

## CATHOLIC UNION BRIEFING NOTE

### Tax and the family

Spring Budget Debate, March 2023

Catholicunion.org.uk  
@CatholicUnionGB



*Public  
Engagement  
by Catholics  
for the  
Common Good*

---

#### Introduction:

- Our tax system has long been in need of reform to make it fairer for families. As we recover from the pandemic, and continue to see increases in the cost of living, there has never been a better time to help families keep more of the money they earn.
- This includes making sure that our tax system does not discriminate against single-earner households where one person forsakes a wage to look after children or elderly relatives. This requires us to put the family unit at the heart of our tax system as happens in much of continental Europe.
- Problems with our tax system are compounded by the way that benefits are currently calculated, especially in relation to Child Benefit, which is subject to the High Income Child Benefit Charge in circumstances where an individual's income exceeds £50,000.
- Ahead of the Budget, 25 Conservative MPs wrote to the Chancellor to call for a commission on family taxation to be set up to look at how the tax burden on families can be eased.<sup>1</sup>
- There are three specific areas the Catholic Union is calling on the Chancellor to look at to support families:
  - Address the 'single earner' penalty
  - Enhance the Married Couple's Allowance
  - Increase threshold for High Income Child Benefit Charge

#### Background:

- Marriage is in decline in Britain. 2021 was the first year on record that the number of children born to unmarried couples exceeded the number of children born to married couples. **Civitas predicts there will be almost no new marriages in England and Wales by 2062.**<sup>2</sup>
- **The Centre for Social Justice has estimated that family breakdown costs the taxpayer £51 billion per year**, but this is a fraction of the likely overall cost in lost productivity alone.<sup>3</sup>
- **8 in 10 UK adults agree that the Government is right to say that the stability of a family matters for children.** The public also recognise that marriage tends to be the most stable environment in which to raise children by 2 to 1.<sup>4</sup>
- Under current Government plans, tax revenue is forecast to rise to 35 per cent of GDP by 2025–26. If this happens, it will represent **the highest sustained level of tax seen in the UK since the aftermath of the Second World War.**<sup>5</sup>

---

<sup>1</sup> [www.catholicunion.org.uk/2023/02/mps-call-for-fairer-taxes-for-families/](http://www.catholicunion.org.uk/2023/02/mps-call-for-fairer-taxes-for-families/)

<sup>2</sup> [www.civitas.org.uk/publications/reform-the-marriage-allowance/](http://www.civitas.org.uk/publications/reform-the-marriage-allowance/)

<sup>3</sup> [www.centreforsocialjustice.org.uk/about/the-five-pathways/family](http://www.centreforsocialjustice.org.uk/about/the-five-pathways/family)

<sup>4</sup> [www.centreforsocialjustice.org.uk/library/why-family-matters-comprehensive-analysis-of-the-consequences-of-family-breakdown](http://www.centreforsocialjustice.org.uk/library/why-family-matters-comprehensive-analysis-of-the-consequences-of-family-breakdown)

### Single earner penalty:

- When former Chancellor Nigel Lawson introduced personal taxation into the UK in the 1980s he also intended for a system of transferable allowances to remain part of the tax system to address discrepancies created through individual taxation, but this was never fully realised.
- **At the OECD average wage, a single earner married couple with two children will pay twice as much income tax as a similar family in the United States – and 11 times as much as a German family**, where they allow couples to be taxed as a family, rather than as individuals, something known as ‘income splitting’.<sup>6</sup>
- The last major work on single earner penalties in the tax and benefit system in the UK was by Adam and Brewer (2010). They concluded: **“68% of couples in the UK face a penalty in the tax and benefit system, 27% face neutrality and 4% face a premium...”**<sup>7</sup> Given that it has been 10 years since this research, a new Government-backed commission seems timely.
- What this means in practice, is that **a single earner family with an income of £70,000, will pay £6,000 more in income tax than a dual-earner family with an equal split of earnings (i.e. £35,000 each)**.<sup>8</sup> This differential increases to £7,935 when National Insurance contributions are taken into account.<sup>9</sup>

### Married Couple’s Allowance:

- The Married Couple’s Allowance was introduced by the Coalition Government in April 2015, allowing married couples or those in civil partnerships to transfer 10 per cent of their Personal Allowance. The poor design of the allowance and its limited financial value to couples has seen uptake remain low over the past seven years, with **fewer than half of eligible couples claiming the Marriage Allowance for the 2019/2020 financial year**.<sup>10</sup>
- **Civitas has identified a £2.4 billion underspend in the Marriage Allowance since its introduction in 2015**.<sup>11</sup> A good place for the Chancellor to start would be to encourage more of the 4.2 million couples eligible for the Marriage Allowance to use it.
- In the longer-term, the Chancellor should increase the value of the Married Couple’s Allowance with the aim of allowing couples to transfer 100 per cent of any unused Personal Allowance. **According to Tax and the Family, the cost of a fully transferable Personal Allowance would be around £6 billion per year - about the same amount as the Chancellor’s childcare plans when fully implemented**.<sup>12</sup>

### High Income Child Benefit Tax Charge:

- This is a tax charge placed on incomes above £50,000 per annum for households in receipt of Child Benefit. The tax charge arises from the desire by the Government to withdraw Child Benefit from those on higher incomes, but the current formula has the result of penalising single earner households.
- For example, **a dual income household with an income of £100,000 evenly split between two earners (i.e. £50,000 each) will not be affected by the charge, whereas a single-earner family with an income of £60,000 and three children would lose a total of £2,566**.
- On account of the fact that the threshold has been frozen at £50,000, **the IFS estimate that 26 per cent of families with children (2 million) are now losing some or all of their Child Benefit** – double the proportion when the charge was introduced in 2013.<sup>13</sup>

---

<sup>5</sup> [www.taxandthefamily.org/reports-1/2022/11/15/is-the-income-tax-burden-fairly-shared-in-202223](http://www.taxandthefamily.org/reports-1/2022/11/15/is-the-income-tax-burden-fairly-shared-in-202223)

<sup>6</sup> [www.civitas.org.uk/publications/reform-the-marriage-allowance/](http://www.civitas.org.uk/publications/reform-the-marriage-allowance/)

<sup>7</sup> [www.policyexchange.org.uk/publication/taxing-families-fairly/](http://www.policyexchange.org.uk/publication/taxing-families-fairly/)

<sup>8</sup> *Ibid*

<sup>9</sup> [www.civitas.org.uk/publications/reform-the-marriage-allowance/](http://www.civitas.org.uk/publications/reform-the-marriage-allowance/)

<sup>10</sup> *Ibid*

<sup>11</sup> *Ibid*

<sup>12</sup> [www.taxandthefamily.org/reports-1/2022/11/15/is-the-income-tax-burden-fairly-shared-in-202223](http://www.taxandthefamily.org/reports-1/2022/11/15/is-the-income-tax-burden-fairly-shared-in-202223)

<sup>13</sup> *Ibid*