

A BUDGET **FOR FAMILIES**

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A Budget for Families

Our six-point plan to back families and small family-run businesses in Britain.

- 1. 1p cut to the basic rate of income tax, giving a tax break to nearly 29 million working families.**
- 2. Increasing the 40p tax threshold from £50,271 to £60,000, helping the squeezed middle.**
- 3. Scrap the High Income Child Benefit Charge (HICBC), better supporting families with the cost of childcare.**
- 4. Retaining the 5p cut to fuel duty and the freeze on inflationary increases, helping the family go to work, do the school run, and visit loved ones.**
- 5. Raising the VAT registration threshold to £250,000 for the many small and medium sized family-run businesses, enabling them to unlock their full potential.**
- 6. Abolishing the IR35 reforms, supporting the many hard-working self-employed families.**

Funding the Plan

Based on research conducted by the New Conservatives in the *New Conservatives Tax Plan for families and small businesses* (October 2023) and research from the House of Commons Library, the total cost of the New Conservatives Plan would be **£23.7 billion**.

This is broken down as follows:

1p cut to the basic rate of income tax:

£5.2bn¹

Increasing the 40p threshold to £60,000:

£7.8bn²

Scrap the High Income Child Benefit Charge:

£1.6bn³

5p cut to fuel duty & keep freeze on inflation:

£4.1bn⁴

Raise VAT registration threshold to £250,000:

£3bn⁵

Abolishing IR35 reforms:

£2bn⁶

Savings for Families

The below calculations, provided by the House of Commons Library, show what difference the first two of these proposals would make to full time workers.

Table 1: Annual savings from a 1p cut to the basic rate of income tax based on annual earnings.

Annual Earnings	Annual Saving ⁷
£20,000	£74.30
£30,000	£174.30
£35,450 (UK average)	£228.80
£40,000	£274.30

Table 2: Annual savings by increasing the 40p threshold to £60,000 based on annual earnings.

Annual Earnings	Annual Saving ⁷
£52,000	£209
£55,000	£569
£58,000	£929

These tax cuts, along with the 2p cut to National Insurance introduced by the Prime Minister and Chancellor in January 2024, for someone earning the UK average salary, would see them better off by £675 a year per person/£1,350 per family.

We support the Government's changes to fuel duty affecting 2022/23 and 2023/24. The temporary 5p cut means that today, the price per litre is 52.95p, not 63.87p in 2022/23 and rising to 70.33p in 2023/24. A motorist driving the average miles per year^{9 8} in a new car would have saved around £240 across two years.

When it comes to growth for family businesses, a report from the Federation of Small Businesses (FSB) said that the current registration threshold acts as an artificial barrier to growth for 24 per cent

(1.4 million) of small businesses and suppresses economic activity¹⁰. Unlocking these businesses' full potential would see increased tax revenues, and new jobs created.

The High Income Child Benefit Charge is a campaign proposal launched by the New Conservatives in October 2023. We have since seen Martin Lewis, the Money Saving Expert, raise this with the Chancellor. Martin Lewis said this was "grossly unfair" in which the Chancellor himself acknowledged the "unfairness"¹¹.

To see case studies about the impact of this, see pages 7 & 8 of the New Conservatives Tax Plan [here](#).

Savings and Fiscal Headroom for Tax Cuts

Below we explain how the Budget for Families would be funded.

In the recent Autumn Statement, there was £13bn of headroom left 'unspent' by the Chancellor. The Financial Times have reported that Capital Economics say lower market interest rate expectations will trim borrowing costs on Government debt, boosting the headroom to £19bn¹². In order to retain some fiscal headroom as is normally expected, we propose to spend £13bn of the £19bn headroom, leaving £6bn as was done in the Autumn Statement 2023. The Prime Minister and Chancellor have already implied tax cuts can be funded by fiscal headroom¹³.

The recently announced 'Back to Work' programme from the Government seeks to help 1.1 million people with long-term health conditions, disabilities, or long-term unemployment to look for and stay in work, reducing the cost of the welfare state – estimated to be worth of £4bn¹⁴. It

might take some months to realise these savings. Savings can be found in the shorter term by reducing public spending on welfare, as the Prime Minister has suggested¹⁵.

By implementing the New Conservatives 'Plan to Upskill Britain' by introducing a requirement for a grade 4 in English and Maths at GCSE, requiring a minimum of EEE at A-Level or equivalent T-Level/Level 3 Diplomas, suspend student loans for courses that fail to deliver good outcomes for graduates as determined by assessments from the Office for Students, and withdrawing loans for unnecessary foundation year courses at university, it would save £1.8bn¹⁶.

At the end of 2025 when inflation is due to fall to 2 per cent, the cost of freezing fuel duty inflationary increases will be £500 million¹⁷. For the Spring Budget (6 March 2024) the cost will be £1.6 billion, having already fallen from £2.5bn in cost in March 2023 when inflation was 10% in September 2022. This is already a saving of £0.9bn compared to the Spring Budget 2023, with a further £1.1bn to follow when inflation hits 2 per cent.

Ending Government funding for full time equivalent roles across 6,000 public authorities focussed on equality, diversity, and inclusivity (excluding general HR professionals) would save £427 million per year¹⁸.

Scrapping 'Civil Service HR' which is an additional HR system on top of internal, departmental HR systems would save a further £135 million¹⁹.

The examples of savings to fund the tax cuts, as proposed above, totals **£20.26 billion**.

In addition to the above, it is important to note that on 16th January 2024, the National Audit Office (NAO) said that there could be significant annual savings if the

Government commits to improving public sector productivity worth tens of billions of pounds²⁰.

These five areas, outlined by the head of the NAO, Gareth Davies, included better procurement, digital transformation and being smarter with infrastructure projects. The link to the report is [here](#).

Long term budget proposals on income tax

Basic Rate of Income Tax

The 1p cut to the basic rate of income tax was a pledge by the Prime Minister in the summer 2022 leadership contest, which he said he would introduce by April 2024. He then pledged to cut another 3p to the basic rate by December 2029²¹.

The Chancellor should commit to cut the basic rate by another 4p by December 2029. A cut from 20p to 15p would cost £10.4bn.

Increasing the Higher Rate of Income Tax threshold

The Chancellor should also increase the higher rate of income tax threshold by another £10,000, to £70,000 by December 2029.

A raise from £50,271 to £70,000 would cost £13.3bn and based on HMRC estimates, would mean around 2.5 million people, out of the 5.59 million people in the Higher Rate tax bracket, get a tax cut by the end of the decade²².

Endnotes

1. Figure from the House of Commons Library, January 2024 (research request)
2. Figure from the House of Commons Library, January 2024 (research request)
3. New Conservatives Tax Plan, October 2023 - <https://www.thenewconservatives.co.uk/wp-content/uploads/2023/10/tax-report-2023-v3-spreads.pdf>
4. The 5p cut on its own costs £2.5bn. Inflation is marked by the September figure for the year before. In September 2023 was 6.7%, costing £1.6bn. When inflation is 2%, the cost is £500 million. The cost at the last budget in March 2023 was £2.5 billion for the inflation freeze as inflation was then at 10%.
5. New Conservatives Tax Plan, October 2023 - <https://www.thenewconservatives.co.uk/wp-content/uploads/2023/10/tax-report-2023-v3-spreads.pdf>
6. New Conservatives Tax Plan, October 2023 - <https://www.thenewconservatives.co.uk/wp-content/uploads/2023/10/tax-report-2023-v3-spreads.pdf>
7. All figures quoted in this table are from the House of Commons Library, January 2024 (research request)
8. RAC, 2018 - https://www.rac.co.uk/pdfs/report-on-motoring/rac10483_rom-2018_content_web
9. Department for Transport, December 2023 - <https://www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env>
10. National Federation of Self Employed & Small Businesses, October 2021 - <https://www.fsb.org.uk/resource-report/a-duty-to-reform.html>
11. GB News, January 2024 - <https://www.gbnews.com/money/martin-lewis-child-benefit-tax-threshold>
12. Financial Times, January 2024 - <https://www.ft.com/content/270abab8-e1ec-4401-a82f-ec6628eaaf60>
13. I Newspaper, January 2024 - https://inews.co.uk/news/politics/rishi-sunak-keep-cutting-taxes-election-challenge-labour-2838631?ico=in-line_link
14. The Telegraph, January 2024 - <https://www.telegraph.co.uk/politics/2024/01/06/rishi-sunak-pledges-curb-benefits-public-sector-cut-taxes/>
15. The Express, January 2024 - <https://www.express.co.uk/news/politics/1852822/PM-hints-tax-cuts-welfare>
16. The New Conservatives Plan to Upskill Britain, September 2023 - https://www.thenewconservatives.co.uk/wp-content/uploads/2023/09/upskill-report-2023-v4_web.pdf
17. Bank of England, December 2023 - <https://www.bankofengland.co.uk/explainers/will-inflation-in-the-uk-keep-rising>
18. Conservative Way Forward, December 2022 - https://www.conservativewayforward.com/files/ugd/acef4a_5b5ec1d9017f40b987a68110f70d276c.pdf
19. Conservative Way Forward, December 2022 - https://www.conservativewayforward.com/files/ugd/acef4a_5b5ec1d9017f40b987a68110f70d276c.pdf
20. National Audit Office, January 2024 - <https://www.nao.org.uk/insights/improving-productivity-could-release-tens-of-billions-for-government-priorities/>

21. Sky News, August 2022 -
<https://news.sky.com/story/tory-leadership-race-rishi-sunak-pledges-radical-tax-cut-and-attacks-liz-truss-as-party-members-start-receiving-ballot-papers-12662773>
22. House of Commons Library Research.

