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**Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE**

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28 April 2015

Dear Will

**ANALYSIS OF IMPACT OF TAX AND WELFARE CHANGES**

You recently raised with me a concern that you had been unable to locate in the public domain the statistics and related analysis underpinning a Conservative Party press release published on or around 6 April 2015 to enable you to check claims made in that press release about the “impact of tax and welfare changes” on households. We have been unable ourselves to locate the Conservative Party press release online. The text of the press release is reproduced in the accompanying Annex, and we note that a number of media outlets reported it at the time.

We have been told that the analysis in the Conservative Party press release was prepared by HM Treasury officials for Ministers ahead of Dissolution of Parliament, and officials advised that, were the analysis to be used publicly, arrangements needed to be put in place to ensure its publication as an official document prior to the Dissolution. In the event, that advice does not appear to have been followed. Reference to the analysis was made in the Conservative Party press release, but the analysis has not been published and is neither available to all other parties nor to members of the public. We regard this as unsatisfactory because of the significance that we attach to the principle of equal access to statistics and underlying analysis.

The data and analysis underpinning the Conservative Party press release is not an official statistics publication, and therefore it does not fall under the remit of the Code of Practice for Official Statistics. The Code of Practice sets high standards, especially in relation to equality of access to data and analysis, and the importance of providing information about quality and reliability. Voluntary adherence to the spirit and the high standards of the Code of Practice when publishing numerical analysis not currently designated as official statistics can be beneficial in these and other areas, and we regard the handling of the release of these statistics and analysis in a press release as contrary to the spirit of the Code.

Yours sincerely



**Sir Andrew Dilnot CBE**

**Press Release**

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## **Osborne: New tax year sees 94% of working households better off this year thanks to Conservatives**

New Treasury analysis shows the combined impact of tax and welfare changes will benefit 22.5 million households this year - with 94% of working households better off, and 92% of pensioner households also gaining.

This means over 14 million working households will be better off - with an average real terms gain of £17, equivalent to £200 a year.

It will also see 6.9 million pensioner households better off - more than nine in ten. The average real terms gain will be £15 a month, equivalent to £180 a year.

These gains are over and above what would have happened with usual inflation uprating - so measured against the toughest benchmark.

The analysis shows households in all parts of the income distribution will gain, with the top income decile benefitting the least, and the fourth decile gaining the most. The median gross income of a two-adult household in the fourth decile is £23,300.

In a speech today (Easter Monday) the Prime Minister is expected to say:

“Today is a big day for our country. It’s “money-back Monday” - a day when, quite simply, hardworking taxpayers get to keep more of their own cash. A whole host of changes to our tax, benefits, pensions and savings systems come into effect today. And, as a result - a result of action we Conservatives have taken - our country becomes a better and fairer place to live...where those who put in, get out; where hard work is rewarded; and people are trusted.

I want to focus on one area in particular: taxes. Low taxes. Because low taxes go to the heart of what I believe as a Conservative.

For me, there’s the economic case: That, in a competitive world, we need to incentivise work by making it pay.

There’s the progressive case: That the best way to help with living standards is to let people keep more of the money they earn.

But above all, there is the moral case: That it is wrong - frankly immoral - for Government to spend money like it grows on trees.

We know that there is no such thing as public money - there is only taxpayers’ money. And we know how we’d rather see it spent: Not on bureaucracy or bloat or the latest crackpot Government scheme but on you, your family - your future.

Quite simply, it’s your money - you earned it. And we believe it’s people - not politicians - who know best how to spend their own money. And that’s what today is all about.

When we came to office, you could only earn £6,475 tax-free. Anything above that, the taxman could get his hands on. That was wrong. And over the last 5 years we’ve been putting it right, pushing that tax-free allowance up and bringing your income tax down.

Today we reach a new milestone in that mission. You can now earn £10,600 before you pay any income tax. The effects of that reach right across our country.

We’ve taken 3 million out of income tax and overall 26 million are getting a tax cut - all thanks to the Conservatives.

This is making a real difference. As I’ve said before, I don’t just want people to see Britain’s recovery on the TV or hear it on the radio. I want them to feel it in their lives.

Thanks to today's changes, they are - they're feeling it in their pockets with the typical taxpayer paying over £800 less income tax and our long-term economic plan doing what it's meant to do - making life better for you."

...

"So the choice at the election is clearer than ever. With the Conservatives, if you're on minimum wage - no income tax. If you're earning below £50,000 - no higher rate of tax. With Ed Miliband, if you're on minimum wage - still paying tax plus a £3,028 tax rise for every working family and nearly a million more paying the 40p rate.

And yes - with us, the deficit eliminated without reaching into working people's pockets like Labour would.

Tax cuts with us; tax rises with Ed Miliband and Labour.

Work rewarded with us; work punished with them.

That's the choice."

Speaking alongside him, Chancellor George Osborne is expected to say:

'Making work pay, backing business to create jobs and supporting savers are all key parts of our long term economic plan - and today we're boosting all three.

We are today cutting taxes for working people; capping welfare; increasing the State Pension above inflation; abolishing the jobs tax on young people; and giving people freedom to access their own pension savings for the first time.

"Because of our tax cuts today, over 22 million households will be better off this year than last year - with more financial security and peace of mind for the year ahead.

"In a year's time, at the start of the next tax year, we can either continue this progress

under a Conservative Government led by David Cameron. Or Britain will be facing the first of many tax rises from Ed Miliband and Ed Balls, taking our economy back to square one and putting jobs at risk. That's the stark choice facing the British people at this election”.

The analysis comes as a raft of new measures, designed to help hardworking taxpayers, come into place with the new tax year:

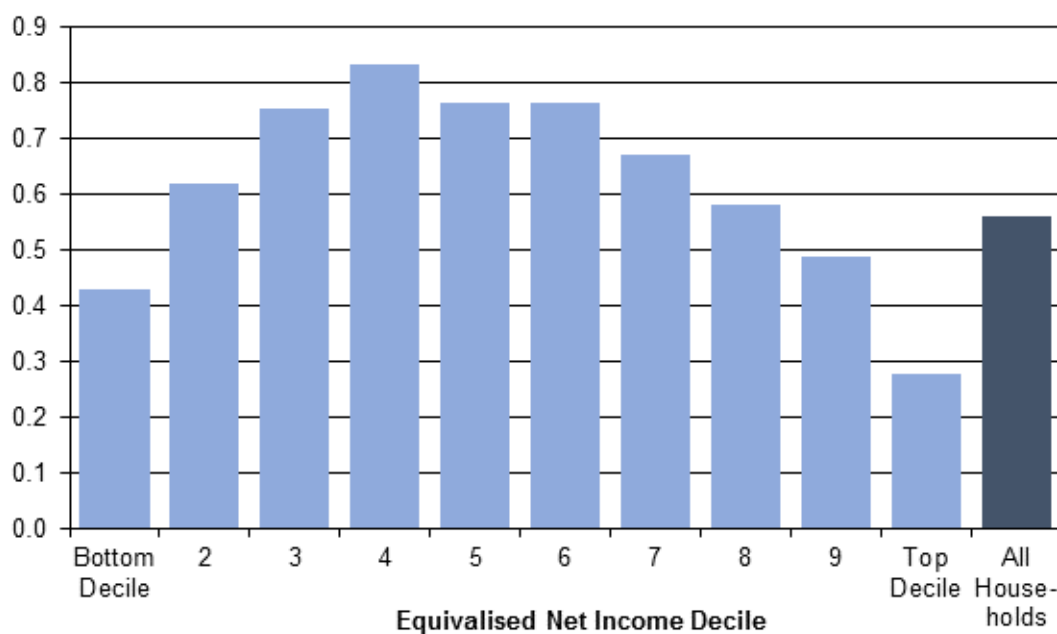
- The Personal Allowance increases from £10,000 to 10,600.
- The Higher Rate Threshold rises in line with inflation.
- The Marriage Tax Allowance comes into effect.
- Working age benefit increases are capped at 1%.
- The state pension sees a 2.5% increase thanks to the triple lock.
- Employer National Insurance is abolished on under-21s.
- The 10p tax band on savings is abolished.
- The ISA limit is increased to £15,240.
- New pension freedoms come into force.

### Notes

**Treasury analysis shows that 9 in ten households will gain as a result of tax and benefit changes.** The number and proportion of households gaining, and average gains, as a result of modelled 2015/16 tax and welfare measures:

	Number of households gaining	% of households gaining	Mean gain (£pw)
All households	22.5m	87%	£3.44
Pensioner households*	6.9m	92%	£3.47
Working households**	14.6m	94%	£4.03

*Average gains are in 2015/16 prices. \* Pensioner couples, single pensioners, and mixed-age couples. \*\* Households with at least one working-age adult in employment*



Decile	Percentage increase in net income due to 2015/16 changes	Median gross income of a 2-adult household in each decile
1	0.43%	13,400
2	0.62%	17,300
3	0.75%	20,200
4	0.83%	23,300
5	0.76%	27,600
6	0.76%	32,400
7	0.67%	38,200
8	0.58%	46,800
9	0.49%	58,500
10	0.28%	88,200

(Source for median gross income: HM Treasury, *Impact on Households: distributional analysis to accompany Budget 2015*, March 2015, Table 3.B, [link](#)).

**The direct tax changes included in the analysis are :**

- Personal Allowance increased to £ 10,600 with full gains to higher rate taxpayers.** The tax-free Personal Allowance will now increase to £10,600 in April. This is a tax cut for 26 million people, and will be passed on in full to higher rate taxpayers - the first increase in the higher threshold in line with inflation for 5 years. This is a down-payment on our commitment to raise the higher rate threshold to £50,000 by the end of the decade.

- **Savings tax: 10% rate abolished and 0% band extended to £5,000.** Abolishing the 10p rate on savings income. We're getting rid of the 10p tax band on savings income so that low earners won't pay tax on up to £5,000 of savings income, benefitting 1.5 million low earners.

- **The Personal Allowance for those born between 6 April 1938 and 5 April 1948 set at the same level as the working-age Personal Allowance (£10,600). The Personal Allowance for those born before 6 April 1938 frozen at £10,660.** Freezing the age-related allowance for those born before April 1938 at £10,660 - and setting it at £10,600 for those born between 6 April 1938 and 5 April 1948. This decision is a huge simplification of a very complex part of the tax system, as proposed by the Office for Tax Simplification. There is no need for a separate age-related allowance in light of our commitment to raise the income tax personal allowance.

- **Income tax transferable marriage allowance of £ 1,060 introduced.** Over four million families will be able to benefit from the Marriage Allowance. From 6 April 2015 married couples and civil partnerships, where neither pay the higher rate of tax, will be able to transfer up to £1,060 of their personal allowances - saving them up to £212. More than four million married couples and 15,000 civil partnerships will be eligible for the tax break.

- **Further funding to local authorities in England to freeze council tax in 2015/16.** Council tax frozen for a fifth year in a row. Since 2010, council tax has fallen by 11 per cent in real terms and we have made funding available to help councils do this again in 2015/16 with over 100 local authorities doing the right thing and freezing their bills while eight authorities will cut bills this coming year.

#### The welfare changes included in the analysis are :

- **Working age discretionary benefits and tax credits increased by 1%.** Introduced a Welfare Up-rating Bill to up-rate benefits by 1 per cent. We need a welfare system that is fair to the working people who pay for it. So for 2014/15 and 2015/16 Government will up-rate most working age benefits and tax credits, excluding disability and carers benefits, by 1 per cent.

- **Child Benefit increased by 1%.** Introduced a Welfare Up-rating Bill to up-rate benefits by 1 per cent. We need a welfare system that is fair to the working people who pay for it. So for 2014/15 and 2015/16 Government will up-rate most working age benefits and tax credits, excluding disability and carers benefits, by 1 per cent

- **Basic State Pension increased by 2.5% (the Triple Lock).** Guaranteeing the value of the state pension. The triple lock guarantees the basic state pension always increases in line with the largest of earnings, prices or 2.5 per cent. From 2011/12 to 2012/13 that meant a rise of £5.30 - the biggest ever cash rise. By April 2015 the annual basic state pension will have risen by £950 since 2010 (House of Commons library, State Pension Up-rating, 31 March 2014, [link](#); Hansard, 4 December 2014,

Col.443, [link](#)).

· **The standard minimum income guarantee in Pension Credit increased in line with the cash rise in the basic State Pension . The Savings Credit threshold increased by 5.1%.** The cash rise in the basic state pension has been passed on to the standard minimum guarantee in Pension Credit. This means the guarantee will rise to £151.20 for single people from April 2015 - helping lower income pensioners. The cost for this is being met by increasing the Savings Credit threshold to 5.1 per cent (*DWP press release*, 4 December 2014, [link](#)).

**The indirect tax changes included in the analysis are :**

· **Fuel duty: no increase.** Fuel duty frozen - saving the typical family around £10 every time they fill up their tank. We have cancelled Labour's planned fuel duty rises, making petrol 17p per litre cheaper than it would have been by the end of the year. By end 2015-16 fuel duty will have been frozen for five years, resulting in the longest duty freeze in over 20 years. (HM Treasury, *Budget 2015*, March 2015).

· **Alcohol duty: 1p off a pint of beer, 2% reduction in cider and spirits duty , and wine duty frozen.** Cutting beer duty, cider duty and duty on Scotch whisky, and freezing wine duty. We will cut beer duty for the third year in a row, taking another penny off the pint; cut cider duty by 2 per and cut the duty on Scotch whisky by 2 per cent. We are also freezing the duty on wine in cash terms.

· **Tobacco duty: increased by 2% above RPI.** From 18 March 2015 the tobacco duty rate rose by 2 per cent above inflation - as announced at Budget 2014.

**People are better off and living standards are rising :**

· **Overall families will be an average of £900 better off since 2010 according to OBR forecasts.** The OBR forecast Real Household Disposable Income per-capita, the ONS and OECD living standards measure, rising, with families on average £900 better off in 2015 than in 2010 (HM Treasury, *Budget 2015*, 18 March 2015, [link](#)).

· **ONS figures last week confirmed living standards are higher than they were at the last election.** Real Household Disposable Income (RHDI) per person, excluding Non-Profit Institutions Serving Households (NPISH) - the income of charities and universities, in Q4 2014 increased by 1.9 per cent compared to a year earlier. And living standards are higher than they were at the last election - with RHDI per capita (excluding NPISH) at £4,187 in Q4 2014, compared to £4,178 in Q2 2010 (ONS, *Economic Well-being*, 31 March 2015, [link](#)).

· **And the IFS think living standards are higher too.** 'It's reasonable to think, from



more than one source of information, that...real average incomes, across the whole population will surpass their pre-crisis and 2010 levels in 2015' (Robert Joyce, IFS, *Post Budget Briefing*, 19 March 2015, [link](#)).

### The next Conservative government will go further

- **Raising the personal allowance to £12,500.** Over the next parliament we would raise the personal allowance from £10,500 at the beginning to £12,500 by then end. This would be delivered Budget by Budget, achieved in full by April 2020 at the latest. It would take a million people out of paying income tax, and mean no one working 30 hours a week on the minimum wage would pay any income tax.

- **Raising the higher rate threshold at which people pay the 40p tax rate to £50,000.** By April 2020 we would increase the rate at which people pay the higher rate of tax to £50,000, from the £42,285 it will be from April 2015.