



HM Treasury

Correspondence & Enquiry Unit
1 Horse Guards Road
London
SW1A 2HQ

public.enquiries@hmtreasury.gov.uk
www.gov.uk/hm-treasury

Nigel Parker
Director
The Catholic Union of Great Britain
St Maximilian Kolbe House
63 Jeddo Road
London
W12 9EE

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Our reference: TO2022/05609

Dear Nigel Parker,

Thank you for your correspondence dated 14 March to the Chancellor of the Exchequer. As it is not practical for Ministers to respond personally to all the correspondence they receive, I have been asked to reply.

I would like to apologise for the delay you have experienced in receiving a response to your letter.

The Government understands the pressures that people across the UK are currently facing with the cost of living. This is why the Government is providing £37 billion of support to households to help with these costs. Following the Chancellor's announcement in May, the most vulnerable households will get at least £1,200 of one-off support in total this year to help with the cost of living. The package of support includes:

- A £150 non-repayable cash rebate for around 80 per cent of households in England, delivered as a payment to all households in Council Tax bands A-D, as announced in February. The Government is also providing £144 million of discretionary funding for Local Authorities to support households who need support but are not eligible for the council tax rebate.
- A £400 direct cash grant through the Energy Bills Support Scheme from October.
- A one-off payment of £650 directly to all households on means-tested benefits (including Universal Credit) through Department for Work and Pensions' Emergency Payment Service. This will be paid in two instalments, the first from July and the second in Autumn. Payments from HMRC for those on Tax Credits will follow shortly after.

This energy support package is on top of existing support for households with the cost of energy bills, such as the newly expanded Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment.

Regarding your suggestion of moving to a tax system based on household income, since 1990, the UK's income tax system has been based on the principle of independent taxation. This provides that each individual is taxed on their personal income, has their own tax-free Personal Allowance and set of tax thresholds. This fundamental principle provides everyone with absolute confidentiality for their personal tax affairs. For this reason, the Government is not currently considering changing this policy.

To help individuals and families keep more of what they earn, however, the Government has aligned the Primary Threshold and Lower Profits Limit - the point at which employees and the self-employed respectively start paying Class 1 and Class 4 National Insurance contributions - with our internationally high income tax Personal Allowance at £12,570 from July 2022. This means the amount people will be able to earn tax free has increased by £2,690.

The Government will also go further in cutting tax for hard working families by cutting the basic rate of income tax to 19 per cent from April 2024. The Government is committed to doing this in a responsible and sustainable way. The cut to the basic rate of income tax will require continued fiscal discipline and depend on the broader economy.

Thank you for taking the trouble to make us aware of these concerns.

Yours sincerely,

Correspondence & Information Rights Team
HM Treasury