

An appendix to chapter 14

ASSUMPTIONS AND CALCULATIONS FOR A SIMPLE CITIZEN'S INCOME SCHEME

By Anne G Miller

My object for this paper is to show that a simple partial Citizen's Income system, with a standard CI for those aged 16-59 of £90 pw, is economically feasible.

My objectives for the CI scheme are:

To design a very simple, transparent and accountable system.

To reduce the need for means-testing, which leads to a reduced take-up of the benefit. Means-testing also has a built-in disincentive-to-work for those coming off benefits into work, who are caught by both income tax and benefit withdrawal rates, giving a high combined effective marginal tax rate. Those on Child Tax Credit or Working Tax Credit, are subjected to an effective marginal tax rate of 70% (22 % income tax, 11 % National Insurance contribution, 37 % CTC and WTC taper rate), which is higher than the highest rate of tax (40 % income tax plus 1 % of National Insurance contribution), paid by high-income earners.

Eligibility to be based on residency or domicile.

For the individual to be the tax and benefit unit.

To minimise the degree of contingency associated with the CIs (for instance, the amount of the CI will be independent of marital status, domestic arrangements or sexual preferences). It is designed specifically not to take circumstances into account. This should reduce the complexity, improve the efficiency and reduce the costs, of administering the system.

Although the CI and personal income tax systems will be co-ordinated, they will be operated separately, with the CI paid out to individuals, and the tax collected separately. (This makes all of us both CI recipients and potential taxpayers). Instead of assessing the incomes of some individuals twice, once for means-tested benefits and again for income tax, as at present, each will be assessed once only, for income tax. This should also both improve the efficiency and reduce the costs of administering the system.

ASSUMPTION 1.

The CI should reflect the prosperity of the UK, and I have chosen for it to be related to GDP per capita, rather than the (to me) more nebulous figure for annual average earnings. GDP per capita seems to reflect the prosperity of the whole country. A fixed proportion of GDP per capita also has the advantage that it will provide a stabilising influence on the economic cycles.

CIs for the tax year 2005-06, have to be determined before that, using the latest information available, which is the figure for GDP per capita for 2003 in the *United Kingdom National Accounts, The Blue Book 2004* edition, published in the autumn of 2004. There will be a fifteen-month gap between the end of the year to which the GDP figure applies and the tax year starting 15 months later.

The relevant figures for 2003, from *Blue Book 2004*, Tables 1.2 and 1.5 are:

GDP (output method) at current market prices, YBHA = £1 099 896 m

GDP per capita, IHXT = £18 524

(This gives an estimate for UK population of = c. 59 377 000).*

* My estimates are calculated to 5 significant figures.

The four-letter labels are the item labels used in the tables.

Some further figures for population are available in Appendix A below.

ASSUMPTION 2.

The Citizen's Income scheme will be financed out of personal income tax revenues.

I assume this for two reasons.

- a) The expenditure by the government in 2003 on social benefits in cash at £131,799m is of the same order of magnitude as taxes on income, £145,326m, which implies that government expenditure can be financed out of the rest of taxation. (See Appendices B and C).
- b) It is convenient to work with a hypothecated arrangement, in order to illustrate the feasibility of the scheme more clearly.

Table 1.

	2001	2002	2003	2004
GDP at market prices, Table 1.2 YBHA	994 309	1 044 145	1 099 896	1 164 439
Total Resources, Hshlds & NPISH T 6.1.3, QWMF	818 861	839 881	876 473	922 837
Incomes from hshlds/ GDP	0.82355	0.80437	0.79687	0.79252

Source: *The Blue Book* 2004 and 2005

ASSUMPTION 3

The income of the Households and Non-Profit Institutions Serving Households (NPISHs) is roughly 80% of GDP (See table 1)

The sources of the difference between GDP at market prices, YBHA, £1 099 896 m. in 2003, and Total Resources, of Households and NPISHs, QWMF, £876 473 m. can be discovered by a comparison of Table 1.2 (income component method) and Table 6.1.3, and is accounted for as follows:

The difference between the Operating Surpluses (profits) of Corporations, and the Property Income of Households and NPISHs, QWME, (which includes interest, dividend payments and rent), yields £72 120 m, which will include retained earnings;

Gross operating surplus of general government, NMXV, is £10 722 m;

Taxes on production and imports, NZGX, less subsidies, -AAXS, giving a sum of £140 147 m;

A statistical discrepancy between the income components method of estimating GDP at market prices and the output components method, YBHA, (which is the official GDP at market prices), RVFC, accounts for £493 m; and Payments to, less receipts from, the rest of the world, -KTMP, -£59 m.

ASSUMPTION 4. THE PERSONAL INCOME TAX SYSTEM: RECLAIMING THE TAX BASE

The personal income tax system will have the following properties:

1. National insurance contributions will be subsumed into the income tax system.
2. All of an individual's taxable income, from all sources, will be treated in the same way for income tax purposes.

An individual's **taxable income** is defined as gross income *less* any allowable **essential** expenses incurred in the generation of that income, from all sources, but before receiving their CI, and other government transfers such as housing benefit, or the benefits to cover the costs of a recipient's disability.

Sources of income include:

EARNINGS (from full-time and part-time employment)

EARNINGS from SELF-employment

SHARE SCHEMES and OPTIONS (free or cheaply from one's employer)

COMPANY PERQUISITES (such as a company car, private medical insurance, fringe benefits, commission, tips, part-time free-lance earnings)

PENSIONS, occupational and personal

INTEREST from banks and building societies

DIVIDENDS

CAPITAL GAINS on the sale of shares and other assets, and

RENTAL income from properties.

GIFTS

3. No other tax reliefs, personal allowances or exemptions will be granted,

It is important that there are no exceptions, however apparently laudable, because, whilst they appear to benefit middle-income people to a modest extent, wealthy people find ways to exploit them much more fully. Thus tax reliefs are the thin end of the wedge of an ever-increasing raft of hidden tax expenditures, which erode the **tax base** and lead to a higher standard tax rate being imposed on the majority who cannot avoid the tax. The withdrawal of all tax reliefs, personal allowances and exemptions allows the tax base to be reclaimed. The case for restoring any particular concession would have to be argued from scratch and claimed as a visible benefit, rather than an invisible tax expenditure.

Some of the tax reliefs in the past have been given with laudable aims, such as the tax reliefs on charitable donations. Charities rely on this extra subsidy from government, but it is recommended here that it could be given as a direct subsidy to each charity as a proportion, say 20 or 25 %, of all of its donations received, rather than relating them to the incomes of some individuals.

Tax relief on pensions and superannuation contributions were given to encourage people to provide for their old age, which was thought to be absolutely essential for the future financial health of our senior citizens. However, with a reasonable Citizen's Pension, indexed to GDP per head, this would not have the same urgency, although individuals could still contribute to private schemes if they wished, but without the current subsidies, which are massive. The UK government has been exhorting the population to save for its old age, but the fall in the stock market, and the withdrawal of many company occupational pension schemes has left people with much uncertainty, which a Citizen's Pension would go some way to ameliorate. There is popular support from various pensions organisations for such a move. A Citizen's Pension could provide the foundation in a portfolio of pensions. It is far more important to make this foundation as adequate as possible for all, rather than to subsidise the private pensions of those who are already better off.

Appendix D lists some of the most expensive tax expenditures and structural reliefs, (but excluding those for Corporation tax), in descending order of cost. In the source material, published by Her Majesty's Revenue and Customs, HMRC, (renamed after the merger of the Inland Revenue and Customs and Excise in April 2005), the tax expenditures are grouped by type.

4. The standard rate of income tax will be that required to finance a CI scheme, together with most of the other benefits in cash that will still be necessary, including a residual welfare system for those who do not qualify for a CI, etc, but these can be supplemented out of a higher rate of tax.

Table 2. Recommended Initial Rates, based on GDP per capita for the year 2003.

	% of GDP per head	£ per annum, based on 2003 GDP p cap	£ per week, based on 2003 GDP p cap
GDP per head	100.00	18,524	356.23
CP	30.88	5,720	110.00
SCI	25.26	4,680	90.00
CCI	14.04	2,600	50.00

ASSUMPTION 5. THE CITIZEN'S INCOME SCHEME.

GDP per capita in 2003 was £356.23 pw, or £18 524 pa, representing 100 % of GDP per capita.

There will be three levels of CI, at roughly 31, 25 and 14 % of GDP per capita.

Citizen's Pension of £110 pw, £5 720 pa, 30.88% of GDP per capita,

for men and women aged 60 and over (as with the current Pension Credit of £109.45 pw for a single pensioner).

The age threshold can be raised, as proposed for the Basic State Pension for women, from age 60 to age 65 over the decade 2010 to 2020.

Standard Citizen's Income of £90 pw, £4 680 pa, 25.26% of GDP per capita,

for all individuals aged 16 to 59.

Child Citizen's Income of £50 pw, £2 600 pa, 14.04 % of GDP per capita,

for children aged 0 to 15,

This rate for CCI is based on 2005-06 rates for Child Tax Credit per child of £1 690 pa, and the higher rate of Child Benefit (£17.00 pw, £884 pa), yielding £2 574 pa, which I have rounded up to £2 600 pa.

This is a partial basic income scheme, because it recognises that few adults would be able to live comfortably on the SBI alone, but it assumes that able-bodied people would be able to find at least a few hours of work each week in order to top up their incomes.

I am assuming that the costs of disability will be paid separately from the CI payment, and will continue as at present, through the Disability Living Allowance, and through grants paid by Social Services or local authorities. The total cost of the basic income scheme can be calculated in advance (*ex ante*), using the 2003 figures for GDP and population, and is presented below in Table 3a. The table is calculated on the basis of everyone receiving the Standard Basic Income, SBI, and then adding on the extra cost of the Citizen's Pension, and deducting the shortfall on account of the Child Citizen's Income.

Table 3a. The Total Cost of this Proposed Citizen's Income Scheme, *ex ante*.

	Population numbers** 2003 Thousands.	Citizen's Income Per annum	Cost estimates
Total population	59,553.9 (100.0 %)	£4 680	£ 278 712 m
People aged 60 +	12,452.6 (20.9 %)	+ £1 040	+ £ 12 951 m
Children aged 0-15	11,712.2 (19.7 %)	- £ 2 080	- £ 24 361 m
Total			£ 267 302 m

** Mid-year population estimates for 2003 were obtained via
www.statistics.gov.uk/Statbase/Exodata/Spreadsheet/D8548.xls

The total cost represents 24.302% of GDP of £1 099 896 m for 2003.

A quick method for estimating a ball-park figure for the cost of the CI scheme is given below, based on the fact that the population aged 60 plus is roughly 21 % of the total population, and that of children aged 0 to 15 is about 20 %: It allows one to get a rough estimate of the costs for different levels of CI, or for different sections of the population.

Table 3b. Quick Method for Calculating the Cost of the CI Scheme as a Proportion of GDP.

	Proportion of the population	CI as a proportion Of GDP per cap	Cost of CIs as a Proportion of GDP
Citizen's Pension	0.21	0.3088	0.06485
Standard CI	0.59	0.2526	0.14903
Child's CI	0.20	0.1404	0.02808
Total			0.24196

In this case, it provides an estimate for the cost of the CI scheme as a proportion of GDP, which is reasonably close to the more precise method.

However, this proportion of GDP (24.302 %) will have to be grossed up by dividing by 0.79687 (the proportion of GDP accounted for by the income of households in 2003). Thus, the total cost represents 30.497 % of the income of Households and NPISHs. This also represents the rate of income tax necessary to finance the CI scheme, but it will have to be augmented to allow for any extra benefits in cash that may be required.

There must be enough additional revenue to finance:

the **costs of disabilities**, including the costs of care, including residential care, special equipment,

mobility, extra fuel or laundry costs or special diets, etc. and

a **social fund** for those with emergencies, and

a **redundancy fund** (which in 2003 totalled £2,385 m.),

and

a **residual safety net**, which will be required:

for those who are still in poverty (despite the CI scheme), operated mainly through a **housing benefit** and **council tax benefit** scheme for those with no other income, and for those who do not meet the residency or domicile criteria to qualify for a CI, as well as

a **residual National Insurance scheme** for those who will still be entitled to National Insurance benefits,

such as SERPS (the State Earnings Related Pension), Non Contracted Out Pensions, S2P pensions and UK pensioners living overseas

(National Insurance benefits to overseas residents in 2003 totalled £1,404 m. and other benefits paid to overseas residents in cash in 2003 came to £48 m (See Appendix C)).

There must also be enough to cover the **grants replacing those tax expenditures** for which a case is justified, (such as charitable giving, for instance).

Adding a further 2.503 % to income tax, to cover these extras costs, brings income tax to 33 %, which is the same as the current 22 % plus 11 % for national insurance contributions, which would have yielded an extra £21 940 m (0.02503 x £876 473m in 2003). Thus, a simple, partial CI scheme could be financed out of a personal income tax system with a standard rate of tax of 33 %.

We can estimate the revenue from a 41 % higher rate of income tax on taxable incomes greater than £31,400 for 2004-2005, (or £32,400 for 2005-2006; see Appendix F below), as follows. HMRC's estimate for the tax yield from the 40 % highest rate of income tax, by 3.430 m higher rate taxpayers in 2004-05, is £46,730 m. This higher rate comprises the current standard rate of 22 % plus an extra 18 %, which will be 33 % under the new regime, (which has already been accounted for here), plus an extra tax of (7 + 1) % of the £46 730 m. Thus the top slice is about £9 346 m, which is only 0.8% of 2004 GDP.

Of course, all of the gross income of higher rate taxpayers will now be taxed, so the equivalent of (7+1)% will be levied on the former personal allowance of £4,745 in 2004-05 for each higher-rate taxpayer, yielding £1,302 m. Thus, a higher tax rate of 41%, and using the same thresholds as at present, would yield an extra 0.9 % of GDP as income tax revenue. The corresponding estimates for 2005-06 indicate that 3.560 m tax payers paid £49 290 m in the higher rate income tax of 40 %, and their personal allowances were £4,895, but we do not have a GDP figure for 2005 yet, with which to compare these. (www.hmrc.gov.uk/stats/income_tax/table2-6.pdf).

For working out the actual costs of the CI scheme in retrospect, (*ex post*), we need the latest population figures available, which are currently for 2004, but the most relevant figures will be for 2005, when they become available.

Table 4. The Total Cost of this Proposed Citizen's Income Scheme, *ex post*.

	Population numbers** 2004 Thousands	CIs per annum	Cost estimates, 2004
Total population	59,834.3 (100.0 %)	£4 680	£ 280 025 m
People aged 60 +	12,600.8 (21.1 %)	+ £1 040	+ £ 13 105 m
Children aged 0-15	11,645.6 (19.5 %)	- £ 2 080	- £ 24 223 m
Total			£ 268 907 m

** Mid year population estimates were obtained via
www.statistics.gov.uk/Statbase/Expodata/Spreadsheet/D9081.xls

This total cost represents 23.093 % of GDP of £1,164,439 m for 2004, which, when grossed up by 0.79252 for 2004, yields 29.139 %. A further increase in GDP is likely to have occurred in 2005, and will reveal a fairly comfortable margin for errors in the *ex ante* calculations in Table 3a. It is obvious that a simple partial Citizen's Income scheme, such as the one illustrated here, is feasible, with a standard rate of tax of 33%.

Some of the rates for the current main benefits, for the tax years 2004-2005 and 2005-2006 are given in Appendix E, most of which will disappear under the new scheme.

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APPENDIX A. GDP, GNI, AND POPULATION FIGURES, FOR YEARS 2002, 2003 & 2004

Source: United Kingdom National Accounts, (Blue Book), 2003, 2004 & 2005 editions.

Blue Book TABLE	Blue Book REF		2002	2003	2004
			£m	£m	£m
1.2	YBHA	GDP at current market prices (output) GDP at current market prices (expenditure) GDP at current market prices(income method)	1 043 945 1 042 362 1 044 092	1 099 896 1 099 682 1 099 403	1 164 439 1 163 861 1 163 736
1.2	ABMX	Gross National Income at current market prices	1 063 090	1 120 352	1 189 623
1.5	YBHA/ IHXTor DYAY DYAY- MGSL	Home Population Population under 16	59 232 12 849	(59 377) (12 474)	(59 571) (12 278)
1.5	MGRQ	Household population aged 16 + Self-employed	3 124	3 521	3 628
1.5	MGRN	Employees	<u>24 339</u>	<u>24 394</u>	<u>24 526</u>
1.5	MGRZ	Total employment*	27 659	28 095	28 382
1.5	MGSC	Unemployed	<u>1 524</u>	<u>1 485</u>	<u>1 438</u>
1.5	MGSF	All economically active population	29 183	29 580	29 821
1.5	MGSI	Economically inactive population	<u>17 199</u>	<u>17 323</u>	<u>17 473</u>
1.5	MGSL	Total	46 383	46 903	47 293
1.5	IHXT	GDP at current market prices per head	£ 17 632	£ 18 524	£ 19 547

* This includes people on government-supported training and employment programmes and unpaid family workers.

APPENDIX B. TAXES PAID ON INCOME AND WEALTH BY UK RESIDENTS IN 2002 - 2004

Source: United Kingdom National Accounts, (Blue Book), 2003, 2004 & 2005 editions.

Blue Book Ref	TAXES ON INCOME AND WEALTH	2002 £ million	2003 £ million	2004 £ million
DRWH	Household income taxes	109 399	113 142	119 959
NMDE	National Insurance: Self employed	2 146	2 805	2 980
GCSE	National Insurance: Employees	<u>25 543</u>	<u>29 379</u>	<u>31 440</u>
	Total	137 088	145 326	154 379
NMGI	CAPITAL TAXES	<u>2 386</u>	<u>2 416</u>	<u>2 866</u>
	Total	139 474	147 742	157 245

APPENDIX C. GENERAL GOVERNMENT TRANFERS, 2002, 2003 & 2004.

Source: United Kingdom National Accounts, (Blue Book), 2003, 2004 & 2005 editions,
Tables T.5.2.4S, T.5.3.4.S

Blue Book Ref.	SOCIAL SECURITY BENEFITS IN CASH	2002 £ million	2003 £ million	2004 £ million
CSDG	National insurance fund			
CSDG	Retirement pensions	43 985	46 009	48 404
CSDH	Widows' and guardians' allowances	1 096	1 027	939
CJTJ	Jobseeker's allowance	512	519	453
CUNL	Incapacity benefit	6 754	6 803	6 777
CSDL	Maternity benefit	66	107	147
CSDQ	Statutory sick pay	32	65	78
GTKZ	Statutory maternity pay	<u>715</u>	<u>1 000</u>	<u>1 291</u>
ACHH	Total national insurance fund benefits	53 160	55 530	58 089
GTKN	Redundancy fund benefits	235	227	189
GTLQ	Social fund benefits	1 923	2 158	2 295
FJVZ	Benefits paid to overseas residents	<u>1 338</u>	<u>1 404</u>	<u>1 527</u>
QYRJ	Total social security benefits in cash	56 656	59 319	62 100
CSDD	SOCIAL ASSISTANCE BENEFITS IN CASH			
CSDD	War pensions and allowances	1 173	1 108	1 136
CSDB	Family benefits	8 906	9 365	9 479
CSDE	Income support	14 439	15 004	16 123
CSDC	Other social security benefits	16 975	17 369	18 389
NZGI	Other grants to households	6 807	14 229	15 113
RYCQ	Income tax credits and reliefs	6 338	1 935	45
RNNF	Benefits paid to overseas residents in cash	<u>50</u>	<u>48</u>	<u>48</u>

NZGO	Total social assistance benefits in cash	<u>54 688</u>	<u>59 058</u>	<u>60 333</u>
NMDR	TOTAL SOCIAL BENEFITS (CENTRAL GOVERNMENT)	111 344	118 377	122 433
	SOCIAL BENEFITS (LOCAL GOVERNMENT)			
GCSI	Social assistance benefits in cash			
CTML	Student grants	884	1 469	1 379
GCSR	Rent rebates	5 237	5 116	5 167
ZYHZ	Rent allowances	6 844	6 837	7 731
ADAL	Other transfers	<u>4</u>	<u>-</u>	<u>-</u>
	Total social assistance benefits in cash	<u>12 969</u>	<u>13 422</u>	<u>14 277</u>
	TOTAL SOCIAL BENEFITS IN CASH	124 313	131 799	136 710

APPENDIX D. TAX EXPENDITURES AND STRUCTURAL RELIEFS*

		Estimated cost for	2003-04	2004-05
Structural Relief	Income tax	Personal allowance**	£ m 36 500	£ m 38 000
Capital Gains Tax	Exemption of:	Gains arising on disposal of only or main residence	10 500	13 000
Income tax	Relief for	Approved pension schemes	11 400	12 900
Inheritance Tax		Nil rate band for chargeable transfers not exceeding the threshold	8 700	9 400
Structural Relief	NI Contributions,	Contracted-out rebate occupational schemes		
		Rebates deducted at source by employers.	6 900	7 200
Structural Relief,	Income tax and corporation tax,			
		Double taxation Relief	7 000	7 000
Nat Ins Contribtns	Relief for	Employer contributions to approved pension schemes	5 800	6 600
Capital gains tax		Taper relief	2 750	3 750
Structural Relief	NI Contributions,	Contracted-out rebate occupational schemes		
		Personal and stakeholder pensions	3 400	3 500
Income Tax	Tax Credits	Child Tax Credit	2 800	3 000
Income tax		Age-related allowances	2 000	2 100
Nat Ins Contribns	Reduced contribns:	For self-employed not attributable to reduced benefit eligibility	1 600	1 900
Inheritance tax	Exemption of	Transfers on death to surviving spouses	1 400	1 600
Cap gains tax	Exemption of:	Annual exempt amount	1 050	1 400
Income tax,	Tax Credits	Working Tax Credit	1 200	1 100

Citizen's Income	Citizen's Income	Citizen's Income	Citizen's Income	Citizen's Income	Citizen's Income
Income tax	Relief for Individual Savings Accounts		1 000	1 200	
Income tax	Exemption of: Child benefit		1 030	1 070	
Stamp duties	Exemption of: All residential transfers in designated Disadvantaged wards		530	1 000	
Income tax	Exemption of: Income of charities		950	950	
Income tax,	Exemption of: First £30,000 of payments on termination of employment		800	800	
Income tax,	Relief for Personal Equity Plans		<u>625</u>	<u>425</u>	
TOTAL			107 435	117 895	
Sum of other smaller tax expenditures and corporation tax reliefs			<u>30 310</u>	<u>33 255</u>	
TOTAL			137 745	151 150	

* These are in order of magnitude. In the HMRC table, they are grouped by type.

** For the 30 million people who pay income tax.

Source: www.hmrc.gov.uk/stats/tax_expenditures/Table1.5.pdf

APPENDIX E. SOME KEY UK SOCIAL SECURITY BENEFIT RATES:

	£ PER WEEK	2004 – 2005	2005 - 2006
Child Benefit,			
For the eldest child who qualifies,	16.50	17.00	
For each other child who qualifies,	11.05	11.40	
NATIONAL INSURANCE BENEFITS (maximum rates)			
Statutory Maternity Pay , if average gross weekly earnings are £79.00 pw or more;			£82.00 pw or more
For first 6 weeks, 90 % of one's average weekly earnings.			
For remaining 20 weeks, 90 % of one's average weekly earnings up to £102.80 pw;			up to £106.00 pw
Incapacity Benefit , Long-term basic rate:	74.15	76.45	
Statutory Sick Pay , if average gross earnings are £79.00 per week or more,			£82.00 pw or more
Standard rate	66.15	68.20	
Jobseeker's Allowance (contribution based), aged 25 +	55.65	56.20	
Basic State Pension			
Based on your own or your late spouse's NI contributions	79.60	82.05	
Based on your spouse's NI contributions	47.65	49.15	
Non-contributory (based on residence), higher rate	47.65	49.15	
Married woman's rate	28.50	29.40	
Over 80 Pension	47.65	49.15	
Widowed Parent's Allowance	79.60	82.05	
Bereavement Allowance (standard rate)	79.60	82.05	
MEANS-TESTED BENEFITS			
Income Support & Jobseeker's Allowance (income-based)			
Personal allowances, single people (aged 25 and over)	55.65	56.20	
Lone parents (aged 18 or over)	55.65	56.20	
Couple (both aged 18 or over)	87.30	88.15	

There is a set of premiums for family, bereavement, carer, disability, and pensioner couples, etc.

**Housing Benefit &/
Housing Benefit &
Council Tax Benefit** (administered by local government).

'Rates used to work out your Housing Benefit are generally the same as the allowances and premiums that make up Income Support and income-based JSA' (Jobseeker's Allowance).

Carer's Allowance 44.35 45.70

Disability Living Allowance

Care component	Highest rate	58.80	60.60
	Middle rate	39.35	40.55
	Lowest rate	15.55	16.05
Mobility component	Higher rate	41.05	42.30
	Lower rate	15.55	16.05

TAX CREDITS (Means-tested benefits administered by Her Majesty's Revenue and Customs)

	£ PER ANNUM	
	2004-05	2005-06
Child Tax Credit , introduced in April 2003		
Family element	£ 545 pa	£ 545 pa
Child element, for each qualifying child	£1 625 pa	£1 690 pa
Working Tax Credit , introduced in April 2003, for people aged 25 and over,		
Basic element	£1 570 pa	£1 620 pa
Couples and lone parent element	£1 545 pa	£1 595 pa
30 hours of work per week	£ 640 pa	£ 660 pa
Disabled worker element	£2 100 pa	£2 165 pa
50+ return to work payment, 16 to 29 hours pw	£1 075 pa	£1 110 pa
£30 hours or more pw	£1 610 pa	£1 660 pa
Childcare element, maximum eligible costs allowed		
For 1 child	£ 135 pw	£ 175 pw
For 2+ children	£ 200 pw	£ 300 pw

The taper rates (tax credit withdrawal rates as gross income increases) for CTC and WTC are 37%.

Pension Credit, introduced in October 2003, for people aged 60 and over,

Guarantee credit, single person	105.45 pw	109.45 pw
Couple	160.95 pw	167.05 pw

Sources:

Social security benefit rates, Department of Work and Pensions Booklet GL23, April 2004 & 2005.
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APPENDIX F. UK TAX ALLOWANCES, TAX RATES AND BANDS, 2002-03 TO 2005-06

	2002 - 2003	2003 - 2004	2004 - 2005	2005 – 2006
Personal allowances				
Basic	£ 4 615	£ 4 615	£ 4 745	£ 4 895
Age-related, 65 -74	6 100	6 610	6 830	7 090
Age-related, 75 and over	6 370	6 720	6 950	7 220
Age allowance income limit, AAIAL - taper rate on age-related allowance if income exceeds AAIAL, but never to less than the basic allow.	17 900 50 %	18 300 50 %	18 900 50 %	19 500 50 %
Married couples allowance - if one spouse born before 6/4/35				
Minimum amount	2 110	2 150	2 210	2 280
Either spouse born before 6/4/35	5 465	5 565	5 725	5 905
Either spouse aged 75 or over - tax rate at which tax is deducted from final tax bill	5 535 10 %	5 635 10 %	5 795 10 %	5 975 10 %
Tax bands for taxable income				
Starting band	0 – 1 920	0 – 1 960	0 – 2 020	0 – 2 090
Starting rate	10 %	10 %	10 %	10 %
Basic band	1 921 – 29 900	1 961 – 30 500	2 021 – 31 400	2 091 – 32 400
Basic rate	22 %	22 %	22 %	22 %
Higher band	29 901 & over	30 501 & over	31 401 & over	32 401 & over
Higher rate	40 %	40 %	40 %	40 %
Class I (employee) National Insurance contributions				
Lower Earnings Limit (LEL)	4 628	4 615	4 745	4 895
Rate paid btw LEL & UEL	10 %	11 %	11 %	11 %
Upper Earnings Limit (UEL)	30 420	30 940	31 720	32 760
Rate paid on earnings above UEL	-	1 %	1 %	1 %

Source: *Which? Tax Saving Guides 2002, 2004 & 2005*. Which? Ltd and various other references.