing this sort of distributional analysis at the national level. However, because of the small sample size of households in Northern Ireland, in this report we perform analysis at a more aggregated level.

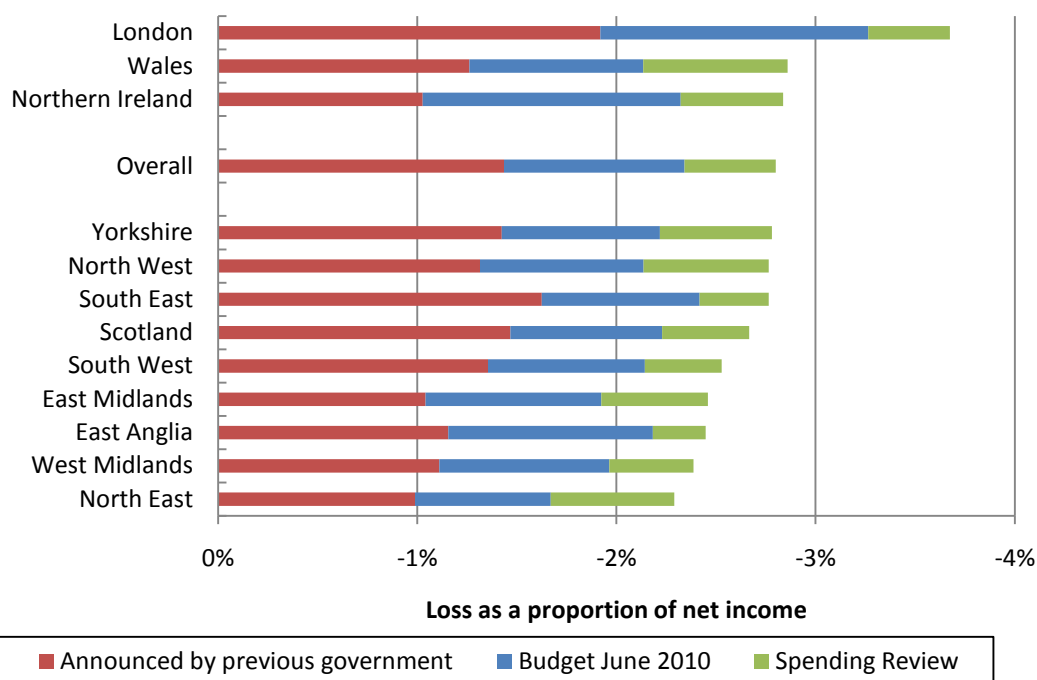
behavioural responses would make the distributional analysis a better guide to the impact on people's well-being, since (for example) the extra effort of working harder is a cost to the individual as well as bringing the benefit of extra earnings – otherwise they would presumably have chosen to work even before the reform in question. Our assumption about not allowing pre-tax prices to alter in response to changes in tax and benefit reforms is clearly more plausible in some cases than in others: for example, retailers may not fully pass on the increase in VAT to take effect in January 2011 and landlords may reduce rents in response to reductions in the generosity of Housing Benefit.

Another important caveat to note is that we do not account for the impact of the Universal Credit that the government intends to begin to roll out towards the end of the period we are studying here. This is for two reasons. First, not all of the details of the Universal Credit have been set out in the government's White Paper (for example, how childcare subsidies will operate, how much autonomy local authorities will have over rebating Council Tax to those on low incomes and how the rate rebate scheme which exists in Northern Ireland will be dealt with alongside Universal Credit). Secondly, social security is an area in which power is devolved to the Northern Ireland Assembly, meaning that Northern Ireland may choose not to adopt this new structure of benefits when it is introduced to the rest of the UK, though we recognise the constraints that apply as a result of Treasury financial arrangements for dealing with significant divergences from the social security system in Great Britain. Future IFS research will fully analyse the distributional impact of the Universal Credit, and its effect on financial work incentives.

2. Average losses from tax and benefit reforms by region

We now show the average cash loss as a percentage of income for each region of the UK, split into losses from tax and benefit reforms announced by the previous Labour government, those announced in the June Budget of 2010 and those announced in the Spending Review on 20th October. We do this first for those measures to be introduced between 2010–11 and 2012–13 and then extend our analysis to include those measures to be introduced by 2014–15.

Figure 2.1: The effect of all tax and benefit reforms to be introduced between 2010–11 and 2012–13 by region



Notes: Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Sources: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

The average impact of tax and benefit reforms to be introduced between 2010–11 and 2012–13 across regions is, on the whole, fairly similar. This is unsurprising – the tax and benefit system applies equally across the whole of the UK (apart from variations in the local tax regime)⁶, so any variations in the impact of tax and benefit reforms across regions are the result of differences in the characteristics of households in different regions. The most striking exception to this is London, which will be more affected more severely by tax and benefit reforms on average than all other regions. London loses the most from both those reforms that were pre-announced by the previous government and from those announced in the June Budget. This is for different reasons in each case. London has a disproportionately large share of the richest 2% of individuals (specifically those wealthy enough to save more than £50,000 per year in a private pension), who lose the most from the changes pre-announced by the previous government. In the case of the June Budget changes, households

⁶ The only way in which tax and benefit reforms apply differently in the different constituent nations of the UK differently is that the reduction in spending on Council Tax Benefit in Great Britain will not affect the system of rate rebates that exists in Northern Ireland.

in London are particularly affected by the cuts to Housing Benefit because London is a high-rent area, meaning that more households are entitled to housing benefit in the first place, and, since many of the cuts to housing benefit affect those living in high-rent properties, London is particularly affected by these.

There are other, more subtle, differences in the impacts of the three different sets of measures across the regions of the UK. Just as London is most affected by the previous government's measures on average since it contains a disproportionate share of the very richest households, those areas containing few of the very richest households, namely the North East, the East Midlands and Northern Ireland, are the least affected. Northern Ireland, however, loses more than average from the measures announced in the June Budget – this is because Northern Ireland is one of the poorest regions of the UK that will inevitably be hardest hit from the welfare cuts that were announced in the June Budget, most importantly the shift from using the RPI and Rossi indices to uprate benefits to using the CPI.⁷ Also, Northern Ireland has a relatively large proportion of households with children, which, as previous IFS research has shown, are the group that loses most as a percentage of income from these changes across the income distribution.⁸

The regions that lose the most from the benefit measures announced in the Spending Review are those with large numbers of long-term ESA recipients, namely the North East and Wales.⁹ Despite also having a large number of ESA recipients, Northern Ireland is not affected significantly more than average from the spending review measures to take effect by 2012–13. This is likely to be either because more ESA recipients in

⁷ This measure is discussed in more detail in section 5 of Browne J. and P. Levell (2010), 'The distributional impact of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment', IFS Briefing Note 108, <http://www.ifs.org.uk/bns/bn108.pdf>.

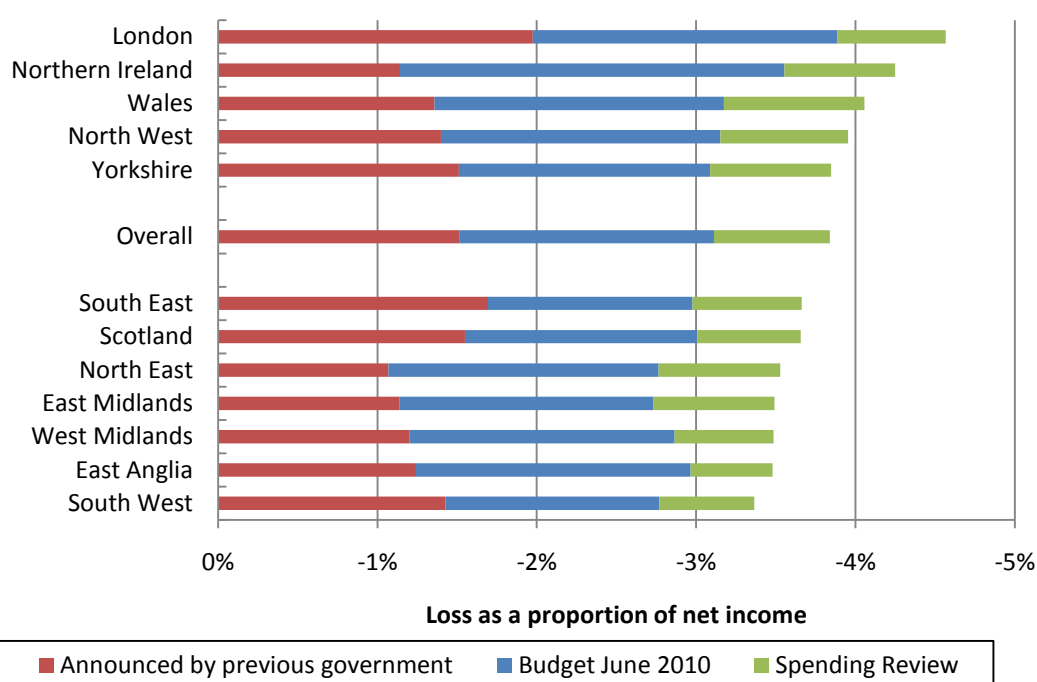
⁸ See slide 10 of <http://www.ifs.org.uk/publications/5313>.

⁹ Our data is from 2008–09, which was before ESA was introduced, meaning that we cannot precisely identify those individuals who will lose from the government's proposed reforms to ESA in our data. We assume that the losers from this change are long term Incapacity Benefit (IB) recipients who have other income sources, such as a working partner or private savings. This is broadly the same group as is affected by the time-limiting of contributory ESA for the Work-Related Activity Group. Although we are taking away money from better-off but more disabled recipients (those who would be in the Support Group under the ESA system, and therefore unaffected by this measure), we find that this saves approximately the same as the government expects to from its measure. This is likely to be because of under-recording of IB receipt in our data.

Northern Ireland have no other means of support, meaning that they will be entitled to income-based ESA when their entitlement to contribution-based ESA is removed, or because Northern Irish households are less affected on average by other reforms announced in the Spending Review.

We now extend our view to encompass all measures to be introduced between 2010–11 and 2014–15.

Figure 2.2: The effect of all tax and benefit reforms to be introduced between 2010–11 and 2014–15 by region



Notes: Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Sources: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

When we also consider reforms to be introduced after 2012–13, Northern Ireland moves from being no more affected on average by the overall package of reforms to having the second highest average loss as a percentage of income. This is primarily because Northern Ireland is particularly affected by the measures announced in the June Budget to take effect from 2013–14. On top of the measures mentioned above, Northern Ireland is likely to be particularly affected by the stricter medical test for claiming Disability Living Allowance (DLA), as it has a relatively large proportion of individuals claiming this benefit at the moment, as Table 2.1 below shows.

Table 2.1: Number of DLA recipients by region, February 2010

<i>Country/Region</i>	<i>Total number of recipients</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

Notes: England, Wales and Scotland may not add to Great Britain due to a small number of cases transferring between Great Britain and Northern Ireland. GB figures taken from a 5% sample at 28th February 2010.

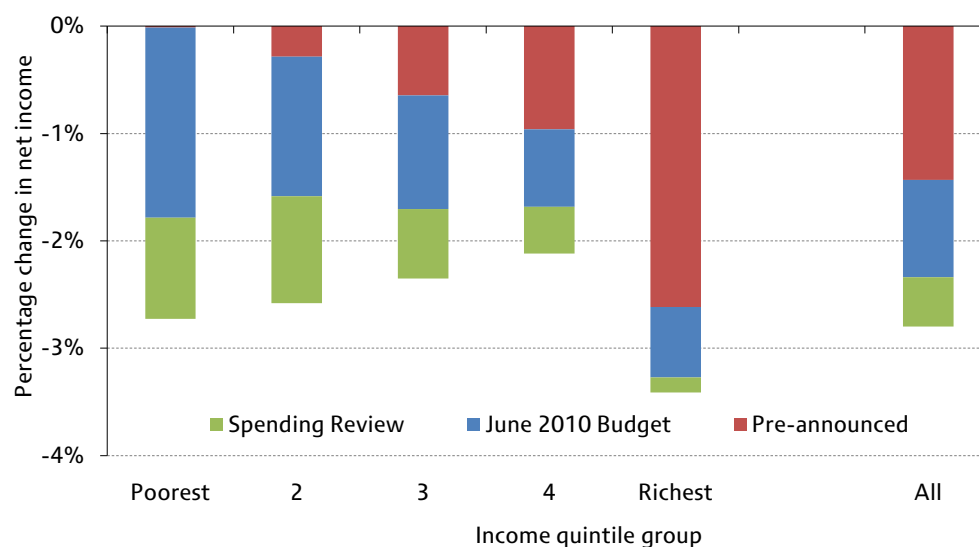
Source: Office for National Statistics and General Registrar of Scotland and Northern Ireland Statistics and Research Agency, available from <http://www.dsdni.gov.uk/dla>.

Of course, much of the variation between different regions is in fact because of differences in the distribution of household incomes between regions. We now go on to look at the impact of tax and benefit reforms for households in Northern Ireland in each quintile of the UK income distribution. A similar analysis for each of the other regions of the UK is included in Appendix A.

3. The regional impact of tax and benefit reforms by UK income quintile in Northern Ireland

Figure 3.1 shows the distributional impact of tax and benefit reforms to be introduced between 2010–11 and 2012–13 by income quintile for the UK as a whole, then Figure 3.2 does the same analysis, but only including the Northern Irish households in each quintile.

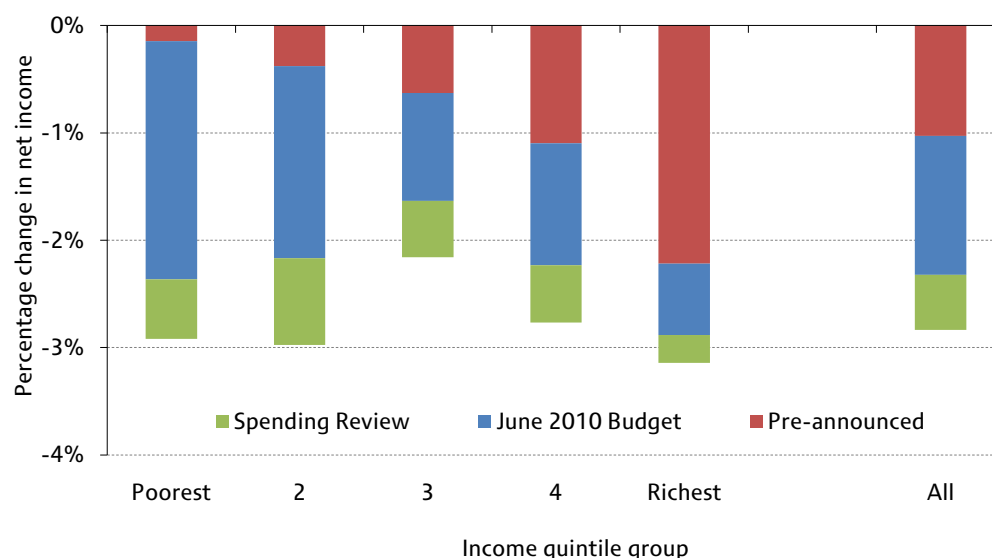
Figure 3.1: The effect of tax and benefit reforms to be introduced between 2010–11 and 2012–13 by UK household income quintile group



Notes: Income quintile groups are derived by dividing UK all households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest fifth. Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Figure 3.2: The effect of tax and benefit reforms to be introduced between 2010–11 and 2012–13 by UK household income quintile group, Northern Irish households only



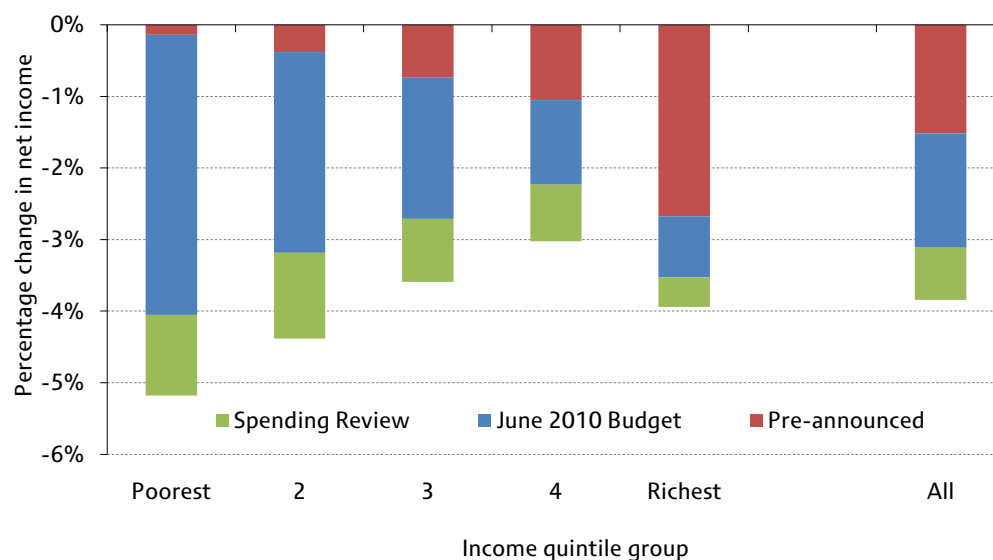
Notes: As for figure 3.1.

Source: As for figure 3.1.

We can see that households in Northern Ireland are not affected significantly differently by tax and benefit reforms to households in a similar position in the income distribution elsewhere in the UK. It would be unwise to read too much into these figures given the sample sizes involved, but one thing we can see is that the within the richest fifth of households in the UK, those in Northern Ireland are less affected by the reforms announced by the previous Labour government, principally the restriction of pension contributions for the very highest earners. This is because those in the highest income quintile living in Northern Ireland are less likely to have very high incomes than their counterparts in the rest of the UK. In the first, second and fourth quintile, however, those in Northern Ireland lose more as a percentage of income than the average for the UK, and this is driven by a larger loss from the measures announced in the June 2010 Budget. It is likely that this is at least in part because of the relatively high proportion of households with children in Northern Ireland – this is the group that loses most as a percentage of their income from these changes irrespective of their position in the income distribution.

Figures 3.3 and 3.4 repeat this analysis for all tax and benefit reforms to be introduced between 2010–11 and 2014–15. We can see that the loss for the poorest four quintiles is higher for those in Northern Ireland than the average for UK as a whole but less for the richest quintile. This is for the same reasons mentioned in section 2 – poorer Northern Irish households lose more on average from the reforms to DLA and tax credits than their counterparts in the rest of the UK, but the richest quintile are less affected by measures affecting the very richest households in the UK, simply because very few of the very richest households are in Northern Ireland.

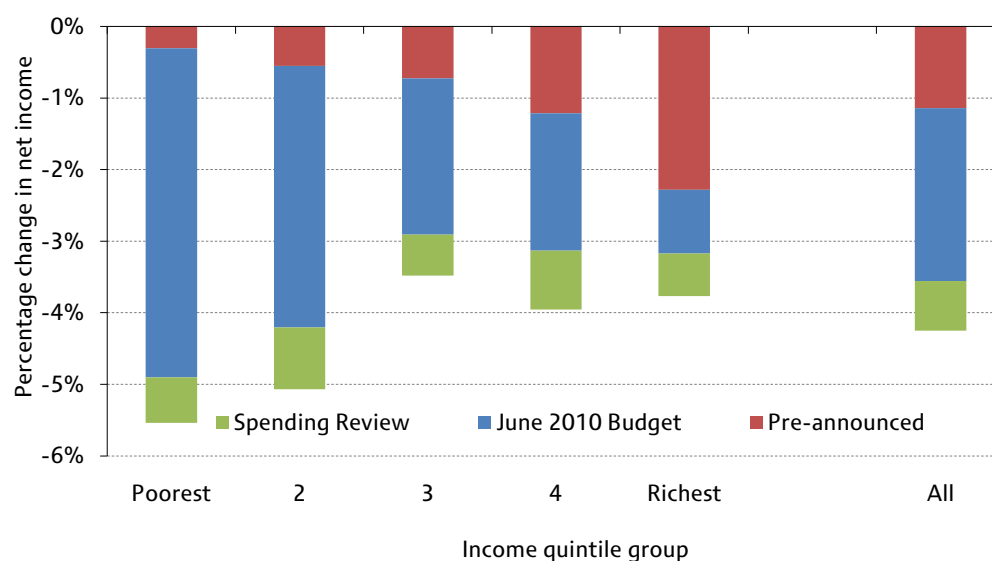
Figure 3.3: The effect of tax and benefit reforms to be introduced between 2010–11 and 2014–15 by UK household income quintile group



Notes: Income quintile groups are derived by dividing UK all households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest fifth. Assumes increases in employer NICs are passed on to employees in the form of lower wages. Assumes councils means test council tax benefit more aggressively when spending on council tax benefit is cut and localised in 2013–14.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Figure 3.4: The effect of tax and benefit reforms to be introduced between 2010–11 and 2014–15 by UK household income quintile group, Northern Irish households only



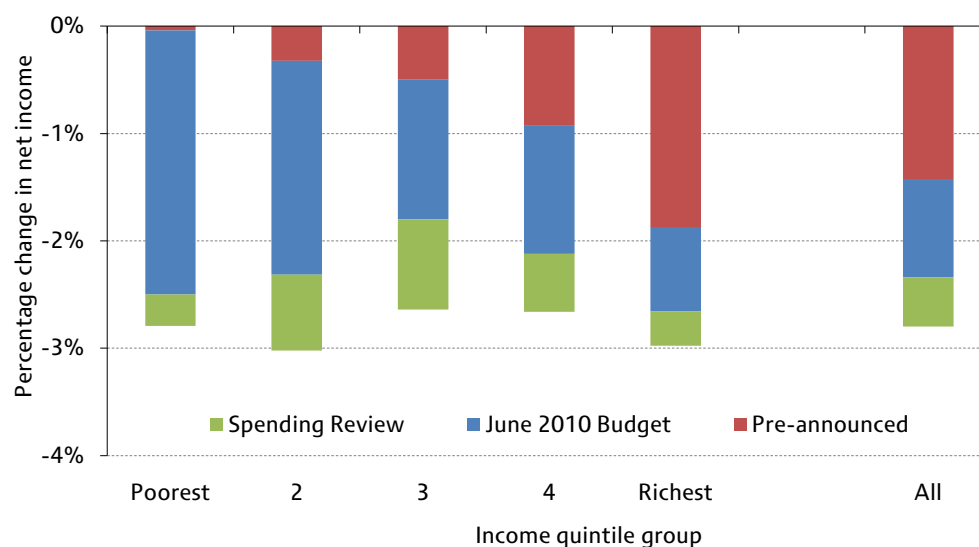
Notes: As for figure 3.3.

Source: As for figure 3.3.

4. The distributional impact of tax and benefit reforms within Northern Ireland

In the previous section, we examined how those in Northern Ireland in each quintile of the UK income distribution were affected relative to their counterparts in the rest of the UK. However, Northern Ireland is a relatively poor region of the UK – only 11.5% of households in Northern Ireland are in the richest quintile of UK households, whereas 24% are in the poorest quintile of UK households. To get an idea about the distributional effect of tax and benefit reforms within Northern Ireland, in this section we instead divide the Northern Irish households into five equally-sized groups according to their income and compare the average loss as a percentage of net income in each of these groups.

Figure 4.1: The effect of tax and benefit reforms to be introduced between 2010–11 and 2012–13 by Northern Irish household income quintile group



Notes: Income quintile groups are derived by dividing all Northern Irish households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the NI population, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest fifth. Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

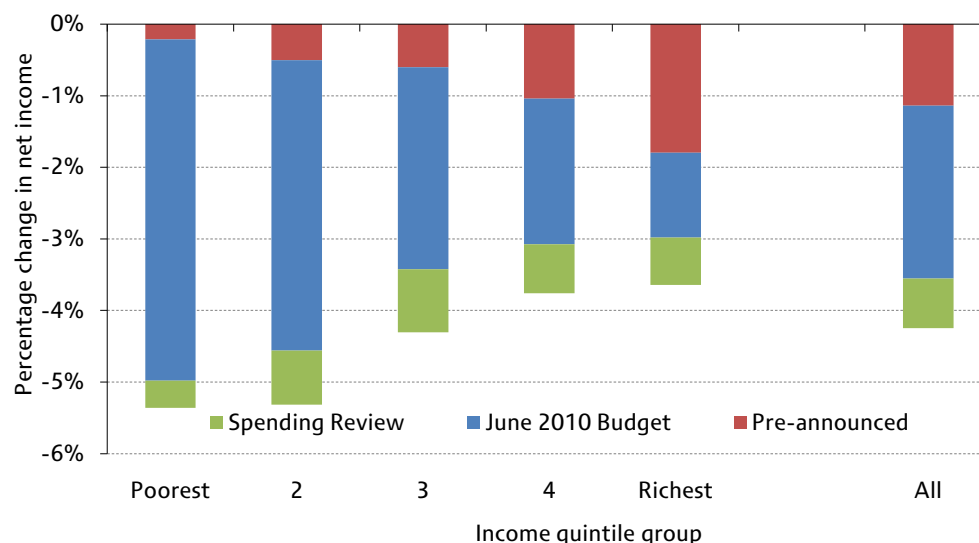
Within Northern Ireland, each quintile of the income distribution loses approximately the same as a proportion of its income as a result of the tax and benefit changes to be introduced between 2010–11 and 2012–13. The reason that this analysis is different to figure 3.2 is that, when we divide the NI population into five equally sized groups according to their income, a considerable number of households are moved into a higher income quintile group. This is because Northern Irish households are less represented in the higher quintiles of the UK income distribution. Therefore, a number of households from the second quintile are shifted into the third quintile, lowering the average loss of the third quintile, while a considerable number of households from the fourth quintile are shifted into the top quintile, lowering the average loss for the top quintile.

The middle three quintiles of the income distribution in Northern Ireland lose more from the tax and benefit changes to be introduced between 2010–11 and 2012–13 on average than their counterparts in the UK income distribution. This is in part because, as we mentioned previously, Northern Ireland has a particularly high proportion of families with children, who lose the most from tax and benefit changes across the income distribution. Also, again as mentioned above, since lower-income

quintiles lose more as a percentage of their income than higher-income ones within the bottom 80%, shifting some households into a higher quintile than they are in within the UK income distribution increases the average loss for these income quintiles.

Figure 4.2 repeats this analysis for all tax and benefit changes to be introduced by 2014–15.

Figure 4.2: The effect of tax and benefit reforms to be introduced between 2010–11 and 2014–15 by Northern Irish household income quintile group



Notes: Income quintile groups are derived by dividing all Northern Irish households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the NI population, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest fifth. Assumes increases in employer NICs are passed on to employees in the form of lower wages. Assumes councils means test council tax benefit more aggressively when council tax benefit is cut and localised in 2013–14.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Comparing this figure with the equivalent for the whole UK, we can see that the lowest four quintiles in Northern Ireland lose more on average than the poorest 80% of households in the UK as a whole. This is primarily because Northern Ireland is harder hit by the measures announced in the June 2010 Budget, in particular the more stringent medical test for claiming DLA and the reforms to tax credits, since Northern Ireland has a relatively high proportion of low-income families with children. However, the richest 20% of the population in Northern Ireland lose less as a proportion of their income than the richest 20% in the UK as a whole. This is because relatively few of the very richest households in the UK, which are those who lose the most overall both in cash and percentage terms, are

in Northern Ireland. The richest quintile in Northern Ireland also contains many households who are in the fourth quintile of the UK income distribution, which is the quintile that loses the least on average from tax and benefit reforms. This is because the fourth quintile are relatively unaffected by cuts to benefits but are the biggest beneficiaries from the increase in the income tax personal allowance announced in the June Budget.

5. Conclusion

Households in Northern Ireland will be no more affected than the UK average by tax and benefit changes to be introduced between 2010–11 and 2012–13, but when we extend our analysis to include measures to be introduced in 2013–14 or 2014–15, we find that Northern Ireland has the second highest average loss as a percentage of income within the regions and constituent nations of the UK. This is because some characteristics of the Northern Irish population cause it to lose more as a percentage of income than other parts of the UK. First, Northern Ireland has a relatively high proportion of its population receiving DLA, meaning that it is likely to lose out disproportionately from the stricter medical test for DLA eligibility. Second, Northern Ireland has a relatively high proportion of households with children, who are a group that previous analysis by IFS researchers has shown will particularly lose out from tax and benefit reforms to be introduced over this period irrespective of their position in the income distribution.

When we consider how Northern Irish households within each fifth of the UK income distribution lose from tax and benefit reforms to be introduced between 2010–11 and 2014–15, we find that these characteristics of the population of Northern Ireland tend to mean that those in lower income quintiles lose more on average than their counterparts in the rest of the UK. However, because Northern Ireland has relatively few very high income households (those in the top 2% of the UK income distribution), the richest fifth of households in Northern Ireland lose less on average than the average for the richest fifth of all UK households.

These findings are broadly echoed when we divide households in Northern Ireland into five equally sized groups based on their income. This analysis effectively shifts some Northern Irish households into higher quintiles, since Northern Ireland is a relatively poor region of the UK. We find that reforms to be introduced between 2010–11 and 2012–13 will affect each quintile of the Northern Irish income distribution equally, but those due to be introduced in 2013–14 and 2014–15 tend to

disproportionately affect the bottom three quintiles of the Northern Irish income distribution.

Appendix A: Distributional analysis by UK income quintile and region

Tables A.1–A.4 below give the average loss as a percentage of income for each UK income quintile broken down by region. We do this first for all tax and benefit changes to be introduced between 2010–11 and 2012–13, and then split this down into the effect of changes announced by the previous government, those announced in the June Budget and those announced in the recent Spending Review. Note that while we include figures to 2 decimal places in these tables, this should not be taken as a guide to the accuracy of the figures. Given the sample sizes in our data for each region-quintile group, little significance should be given to small differences between the numbers in these tables.

Table A.1: Loss as a percentage of net income from all tax and benefit changes to be introduced between 2010–11 and 2012–13 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-2.8%	-2.8%	-2.4%	-1.9%	-2.3%	-2.3%
Yorkshire	-2.7%	-2.6%	-2.0%	-1.9%	-3.9%	-2.8%
North West	-2.6%	-2.9%	-2.5%	-2.1%	-3.4%	-2.8%
East Midlands	-2.6%	-2.3%	-2.4%	-2.1%	-2.6%	-2.5%
West Midlands	-2.2%	-2.6%	-2.1%	-1.9%	-2.7%	-2.4%
East Anglia	-2.5%	-2.3%	-1.9%	-2.1%	-2.9%	-2.4%
London	-2.9%	-2.6%	-3.0%	-2.7%	-4.4%	-3.7%
South East	-3.0%	-2.4%	-2.2%	-2.0%	-3.3%	-2.8%
South West	-3.0%	-2.5%	-2.3%	-2.0%	-2.8%	-2.5%
Wales	-3.3%	-3.4%	-2.4%	-2.3%	-3.4%	-2.9%
Scotland	-2.5%	-1.9%	-2.4%	-2.0%	-3.4%	-2.7%
Northern Ireland	-2.9%	-3.0%	-2.2%	-2.8%	-3.1%	-2.8%
All	-2.7%	-2.6%	-2.4%	-2.1%	-3.4%	-2.8%

Notes: Income quintile groups are derived by dividing UK all households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest tenth. Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Table A.2: Loss as a percentage of net income from tax and benefit changes announced by previous government to be introduced between 2010–11 and 2012–13 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-0.4%	-0.4%	-0.7%	-1.0%	-1.7%	-1.0%
Yorkshire	0.3%	-0.6%	-0.6%	-0.8%	-3.3%	-1.4%
North West	0.0%	-0.4%	-0.7%	-1.0%	-2.8%	-1.3%
East Midlands	0.2%	-0.5%	-0.8%	-1.1%	-1.9%	-1.0%
West Midlands	0.0%	-0.2%	-0.7%	-1.0%	-2.1%	-1.1%
East Anglia	-0.2%	-0.1%	-0.6%	-1.0%	-2.1%	-1.2%
London	0.6%	0.2%	-0.2%	-0.6%	-3.2%	-1.9%
South East	-0.3%	-0.2%	-0.7%	-1.0%	-2.6%	-1.6%
South West	-0.5%	-0.1%	-0.5%	-1.0%	-2.2%	-1.4%
Wales	0.1%	-0.5%	-0.8%	-1.1%	-2.5%	-1.3%
Scotland	-0.3%	-0.3%	-0.8%	-1.0%	-2.5%	-1.5%
Northern Ireland	-0.1%	-0.4%	-0.6%	-1.1%	-2.2%	-1.0%
All	0.0%	-0.3%	-0.6%	-1.0%	-2.6%	-1.4%

Notes: As for table A.1.

Sources: As for table A.1.

Table A.3: Loss as a percentage of net income from tax and benefit changes announced in June Budget to be introduced between 2010–11 and 2012–13 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.0%	-1.2%	-1.1%	-0.5%	-0.4%	-0.7%
Yorkshire	-2.0%	-1.1%	-0.6%	-0.6%	-0.5%	-0.8%
North West	-1.9%	-1.1%	-1.0%	-0.6%	-0.4%	-0.8%
East Midlands	-1.8%	-0.9%	-1.0%	-0.6%	-0.6%	-0.9%
West Midlands	-1.4%	-1.2%	-1.0%	-0.6%	-0.6%	-0.9%
East Anglia	-1.9%	-1.8%	-1.0%	-0.7%	-0.7%	-1.0%
London	-2.4%	-2.0%	-2.0%	-1.4%	-1.1%	-1.3%
South East	-1.8%	-1.3%	-0.9%	-0.7%	-0.5%	-0.8%
South West	-1.4%	-1.4%	-1.1%	-0.7%	-0.5%	-0.8%
Wales	-2.2%	-1.2%	-0.8%	-0.6%	-0.7%	-0.9%
Scotland	-1.5%	-0.8%	-0.9%	-0.6%	-0.7%	-0.8%
Northern Ireland	-2.2%	-1.8%	-1.0%	-1.1%	-0.7%	-1.3%
All	-1.8%	-1.3%	-1.1%	-0.7%	-0.7%	-0.9%

Notes: As for table A.1.

Sources: As for table A.1.

Table A.4: Loss as a percentage of net income from tax and benefit changes announced in the Spending Review to be introduced between 2010–11 and 2012–13 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.5%	-1.2%	-0.6%	-0.4%	-0.2%	-0.6%
Yorkshire	-1.1%	-0.9%	-0.7%	-0.5%	-0.2%	-0.6%
North West	-0.8%	-1.4%	-0.8%	-0.4%	-0.2%	-0.6%
East Midlands	-1.0%	-0.9%	-0.7%	-0.5%	-0.2%	-0.5%
West Midlands	-0.8%	-1.2%	-0.4%	-0.3%	-0.1%	-0.4%
East Anglia	-0.4%	-0.4%	-0.2%	-0.4%	-0.1%	-0.3%
London	-1.0%	-0.8%	-0.9%	-0.7%	-0.1%	-0.4%
South East	-0.9%	-0.8%	-0.5%	-0.3%	-0.1%	-0.3%
South West	-1.2%	-1.0%	-0.6%	-0.3%	-0.1%	-0.4%
Wales	-1.3%	-1.7%	-0.8%	-0.6%	-0.2%	-0.7%
Scotland	-0.7%	-0.7%	-0.7%	-0.4%	-0.2%	-0.4%
Northern Ireland	-0.6%	-0.8%	-0.5%	-0.5%	-0.3%	-0.5%
All	-0.9%	-1.0%	-0.6%	-0.4%	-0.1%	-0.5%

Notes: As for table A.1.

Sources: As for table A.1.

Tables A.5–A.8 repeat this analysis for tax and benefit reforms to be introduced between 2010–11 and 2014–15.

Table A.5: Loss as a percentage of net income from all tax and benefit changes to be introduced between 2010–11 and 2014–15 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-5.1%	-4.6%	-3.9%	-2.9%	-2.8%	-3.5%
Yorkshire	-5.1%	-4.2%	-2.9%	-2.9%	-4.5%	-3.8%
North West	-5.6%	-4.6%	-3.8%	-2.9%	-4.0%	-4.0%
East Midlands	-4.6%	-3.8%	-3.5%	-2.8%	-3.3%	-3.5%
West Midlands	-4.9%	-4.4%	-3.4%	-2.7%	-3.2%	-3.5%
East Anglia	-4.6%	-3.6%	-3.3%	-2.9%	-3.6%	-3.5%
London	-5.3%	-4.6%	-4.2%	-3.6%	-4.8%	-4.6%
South East	-5.0%	-4.0%	-3.2%	-3.0%	-3.8%	-3.7%
South West	-4.8%	-4.0%	-3.4%	-2.9%	-3.1%	-3.4%
Wales	-5.6%	-5.4%	-4.0%	-3.2%	-3.8%	-4.1%
Scotland	-4.8%	-3.5%	-3.5%	-2.8%	-3.9%	-3.7%
Northern Ireland	-5.5%	-5.1%	-3.5%	-4.0%	-3.8%	-4.2%
All	-5.2%	-4.4%	-3.6%	-3.0%	-3.9%	-3.8%

Notes: Income quintile groups are derived by dividing UK all households into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population, quintile

group 2 the second poorest, and so on up to quintile group 5, which contains the richest tenth. Assumes increases in employer NICs are passed on to employees in the form of lower wages. Assumes councils means-test council tax benefit more aggressively when spending on Council Tax Benefit is cut and localised in 2013–14.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Table A.6: Loss as a percentage of net income from tax and benefit changes announced by previous government to be introduced between 2010–11 and 2014–15 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-0.5%	-0.5%	-0.8%	-1.1%	-1.8%	-1.1%
Yorkshire	0.2%	-0.7%	-0.7%	-0.9%	-3.3%	-1.5%
North West	-0.1%	-0.5%	-0.8%	-1.1%	-2.9%	-1.4%
East Midlands	0.1%	-0.5%	-0.9%	-1.2%	-1.9%	-1.1%
West Midlands	-0.2%	-0.3%	-0.8%	-1.1%	-2.1%	-1.2%
East Anglia	-0.3%	-0.2%	-0.7%	-1.1%	-2.2%	-1.2%
London	0.5%	0.1%	-0.2%	-0.7%	-3.2%	-2.0%
South East	-0.4%	-0.3%	-0.8%	-1.1%	-2.6%	-1.7%
South West	-0.6%	-0.2%	-0.6%	-1.1%	-2.3%	-1.4%
Wales	-0.1%	-0.5%	-0.9%	-1.2%	-2.6%	-1.4%
Scotland	-0.4%	-0.4%	-0.9%	-1.1%	-2.6%	-1.5%
Northern Ireland	-0.3%	-0.6%	-0.7%	-1.2%	-2.3%	-1.1%
All	-0.1%	-0.4%	-0.7%	-1.0%	-2.7%	-1.5%

Notes: As for table A.5.

Sources: As for table A.5.

Table A.7: Loss as a percentage of net income from tax and benefit changes announced in June Budget to be introduced between 2010–11 and 2014–15 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-3.1%	-2.9%	-2.4%	-1.3%	-0.6%	-1.7%
Yorkshire	-4.2%	-2.4%	-1.3%	-1.2%	-0.7%	-1.6%
North West	-4.7%	-2.6%	-2.1%	-1.2%	-0.7%	-1.8%
East Midlands	-3.6%	-2.3%	-1.8%	-0.9%	-0.9%	-1.6%
West Midlands	-4.0%	-2.7%	-2.1%	-0.9%	-0.7%	-1.7%
East Anglia	-3.8%	-3.0%	-2.2%	-1.0%	-1.0%	-1.7%
London	-4.6%	-3.7%	-2.8%	-1.8%	-1.3%	-1.9%
South East	-3.5%	-2.7%	-1.5%	-1.1%	-0.7%	-1.3%
South West	-3.1%	-2.7%	-2.0%	-1.0%	-0.6%	-1.3%
Wales	-4.3%	-3.1%	-2.2%	-1.1%	-0.9%	-1.8%
Scotland	-3.6%	-2.3%	-1.8%	-1.1%	-0.9%	-1.5%
Northern Ireland	-4.6%	-3.7%	-2.2%	-1.9%	-0.9%	-2.4%
All	-3.9%	-2.8%	-2.0%	-1.2%	-0.9%	-1.7%

Notes: As for table A.5.

Sources: As for table A.5.

Table A.8: Loss as a percentage of net income from tax and benefit changes announced in the Spending Review to be introduced between 2010–11 and 2014–15 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.5%	-1.2%	-0.7%	-0.6%	-0.4%	-0.8%
Yorkshire	-1.1%	-1.0%	-0.9%	-0.8%	-0.5%	-0.8%
North West	-0.8%	-1.5%	-1.0%	-0.7%	-0.4%	-0.8%
East Midlands	-1.1%	-1.0%	-0.8%	-0.7%	-0.5%	-0.8%
West Midlands	-0.8%	-1.3%	-0.6%	-0.6%	-0.3%	-0.6%
East Anglia	-0.5%	-0.5%	-0.4%	-0.8%	-0.4%	-0.5%
London	-1.1%	-1.0%	-1.2%	-1.1%	-0.4%	-0.7%
South East	-1.1%	-1.0%	-0.9%	-0.8%	-0.5%	-0.7%
South West	-1.2%	-1.0%	-0.8%	-0.8%	-0.2%	-0.6%
Wales	-1.3%	-1.8%	-0.9%	-0.9%	-0.4%	-0.9%
Scotland	-0.8%	-0.8%	-0.8%	-0.7%	-0.5%	-0.6%
Northern Ireland	-0.6%	-0.9%	-0.6%	-0.8%	-0.6%	-0.7%
All	-1.1%	-1.2%	-0.9%	-0.8%	-0.4%	-0.7%

Notes: As for table A.5.

Sources: As for table A.5.

Appendix B: The distributional impact of tax and benefit reforms within each region

In this appendix, we repeat the analysis in section 4 for the other regions of the UK, in other words we divide the population of each region into five equally-sized groups based on their income, and express the average loss as a percentage of net income for each group.

Table B.1: Loss as a percentage of net income from all tax and benefit changes to be introduced between 2010–11 and 2012–13 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-2.8%	-2.6%	-2.6%	-1.9%	-2.1%	-2.3%
Yorkshire	-2.8%	-2.4%	-2.3%	-2.0%	-3.5%	-2.8%
North West	-2.6%	-2.9%	-2.5%	-2.3%	-3.1%	-2.8%
East Midlands	-2.7%	-2.2%	-2.6%	-2.2%	-2.6%	-2.5%
West Midlands	-2.3%	-2.6%	-2.3%	-2.0%	-2.6%	-2.4%
East Anglia	-2.5%	-2.3%	-1.9%	-2.2%	-2.9%	-2.4%
London	-2.8%	-2.7%	-3.2%	-2.1%	-5.0%	-3.7%
South East	-2.6%	-2.5%	-2.1%	-2.0%	-3.5%	-2.8%
South West	-3.1%	-2.4%	-2.3%	-2.1%	-2.7%	-2.5%
Wales	-3.5%	-3.3%	-2.5%	-2.4%	-3.0%	-2.9%
Scotland	-2.5%	-1.9%	-2.4%	-2.0%	-3.4%	-2.7%
Northern Ireland	-2.8%	-3.0%	-2.6%	-2.7%	-3.0%	-2.8%
All	-2.7%	-2.6%	-2.4%	-2.1%	-3.4%	-2.8%

Notes: Income quintile groups are derived by dividing all households in each region into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population in that region, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest tenth. Assumes increases in employer NICs are passed on to employees in the form of lower wages.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Table B.2: Loss as a percentage of net income from tax and benefit changes announced by previous government to be introduced between 2010–11 and 2012–13 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-0.3%	-0.4%	-0.6%	-0.9%	-1.6%	-1.0%
Yorkshire	0.6%	-0.7%	-0.6%	-0.7%	-2.8%	-1.4%
North West	0.1%	-0.4%	-0.6%	-0.9%	-2.5%	-1.3%
East Midlands	0.3%	-0.4%	-0.7%	-1.0%	-1.8%	-1.0%
West Midlands	0.0%	-0.2%	-0.6%	-1.0%	-2.0%	-1.1%
East Anglia	-0.2%	-0.1%	-0.7%	-1.0%	-2.1%	-1.2%
London	0.7%	0.2%	-0.3%	-1.3%	-3.7%	-1.9%
South East	-0.3%	-0.3%	-0.8%	-1.2%	-2.8%	-1.6%
South West	-0.5%	-0.2%	-0.6%	-1.1%	-2.2%	-1.4%
Wales	-0.1%	-0.3%	-0.8%	-1.0%	-2.2%	-1.3%
Scotland	-0.3%	-0.3%	-0.8%	-1.0%	-2.6%	-1.5%
Northern Ireland	0.0%	-0.3%	-0.5%	-0.9%	-1.9%	-1.0%
All	0.0%	-0.3%	-0.6%	-1.0%	-2.6%	-1.4%

Notes: As for table B.1.

Sources: As for table B.1.

Table B.3: Loss as a percentage of net income from tax and benefit changes announced in June Budget to be introduced between 2010–11 and 2012–13 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.1%	-1.2%	-1.0%	-0.4%	-0.4%	-0.7%
Yorkshire	-2.3%	-0.9%	-0.8%	-0.6%	-0.5%	-0.8%
North West	-1.9%	-1.1%	-1.0%	-0.8%	-0.4%	-0.8%
East Midlands	-1.9%	-1.0%	-1.1%	-0.7%	-0.6%	-0.9%
West Midlands	-1.6%	-1.2%	-1.0%	-0.7%	-0.6%	-0.9%
East Anglia	-1.9%	-1.9%	-1.0%	-0.7%	-0.8%	-1.0%
London	-2.4%	-2.0%	-1.9%	-0.6%	-1.2%	-1.3%
South East	-1.5%	-1.4%	-0.8%	-0.6%	-0.6%	-0.8%
South West	-1.3%	-1.5%	-1.1%	-0.7%	-0.5%	-0.8%
Wales	-2.1%	-1.4%	-0.8%	-0.6%	-0.6%	-0.9%
Scotland	-1.5%	-0.8%	-1.0%	-0.6%	-0.6%	-0.8%
Northern Ireland	-2.5%	-2.0%	-1.3%	-1.2%	-0.8%	-1.3%
All	-1.8%	-1.3%	-1.1%	-0.7%	-0.7%	-0.9%

Notes: As for table B.1.

Sources: As for table B.1.

Table B.4: Loss as a percentage of net income from tax and benefit changes announced in the Spending Review to be introduced between 2010–11 and 2012–13 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.4%	-1.0%	-0.9%	-0.5%	-0.2%	-0.6%
Yorkshire	-1.1%	-0.8%	-0.9%	-0.7%	-0.2%	-0.6%
North West	-0.7%	-1.4%	-0.9%	-0.7%	-0.2%	-0.6%
East Midlands	-1.1%	-0.9%	-0.8%	-0.5%	-0.2%	-0.5%
West Midlands	-0.7%	-1.2%	-0.6%	-0.3%	-0.1%	-0.4%
East Anglia	-0.4%	-0.4%	-0.2%	-0.5%	-0.1%	-0.3%
London	-1.0%	-0.8%	-0.9%	-0.3%	-0.1%	-0.4%
South East	-0.8%	-0.8%	-0.5%	-0.3%	-0.1%	-0.3%
South West	-1.3%	-0.8%	-0.6%	-0.3%	-0.1%	-0.4%
Wales	-1.3%	-1.6%	-0.9%	-0.8%	-0.2%	-0.7%
Scotland	-0.7%	-0.7%	-0.7%	-0.4%	-0.2%	-0.4%
Northern Ireland	-0.3%	-0.7%	-0.8%	-0.5%	-0.3%	-0.5%
All	-0.9%	-1.0%	-0.6%	-0.4%	-0.1%	-0.5%

Notes: As for table B.1.

Sources: As for table B.1.

Tables B.5–B.8 extend this analysis to include reforms to be introduced in 2013–14 and 2014–15.

Table B.5: Loss as a percentage of net income from all tax and benefit changes to be introduced between 2010–11 and 2014–15 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-5.1%	-4.5%	-4.1%	-3.4%	-2.6%	-3.5%
Yorkshire	-5.2%	-4.2%	-3.2%	-3.1%	-4.1%	-3.8%
North West	-5.4%	-4.8%	-3.9%	-3.3%	-3.7%	-4.0%
East Midlands	-4.8%	-3.7%	-3.8%	-3.0%	-3.3%	-3.5%
West Midlands	-4.9%	-4.7%	-3.5%	-2.9%	-3.1%	-3.5%
East Anglia	-4.6%	-3.7%	-3.3%	-3.0%	-3.6%	-3.5%
London	-5.2%	-4.5%	-4.3%	-2.9%	-5.4%	-4.6%
South East	-4.6%	-3.9%	-3.1%	-2.9%	-4.1%	-3.7%
South West	-4.9%	-3.9%	-3.4%	-3.1%	-3.1%	-3.4%
Wales	-5.8%	-5.2%	-4.2%	-3.5%	-3.5%	-4.1%
Scotland	-4.8%	-3.5%	-3.6%	-2.8%	-4.0%	-3.7%
Northern Ireland	-5.4%	-5.3%	-4.3%	-3.8%	-3.8%	-4.2%
All	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	-3.8%

Notes: Income quintile groups are derived by dividing households in each region into 5 equal-sized groups according to income adjusted for household size using the McClements equivalence scale. Quintile group 1 contains the poorest fifth of the population in each region, quintile group 2 the second poorest, and so on up to quintile group 5, which contains the richest fifth. Assumes increases in employer NICs are passed on to employees in the form of lower wages. Assumes councils means-test council tax benefit more aggressively when spending on Council Tax Benefit is cut and localised in 2013–14.

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

Table B.6: Loss as a percentage of net income from tax and benefit changes announced by previous government to be introduced between 2010–11 and 2014–15 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-0.4%	-0.5%	-0.7%	-1.0%	-1.6%	-1.1%
Yorkshire	0.5%	-0.8%	-0.7%	-0.8%	-2.9%	-1.5%
North West	0.0%	-0.5%	-0.7%	-1.0%	-2.6%	-1.4%
East Midlands	0.1%	-0.4%	-0.8%	-1.1%	-1.8%	-1.1%
West Midlands	-0.1%	-0.3%	-0.7%	-1.1%	-2.0%	-1.2%
East Anglia	-0.4%	-0.2%	-0.8%	-1.1%	-2.1%	-1.2%
London	0.6%	0.1%	-0.3%	-1.3%	-3.8%	-2.0%
South East	-0.4%	-0.4%	-0.9%	-1.3%	-2.9%	-1.7%
South West	-0.6%	-0.3%	-0.7%	-1.1%	-2.2%	-1.4%
Wales	-0.2%	-0.3%	-0.9%	-1.1%	-2.3%	-1.4%
Scotland	-0.4%	-0.4%	-0.9%	-1.1%	-2.7%	-1.5%
Northern Ireland	-0.2%	-0.5%	-0.6%	-1.0%	-2.0%	-1.1%
All	-0.1%	-0.4%	-0.7%	-1.0%	-2.7%	-1.5%

Notes: As for table B.5.

Sources: As for table B.5.

Table B.7: Loss as a percentage of net income from tax and benefit changes announced in June Budget to be introduced between 2010–11 and 2014–15 by regional income quintile

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-3.3%	-3.0%	-2.4%	-1.7%	-0.6%	-1.7%
Yorkshire	-4.5%	-2.5%	-1.5%	-1.3%	-0.7%	-1.6%
North West	-4.7%	-2.9%	-2.1%	-1.4%	-0.7%	-1.8%
East Midlands	-3.8%	-2.3%	-2.1%	-1.1%	-0.9%	-1.6%
West Midlands	-4.1%	-3.1%	-2.0%	-1.1%	-0.8%	-1.7%
East Anglia	-3.7%	-3.0%	-2.1%	-1.0%	-1.0%	-1.7%
London	-4.6%	-3.4%	-2.7%	-0.9%	-1.4%	-1.9%
South East	-3.2%	-2.4%	-1.4%	-0.8%	-0.8%	-1.3%
South West	-3.0%	-2.8%	-2.0%	-1.1%	-0.6%	-1.3%
Wales	-4.3%	-3.1%	-2.3%	-1.4%	-0.8%	-1.8%
Scotland	-3.6%	-2.3%	-1.9%	-1.1%	-0.8%	-1.5%
Northern Ireland	-4.8%	-4.1%	-2.8%	-2.0%	-1.2%	-2.4%
All	-3.9%	-2.8%	-2.0%	-1.2%	-0.9%	-1.7%

Notes: As for table B.5.

Sources: As for table B.5.

Table B.8: Loss as a percentage of net income from tax and benefit changes announced in the Spending Review to be introduced between 2010–11 and 2014–15 by UK income quintile and region

<i>Region</i>	<i>Poorest</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Richest</i>	<i>All</i>
North East	-1.4%	-1.0%	-1.0%	-0.7%	-0.4%	-0.8%
Yorkshire	-1.1%	-0.9%	-0.9%	-0.9%	-0.5%	-0.8%
North West	-0.8%	-1.4%	-1.1%	-0.8%	-0.5%	-0.8%
East Midlands	-1.1%	-0.9%	-0.9%	-0.7%	-0.6%	-0.8%
West Midlands	-0.8%	-1.3%	-0.7%	-0.6%	-0.3%	-0.6%
East Anglia	-0.5%	-0.4%	-0.5%	-0.8%	-0.4%	-0.5%
London	-1.1%	-1.2%	-1.3%	-0.7%	-0.3%	-0.7%
South East	-0.9%	-1.0%	-0.9%	-0.8%	-0.4%	-0.7%
South West	-1.3%	-0.9%	-0.8%	-0.8%	-0.3%	-0.6%
Wales	-1.3%	-1.7%	-1.0%	-1.0%	-0.4%	-0.9%
Scotland	-0.8%	-0.8%	-0.8%	-0.7%	-0.5%	-0.6%
Northern Ireland	-0.4%	-0.8%	-0.9%	-0.7%	-0.7%	-0.7%
All	-1.1%	-1.2%	-0.9%	-0.8%	-0.4%	-0.7%

Notes: As for table B.5.

Sources: As for table B.5.

Appendix C: List of tax and benefit reforms

This analysis splits the reforms into those announced by the last Labour government and due to come in between June 2010 and April 2014; those announced by the coalition in the June Budget; and those announced by the coalition in the Spending Review. Those announced by Labour include:

- An increase in all employees' and employers' National Insurance rates of 1% from April 2011;
- An increase in the threshold at which employees start to pay National Insurance of £23 per week from April 2011;
- Real reductions in the point at which the higher rate of income tax starts to be paid in both April 2011 and April 2012;
- Restricting tax relief on pension contributions for those with incomes above £130,000 (which the coalition plans to amend);
- The expiry of a number of one-off giveaways for the financial year 2010–11, in particular a temporary real increase in some benefits and the income tax personal allowance;

- From April 2011, private sector tenants claiming Local Housing Allowance (LHA) would no longer be able to receive more in LHA than they have to pay in rent. (Previously claimants could keep up to £15 of the amount by which their LHA payment exceeded their rent).
- A £4 per week toddler's tax credit from April 2012 (which the coalition has cancelled).
- A lower hours-of-work requirement for working tax credit for some of the over 50s (which the coalition has cancelled).
- Various increases in excise duties.

Those announced by the coalition Government in the June Budget include:

- An increase in the standard rate of VAT from 17.5% to 20.0% in January 2011.
- A £1,000 cash increase in the income tax personal allowance for those aged under 65 in April 2011;
- A £21 increase in the threshold at which employers start paying National Insurance Contributions in April 2011;
- Using the CPI rather than the RPI or Rossi to uprate all benefits (see section 5 for more details);
- Withdrawing the family element of the Child Tax Credit from higher-income families;
- Increasing the rate at which tax credits are withdrawn from 39% to 41% in April 2011;
- Removing the baby element of the Child Tax Credit in April 2011;
- Increasing the child element of the tax credit in April 2011 and April 2012;
- Changes to the way in which in-year changes are made to tax credit awards so that by April 2013 increases in income of more than £5,000 (rather than £25,000) will reduce tax credit payments and by April 2012 falls in income of up to £2,500 will not increase tax credit payments. Also, claimants will have to inform HMRC about changes in their circumstances more quickly;

- Freezing Child Benefit rates for three years from April 2011;
- Earnings indexation of the State Pension in April 2011, and an increase in the Pension Credit in the same year;
- LHA rates will be set at the 30th percentile of local rents rather than the 50th percentile from April 2011. This effectively means that LHA claimants will only be able to choose from the cheapest 30% of properties in their local area of the appropriate size for their family rather than the cheapest 50%;
- Increase housing benefit deductions for resident non-dependents by uprating with prices from April 2011, and reversing previous freeze.
- Irrespective of local rents, there will be caps on the total amount of rent that can be claimed under LHA from April 2011 and rents will be capped at the 4-bedroom rate. This will prevent claimants obtaining large amounts of LHA to live in high-rent areas;
- Reductions in housing benefit for those of working age living in social housing that is under-occupied from April 2013;
- Increasing local reference rents (the maximum rents that private sector tenants can claim) in line with CPI rather than actual rents from April 2013, and;
- Reducing housing benefit by 10% for those who have been claiming Job Seekers' Allowance for more than a year from April 2013.
- A further real reduction in the point at which the higher 40% rate of income tax is paid in April 2013;
- Reforms to the medical test for Disability Living Allowance from 2013-14 that are assumed to eventually reduce the number of claimants by 20%;

Those announced by the coalition Government in the Spending Review include:

- Removing child benefit from families with a higher rate tax payer from January 2013;
- Time-limiting contributory Employment and Support Allowance except for the most disabled from 2012-13;

- A cash freeze in the basic and 30-hour element of the working tax credit for 3 years from April 2011.
- An increase in the hours-requirements for working tax credit for couples with children from April 2012.
- A reduction in the maximum proportion of childcare costs covered from 80% to 70% in April 2011.
- A 10% reduction in expenditure on (and localisation of) council tax benefit;
- A freeze in the savings credit part of Pension Credit for 4 years;
- A Benefit cap of £500 per week (or £350 per week for single adults) for most recipients;
- Cuts in Local Housing Allowance for single people aged 25 – 34;
- Further increases in the child element of the child tax credits in April 2011 and April 2012.