

METHOD FOR COSTING A BI SCHEME FOR UK IN 2017-18,

with BIs given as proportions of average income per head in 2015.

Pensioner BI, (full)	= £165 pw = 0.4006	} of average income per head in the UK in 2015,
Working-age BI, (partial)	= £132 pw = 0.3205	
Child BI	= £66 pw = 0.1602	
Parent with Care premium	= £33 pw = 0.0801 } (£411.89 pw).	

Col 1	Col 2	Col 3	Col 4	Col 3 x col 4
Groups by Age or premium	Populatn UK, 2015 '000s	Proport-ion of pop-ulation	BI as pro-portion of av. income	Contribution to tax rate
All	65,110	1.0000		
64 or over	12,300	0.18890	0.4006	0.075673
16-63	40,553	0.62283	0.3205	0.199616
0-15	12,258	0.18826	0.1602	0.030159
Lone P premium	1,941	0.02981	0.0801	0.002388
Other PwC prem	4,913	0.07546	0.0801	0.006044
To finance the sum of BIs, 2017-18, t =				0.313880
ADD UK MARGIN for admin, retained benefits, etc.				0.0557
GRAND TOTAL for all SOCIAL SECURITY, tax rate =				0.3696

BIs by household type, (excl Housing and Disability Benefits)

Household Configuration	£pw	MTBs 2017-18		Above BI Scheme	Official Poverty Benchmk, '14-15
Pensioner, single		Pens	159.35	165	140.59
Pensioner couple		Cred	243.25	330	242.40
Working-age single		JSA/	73.10	132	140.59
Working age couple		ESA	114.85	264	242.40
Young adult, 16-24			57.90	132	140.59/101.81
Lone Parent + toddler		JSA,	157.39	231	189.07
LP + pre-sch +prim-sch		CTC,	224.26	297	237.55
LP + pre + prim + sec		CB	291.13	363	339.36
Couple + toddler		JSA/	199.14	363	290.88
Couple + pre +prim		ESA,	266.01	429	339.36
Couple + pre +prim + s		CTC,	332.88	561	441.17
Couple + all four		CB	399.75	627	489.65

BRIEFING LEAFLET No 4

SOURCES OF FINANCE TO FUND A BASIC INCOME (BI) SCHEME

A personal view by Anne G. Miller

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“A Basic Income (BI), (Citizen’s Income, Citizen’s Basic Income or Universal Grant) is an unconditional, automatic, and non-withdrawable income for every individual as a right of citizenship”, (Citizen’s Income Trust, 2017).

UK TAXES AND THEIR YIELDS, 2015

REF	£bn	2015
DRWH	Household income taxes	166
NZGF	VAT @ 20%	129
CEAN	Nat Ins Contributions by employers	66
GCSE	Nat Ins Contributions by employees	44
ACCD	Corporation tax @ 20%	44
NMHM	Council Tax to Local Government	29
GTAP	Hydrocarbon oils	27
CUKY	National non-domestic rates	25
GTBC	Stamp duties	14
GTAO	Tobacco	9
GTAN	Wines	7
CDDZ	Motor vehicle duty (domestic)	5
NMGI	Capital taxes (mainly IHT)	4
EP89	Renewable energy obligations	4
CWAD	Insurance premium tax	3
GTAM	Beer	3
DH7A	Television license fee	3
NMDE	Nat Ins contributions by self-employed	3
CWAA	Air passenger duty	3
QYRB	Taxes and duties on imports, excl VAT	3
	OTHER	29
GCSU	TOTAL	620
YBHA	GDP at current market prices,	1,870
GDWM	Total tax yields as % of GDP	33.19

Source: UK National Accounts, Blue Book, 2016, Tables 1.2 and 10.1

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2. POTENTIAL SOURCES OF FINANCE

SAVINGS:

from the replacement of most NI and means-tested benefits;
by simplifying the administration of social security, **reducing its costs**, and reducing fraud and errors by claimants and staff;
by **reducing legal tax avoidance** in NI Contribution (NIC) and inc. tax systems – ‘tax welfare’ will decrease & the tax base will be increased; eg, reduce NI Primary Threshold and Personal Income Tax Allowance, end tax relief on contributions to Registered & other Pension Schemes, & close other loopholes in the NIC and income tax systems;
by **clamping down on illegal tax evasion**;
by reducing the costs of poverty alleviation and the indirect effects of poverty on NHS, personal social services & criminal justice system.

CHANGES TO CURRENT TAXES:

NI Contributions and income tax systems:

Reduce and/or introduce new income tax thresholds
Increase current rates of income tax;
Higher tax rates on higher incomes
Restructure the NI Contribution and income tax systems (see p.3).

Increase VAT or Corporation Tax.

The UK is one of the lowest taxed nations in the developed world.

SOME PROPOSED NEW TAXES:

Wealth taxes: on the holding of wealth: **Land Value Tax (LVT)**;
on the income from wealth: **income from Capital**;
on transactions in wealth (IHT, CGT, stamp duty).

Expenditure taxes: **Sales Tax**.

Taxes on the use of scarce resources, or on pollutants, such as a **Carbon Tax**, are designed to change behaviour, which, when successful, would reduce the tax base!

A **Tobin (International) Financial Transactions Tax** on speculation in currencies – requires international co-operation.

Sovereign Wealth Funds are based on the community control of community-owned natural resources. Part of their income streams are invested in the international stock market. Long-term solutions.

Seigniorage: it has been suggested that BIs can be funded by printing money, as in Quantitative Easing. This would be inflationary in most circumstances.

A combination of taxes is also possible.

3.

WHY INCOME TAX IS THE BEST SOURCE OF FINANCE

- Income tax is the most direct and efficient system of redistributing income from rich to poor;
- Only income tax and NICs could raise enough revenue on their own.
- Benefits and income tax are reverse sides of the same coin, and can be regarded as a single system, (even if the two branches are administered separately);
- Similarly, the social security payments (£262 bn. in 2015) and the tax welfare system (income tax and NIC loopholes) (£235 bn. in 2015) should be considered as a single benefit system;
- Hypothecating (ring-fencing) the income tax and NIC system, to use it solely to finance the BI scheme, its administration and related cash transfers (for Housing Benefit, Disability Benefits, etc), imposes a discipline on the system and ensures its economic viability.
- Hypothecating the income tax and NICs can separate the system of income redistribution from the Government Expenditure system. This also implies that all Government Expenditure (welfare services and infrastructure, etc.) is financed out of other taxes (& borrowing).
- Procedures are already in place for deducting income tax at source, including from employees’ earnings through the PAYE system.

The current income tax system is very unjust and needs to be reformed.

THE SUGGESTED RESTRUCTURED INCOME TAX SYSTEM

- Merge the current income tax system and NICs of employees and self-employed workers.
- Close all tax loopholes in the current income tax and NIC systems, unless they can be shown to be in the public interest. For instance: remove/reduce the Personal Allowance and NI Primary Threshold; end tax relief on contributions to pension schemes.
- Levy the same rate of income tax on all sources of income.
- The new income tax structure is either proportionate, (ie flat rate tax, *maximum* 50%), or progressive, (*up to* 65% on highest incomes, as already experienced by low-income claimants via their marginal deduction rates, and as occurs in some Nordic countries).
- Hypothecate the new income tax system.
- This could be augmented by some or all of the **employers’** NICs, which now becomes a payroll tax.