

Basic Income: a detailed proposal

GREEN PARTY OF ENGLAND AND WALES

Introduction

1. This document is published in parallel with the 2015 General Election manifesto of the Green Party of England and Wales.
2. The document sets out in detail a comprehensive plan for a simultaneous reform of the social security, income tax and National Insurance systems. Two elements of the proposed reforms, an enhanced Child Benefit and a Citizen's Pension, are an integral part of the manifesto, proposed for implementation in the new Parliament. In respect of working-age adults, however, the manifesto says:

'Basic Income would be a massive change to the entire UK tax and benefits system. We recognise that it would not be practicable or right to carry out that change within a single Parliament. We are publishing alongside but separate from this manifesto a detailed set of proposals for a comprehensive Basic Income scheme. It contains full details of the scheme itself, costings and proposals on how to pay for it, and an initial analysis of how the scheme would affect the net income of different groups.'

This is that detailed set of proposals.

What is Basic Income?

3. Basic Income (sometimes called Citizen's Income or Universal Basic Income) is a guaranteed, non-means-tested income, sufficient to cover basic needs, payable to every woman, man and child legally resident in the UK. It would replace personal tax-free allowances and most social security benefits. Children would receive a reduced Basic Income, Child Benefit. People who are disabled and lone parents would be paid a supplement. Pensioners would receive their Basic Income as a Citizen's Pension. Housing Benefit would be payable in the initial stages of a transfer to Basic Income.

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This document covers the entire scheme – for children, working-age adults and pensioners – because it has to be seen as a totality; households typically comprise many age groups.

Acknowledgements

4. We have found very helpful the illustrative schemes published by the Citizen's Income Trust (and authored by Malcolm Torry and Mark Wadsworth) as we have constructed our own detailed scheme, and we are most grateful to the Trust for this material. But we should stress that this is the Green Party's scheme and it differs in significant respects from schemes published by the Citizen's Income Trust,¹ which has no responsibility for this document or its contents.

5. We also especially acknowledge the inspiration and commitment of the longest-serving active member of the Green Party, Clive Lord, to the cause of a Citizen's Income within the Green Party and more widely over many years.

Green Party policy

6. Basic Income (as Citizen's Income) has long been a part of Green Party policy. The essential commitment, from our 'Policies for a Sustainable Society',² is set out in Annex 1.

A detailed scheme

Eligibility

7. Basic Income and Child Benefit will be paid to UK residents, that is, people who have lived legally in the UK for at least a year. There is no contribution requirement; it will be a universal benefit. Babies born in the UK will be treated as if they had lived here for a year. Basic Income will continue to be paid to people who go abroad for the first three months of their absence, and former residents returning to the UK will be paid Basic Income on their return. This rule will also apply to children, so Child Benefit would not be paid to children who are abroad for more than three months.

8. Citizen's Pension will be paid initially to anyone eligible for a UK State Pension, wherever they live. In the long run we propose that, if someone has lived in the UK for most of their life, they will continue as at present to be able to take their pension abroad (though in the long run they would have no National Insurance contributions record, and in fact the evidence that they had lived in the UK for much of the time would be the fact that they had received Basic Income). But issues arise with shorter-term residents. It would be wrong

¹ The differences in the costings between their principal scheme and the scheme set out here are listed in Annex 2.

² 'Policies for a Sustainable Society' is the Green Party's long-term policy document; it is modified at each party conference. It is published on the web at <http://policy.greenparty.org.uk>.

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for someone to come here for just over a year, receive Citizen's Pension as a resident, and then go abroad with it for the rest of their life. We will pay Citizen's Pension to such people on a sliding scale depending on how much of their previous lifetime they had spent in the UK.

9. There will be exceptions to these general rules, most notably for certain foreigners and for foreign students who have been here for more than a year. And some British residents obliged to be abroad, such as members of the forces, will continue to get Basic Income.

10. There will also be a system of emergency Basic Income payments to small groups of people in genuine hardship who might not otherwise be eligible. Examples include young people under 18 living independently (who would otherwise have only Child Benefit paid to a parent or guardian) and certain asylum seekers or older people moving to the UK.

11. We will continue to pay Housing Benefit (without the bedroom tax) and Support for Mortgage Interest while housing costs vary so much in different parts of the country. Withdrawal rates for Housing Benefit will be relaxed.

12. Receipt of particular benefits is sometimes used to 'passport' eligibility for things such as free prescriptions, which of course will not work when those benefits are abolished. However, many items currently passported by receipt of existing benefits, such as free school meals, prescriptions and dental treatment, will become free anyway under our 2015 manifesto. Certain other items, such as Housing Benefit, will be subject to a simple means test. And financial support for childcare, available through Working Tax Credits, which will be abolished, will become unnecessary given our plans for free and universal early education and childcare.

Disability

13. The broad principle is that people who are disabled or not capable of work will receive payments in addition to their Basic Income. This includes payments for children and pensioners and for carers. We will in particular pay an extra £30 per week (pw) to those assessed by their GP as not capable of work.

14. But it will not be practicable to maintain the form of all the existing disability benefits; some disability payments stand on their own, but many are integrated into other benefits, such as Universal Credit, or as premium payments in, say, the means-tested form of Employment and Support Allowance, and those benefits will disappear. We will carry out a review of disability payments and aim to introduce a new system with the introduction of Basic Income. There will be no reduction in the total amount of money spent on disability, and, during the transition, no disabled person will receive less than they do under the old system.

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The rate for Basic Income

15. As set out above, we will not plan to introduce the whole scheme until after 2020. However, it is unrealistic to do a costing for a year so distant because none of the relevant figures – primarily tax and benefit rates – are available. Hence the rates and the associated costings are done for 2015–16, for which most of the relevant figures are available. The hypothetical implementation year will of course be different, but the assumption is made that a 2015–16 calculation will give at least a guide to the later year.

16. Turning to the rates for a Basic Income scheme, there are five basic rates:

- Basic Income for children under 18. We assume that we will pay the same Basic Income to second and subsequent children as to the first child. The current rates of Child Benefit (after April 2015) are £20.70 pw for the eldest or only child and £13.70 for additional children. At present, Child Benefit ceases when the child reaches 16, unless they are in full-time education or training.³ We think Child Benefit should better reflect the actual extra costs of a child, and to move towards this propose to increase Child Benefit to £50 pw, payable in respect of all children under 18.⁴
- Basic Income. This is the single most important parameter since so many people – everyone between 18 and the retirement age (see below) – will get it. We propose £80 pw, which is a little above the most usual Jobseeker's Allowance (JSA) level (currently (£73.10)).⁵
- Basic Income supplement for lone parents. Under Green Part policy, 'single parents will receive a supplement'.⁶ We add a single parent supplement at the rate of £80 pw.
- Citizen's Pension. Under Green Party policy, 'the Citizen's Pension will initially be set at a level no lower than the official poverty line'.⁷ The official poverty line for 2015–16 is estimated to be £174.40 for a single pensioner and £254.32 for a couple.⁸ We propose a Citizen's Pension rate of £155 pw, so a couple will get £310 pw, while a single pensioner will get £155 pw plus the supplement below.

³ See <https://www.gov.uk/child-benefit-rates> (accessed 15 March 2014).

⁴ Note that the main manifesto has £40 pw. This is not a contradiction: £40 pw is a figure appropriate for a situation when tax credits are still in place. The £50 pw quoted here is for a world where tax credits are abolished.

⁵ See <https://www.gov.uk/jobseekers-allowance/what-youll-get> (accessed 5 April 2015).

£73.10 is the rate for both contribution-based and means-tested JSA for a person over 25.

⁶ See Annex 1.

⁷ Also see Annex 1. For these purposes, the poverty line is 60% of median population income adjusted for household size.

⁸ These figures are from Richard Murphy and Howard Reed, *Financing the Social State: Towards a Full Employment Economy* (Centre for Labour and Social Studies, 2013), p. 31, updated to 2015–16 money values. Available at [http://classonline.org.uk/docs/2013_Policy_Paper_-_Richard_Murphy__Howard_Reed_\(Social_State_-_Idleness.pdf](http://classonline.org.uk/docs/2013_Policy_Paper_-_Richard_Murphy__Howard_Reed_(Social_State_-_Idleness.pdf) (accessed 7 April 2015).

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- Citizen's Pension supplement for single pensioners. Our policy says: 'There will be a supplement paid to pensioners living alone.' We propose a supplement of £25 pw for single pensioners, so they will receive £180 pw (i.e. £155 + £25), which is above the official poverty line of £174.40.

How to pay for Basic Income

Introduction

17. Broadly this calculation follows the methodology of the calculation done by the Citizen's Income Trust.⁹ It includes abolishing most existing benefits, abolishing income tax allowances, changing employees' National Insurance, reducing tax concessions on private pension contributions, and replacing the current contribution-based basic State Pension (for existing pensioners) and the new single-tier flat-rate Pension (for new pensioners) with a non-contributory Citizen's Pension.

18. In common with the Citizen's Income Trust calculation, no effort is made here to account for changes in behaviour brought about by the change to Basic Income. But these are likely to be substantial; in particular, the incentives for those on benefits to take paid work are greatly increased, but equally others argue that increased numbers will elect to leave employment and earn nothing (though they may often contribute in other ways). Modelling and estimating these changes is beyond our resources, but it is something we believe government should be doing over the next Parliament.

19. The calculation has three main elements:

- a calculation of the total cost of the Basic Income proposals;
- a calculation showing the savings from abolishing various existing benefits; and
- a final calculation showing how the current receipts from income tax and National Insurance would change.

These are dealt with in the three sub-sections below.

The total cost of Basic Income

20. It is not too difficult to work out what the Basic Income proposals would cost – one of the benefits of their simplicity. Working out the total cost is just a matter of multiplying the annual rates by the estimated number of people

⁹ See Citizen's Income Trust, *Citizen's Income: A Brief Introduction*, 2013, <http://www.citizensincome.org/filelibrary/booklet2013.pdf> (accessed 5 April 2015).

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eligible for Basic Income in each of the relevant age groups (see the section on eligibility above).

21. The number of eligible children and working-age adults is assumed to be the same as the population figures for these age groups. Residents who are temporarily abroad will continue to receive their Citizen's Income whereas short-term visitors to the UK will not.¹⁰ Assuming these two groups roughly cancel out, it is reasonable to base the number of people receiving Citizen's Income on population, which is a snapshot of people actually in the UK on any one day. Population projections are obtained from the Office for National Statistics (ONS).¹¹

22. For the number of pensioners we apply the current government policy on pension age, the State Pension age, which is to gradually increase it. For 2015–16 this means assuming 65 for men and 62.5 for women.¹² We also add the large number of existing pensioners, perhaps 1.1 million,¹³ who live permanently abroad. They have been added in to the cost of the policy because, at least as a transitional measure, these pensioners are eligible for a State Pension.¹⁴ They are incidentally all to be paid the full rate for Citizen's Pension, which implies that those overseas pensioners whose pensions have not been annually up-rated will be moved on to the normal full pension rate.

23. Then the total gross cost of regular Basic Income payments for this central case works out at about £321 billion, as follows:

¹⁰ See the Green Party policy on Citizenship: <http://policy.greenparty.org.uk/ny.html> (accessed 5 April 2015). 'NY500 Responsibilities and rights of citizenship will include Citizens' Income, personal taxation and the right to participate in the democratic process. The Green Party will therefore base the right to vote and to stand in elections on residence rather than nationality. The residence qualification for a responsibility or right will depend on its nature and consequences if temporary residents and visitors will be excluded from some. Responsibilities and rights will be retained for a reasonable period by those normally resident in but temporarily absent from an area.'

¹¹ ONS 2012-based principal projection, available from <http://www.ons.gov.uk/ons/interactive/2012-npp/index.html> (downloaded as `wuk12singyear_tcm77-330073.xls` on 26 January 2014).

¹² Pension age roughly calculated from the State Pension Age Timetables: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181343/spa-timetable.pdf (accessed 5 April 2015).

¹³ A source for the number is elusive. The Department for Work and Pensions at http://83.244.183.180/100pc/sp/ccla/ccsex/a_carate_r_ccla_c_ccsex_may09.html (accessed 5 April 2015) suggests that in May 2009 about 1.1 million pensioners were abroad or their whereabouts was not known.

¹⁴ See the section on eligibility above for the suggested long-term policy on pensioners abroad.

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Cost of Citizen's Income in 2015–16

	Weekly rate (£)	Annual rate (£)	Number (million)	Cost (£ billion)
Children	50	2,600	13.7	35.6
Working age	80	4,160	38.7	161.1
Pensioners	155	8,060	13.6	110.0
Lone parents	80	4,160	2.0	8.5
Lone pensioners	25	1,300	4.3	5.6
Total				320.8

24. In this table, the categories 'Children', 'Working age' and 'Pensioners' include all those in those age groups resident in the UK, plus, in the case of pensioners, pensioners living abroad. 'Lone parents' and 'Lone pensioners' represent the numbers who would be eligible to receive the supplements, and the monetary figure comprises only the supplement; the ordinary Basic Income or Citizen's Pension for 'Working age' and 'Pensioners' is included in the figures above.

25. However, for reasons set out above on disability and emergency Basic Income payments, we need to add perhaps £8 billion for transitional protection for people who are disabled and £2 billion for the emergency Basic Income scheme, making a grand total gross cost of £331 billion.

The benefits to be abolished

26. The *Department for Work and Pensions Annual Report & Accounts 2012–13* contains data on what DWP expects to spend on each benefit in 2015–16.¹⁵ To that are added two items from HM Revenue and Customs (HMRC):

- existing Child Benefits, estimated to cost £12.5 billion in 2015–16;
- all tax credits, estimated to cost £31 billion (£24 billion Child Tax Credits and £7 billion Working Tax Credits) in 2015–16.¹⁶

27. We make the following broad assumptions about what benefits we are abolishing and what we are keeping:

- We will keep Housing Benefit.
- In the rest of the working-age group we will save all the working-age benefits and the employment programmes apart from statutory sick pay and statutory maternity pay.
- In the pensioners' section we will save all the cost of State Pensions apart from the contribution-based State Second Pension, which people

¹⁵ *Department for Work and Pensions Annual Report & Accounts 2012–13* (London: The Stationery Office, 2012), Annex 1, Table 1.

¹⁶ These estimates are from figures for 2013 in HM Revenue and Customs, *Annual Report and Accounts 2013–14* (2014), Table 1, p. 77; available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330670/HMRC-annual-report-2013-14.pdf (accessed 12 April 2015),.

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have paid for unless they have contracted out into a private pension scheme. We will also retain the Winter Fuel Payment and the free bus pass scheme. Free TV licences for the over 75s will become irrelevant because under our manifesto we intend to abolish the TV licence.

- We will save nothing on disability.
- We will keep the Carer's Allowance because in our view it is payment for work done rather than income replacement.

28. Employment and Support Allowance (ESA) requires special treatment. The current long-term rates for ESA are higher than the basic Jobseeker's Allowance level (£73.10), at up to £101.15 pw in the work-related activity group and up to £108.15 pw in the support group. Thus, if those in receipt of ESA just got Basic Income, they would lose £30–£35 pw. To make this up, 20% of the current ESA budget must be retained (rather than abolished) to pay this supplement as a disability payment. We will want anyway to consider our whole policy on ESA (see the section on disability above).

29. The total savings we would make are listed in the table below. Because DWP figures don't include Northern Ireland (whereas the rest of our calculations do), 3% (based on relative population) has been added to the DWP figures:

Benefits, etc. saved with Citizen's Income (Letters in brackets are DWP section codes)	2015 (£ million)
Child Benefit	12,500
Child Tax Credits	24,000
<i>Children total</i>	<i>36,500</i>
<i>Children total including Northern Ireland</i>	<i>37,595</i>
Working Tax Credits	7,000
Student grants and loans	4,000
Severe Disablement Allowance (O)	180
Universal Credit	354
Jobseeker's (P+AG)	5,353
A percentage of Employment and Support Allowance (Q+AH)	8,900
Income Support (R)	2,347
Other benefits (AC)	229
Financial Assistance Scheme (S)	0
Maternity Allowance (AI)	414
Council Tax Benefit (Y)	4,224
Jobseeker's Allowance (AE)	785
Bereavement benefits (AK)	563
Maternity Allowance (AG)	426
<i>Working age total</i>	<i>34,775</i>
<i>Working age total including Northern Ireland</i>	<i>35,818</i>
State Pension (AJ) (less State Second Pension)	80,739
Pension Credit (S)	6,666

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Social Fund	317
<i>Pensioners total</i>	<i>87,722</i>
<i>Pensioners total including Northern Ireland</i>	<i>90,354</i>

Total benefit savings including Northern Ireland **163,767**

30. Here is the list of benefits in the DWP *Annual Report & Accounts 2012–13* whose costs have not been put towards funding Basic Income:

Benefits kept	£ million
Attendance Allowance (V)	5,901
Disability Living Allowance (V)	11,342
Severe Disablement Allowance (M)	169
Industrial Injuries Disablement Benefit (N)	913
Part of Employment and Support Allowance	3,113
Housing Benefit (Y)	18,500
Rent rebates (AA)	5,868
Carer's Allowance (X)	2,373
Personal Independence Payment	2,882
Earnings-related State Pension	10,148
Pensioners' free bus pass	1,000
Support for Mortgage Interest	368
Allowance for Winter Fuel Payment	2,000
Statutory Sick Pay and Statutory Maternity Pay (AB)	2,438
Total	67,015

31. We would not necessarily keep all these benefits in their present form, partly because DWP are proposing to phase out some of them anyway, and more importantly because the whole area of disability benefits will need review in the light of the introduction of the Basic Income (see above). The existing disability system is in effect a supplement to a very different overall benefits system.

32. Finally, Basic Income would be much easier to administer than the existing system, especially at working age, and we have assumed *administrative savings of £8 billion*. This is less than the £10 billion the Citizen's Income Trust assumes. Mirrlees estimates that running costs for working-age benefits are 4% of expenditure; tax credits would probably be much the same, and pensions and Child Benefit must be simpler and cheaper.¹⁷ On the other hand, the remaining disability benefits are quite expensive to administer. Against this, £8 billion seems a reasonable estimate.

¹⁷ James Mirrlees et al., *Tax by Design* (Oxford University Press, 2011), p. 22; available at <http://www.ifs.org.uk/publications/5353> (accessed 7 April 2015).

The tax and National Insurance calculation

33. The adjustments to the tax and NI systems are as follows:¹⁸

- *Abolition of the personal income tax allowance.* HMRC suggests this would yield £81.2 billion in 2013–14. Scaling up pro rata to 2015–16, this becomes £83.2 billion (with no economic growth). However, as note 1 to the HMRC table points out, HMRC has no records of incomes below the personal allowance (because people with incomes below the personal allowance do not have to tell HMRC their incomes for tax purposes), so this figure does not include the tax on those incomes. Thus the £83.2 billion is an underestimate and we assume the total gain from abolishing the personal allowance is £90 billion.
- *Removing the primary threshold for National Insurance contributions.* HMRC estimates that this would raise £21.6 billion in 2013–14. Up-rating for inflation to 2015 adds about 4%, so say £22 billion.
- *Removing the secondary threshold for National Insurance contributions.* HMRC says this contributes £25.7 billion in 2013–14, so we assume £26 billion for 2015.
- *The abolition of Child and Working Tax Credits* means that the negative tax credits attributable to these will also be saved. These amounted to £2.7 billion in 2013–14,¹⁹ or about £3 billion in 2015.
- *Removing about 44% of the total of tax and National Insurance relief on pension contributions (about £41 billion in total in 2015).* This could be achieved by fixing an upper ceiling on the total amount eligible for tax relief in pension contributions by one individual for one year. This is part of a wider reform of pensions, but the rationale is that it is in exchange for providing a larger and more certain State Pension for all.

¹⁸ For the following HMRC figures, see Table 1.5 'Estimated costs of the principal tax expenditure and structural reliefs' at <https://www.gov.uk/government/publications/main-tax-expenditures-and-structural-reliefs> (accessed 5 April 2015).

¹⁹ Figure for 2013–14 from HM Treasury, *Autumn Statement 2014*, Table C.3.

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34. Putting all this together we have:

Summary table	£ billion
Total cost of Basic Income scheme	331
<i>less</i>	
Benefit savings	164
Abolition of personal allowance	90
Running cost saving	8
Saving on negative tax credits	3
44% reduction of reliefs on pension contributions	18
Removal of lower National Insurance threshold	22
Removal of upper National Insurance threshold	26
Total savings	331

35. Thus, on costing the scheme, the broad conclusion might be summarised as follows:

- a Basic Income for 2015–16 at JSA level for working-age people (£80 pw),
- Child Benefits more than doubled (to £50 pw),
- an £80 pw supplement for single parents,
- pensioners receiving £180 pw for a single pensioner and £310 pw for a couple, both a little above the official poverty line,
- with provision for extra transitional disability payments and an emergency Basic Income payment scheme

can be paid for by

- abolishing all the existing benefits, including tax credits, other than Housing Benefit and certain other working-age benefits, some pensioner concessions and disability benefits,
- abolishing the income tax personal allowance and the primary and secondary thresholds on National Insurance contributions,
- removing almost half the tax and National Insurance incentives for private pension contributions.

Miscellaneous issues

Paying Citizen's Income

36. How will Basic Income actually be paid? Universal Credit will be paid monthly like most existing benefits apart from JSA and ESA. We propose weekly payment. For a very simple system where eligibility doesn't change often, this is easy enough with modern computerised systems, and some will find weekly payments easier to manage.

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37. The payments must be paid to a bank account. With the Green Party's proposed new state 'Peoples Bank' obliged to provide basic accounts, there is no reason not to insist on payment into a bank account.

Fraud

38. Basic Income will greatly reduce the scope for benefit fraud, though we should never forget that existing benefit fraud is far smaller than tax avoidance and evasion. The main fraud currently carried out – working while on benefits – will simply cease to exist, incidentally making honest citizens of huge numbers of people who work. Of course, the number of people who could potentially evade income tax will be substantially increased. The principal risk of fraud lies in creating non-existent people for whom Basic Income is paid. However, this risk exists under the current system; it is not a new problem.

Civil liberties

39. Basic Income will require the construction of a new register of citizens entitled to receive it, containing details such as name and address (necessary for fraud prevention), date of birth (because the rates depend on age) and bank account details, covering pretty much everybody. The government holds partial versions of such a register already through, for example, the Department for Work and Pensions, HMRC and the Electoral Register. However, it will be the most comprehensive register of citizens, not least because everyone will have an incentive to be on it, and it could give rise to civil liberties concerns, especially because of the temptation to issue an ID card (which the Green Party opposes) on the back of it.

Borrowing

40. People may seek to borrow on the strength of their Basic Income. Someone facing a large financial problem might make over their entire lifetime's entitlement to Basic Income to a lender in exchange for £20,000 cash up front. We propose making such a contract unenforceable. Basic Income is intended as a continuing payment, designed to cover the things you need to survive over time. It is only in finance that a capital sum is equated to a stream of income; in nature, a glut of food today is not the same as a lifetime's supply.

41. There might be an exception to this for small loans to cover one-off events, such as the birth of a child, a funeral or budgeting loans (the sort of things that should be covered by the Social Fund).

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Council Tax Benefit and Council Tax Reduction

42. Council Tax Benefit, which was a DWP benefit to help people with their Council Tax bills, has now been replaced by Council Tax Reduction, which is a scheme run by local authorities for the same purpose, but which varies depending on the local authority.

43. Housing Benefit is retained initially in our implementation of Basic Income because housing costs vary so much in different parts of the country. This does not apply to the same extent to Council Tax, and this is partly why it has not been treated the same way as Housing Benefit.

44. However, the Green Party has plans for fundamental change in this area of taxation, moving to a system of Land Value Taxation in the longer run. In our view it would be better for that system of taxation to be designed to be affordable in the first place for those on low incomes, rather than create a tax and then create a separate benefit to help people pay for it. In particular, even if Land Value Tax turns out to be reflected in increased rents for tenants (and many believe it cannot be passed on by freeholders in this way), these costs would be met by Housing Benefit for those on low incomes who are renting. So our longer-run plan is to consider the future of Council Tax Benefit in the general context of property taxation, rather than as part of the Basic Income system.

Prisoners

45. Prisoners will get Basic Income just like everyone else. However, it will be abated as a contribution to their board and lodging.

The proportion of public spending

46. Basic Income takes money from many people in taxation but then pays exactly the same people back, artificially inflating the measure of the total proportion of GDP spent by the state by about 5%. This rather esoteric issue is explained in Annex 3.

Isn't the personal allowance of, say, £10,600 a year in 2015 worth more than a Basic Income of £4,160?

47. The personal allowance is worth at most only the tax and National Insurance paid on the £10,600. In detail, under Basic Income if you earned exactly the 2015 personal allowance, that is, £10,600 a year, you'd normally pay £2,120 in income tax (at 20%) and £1,272 in National Insurance (at 12%) but receive £4,160 (52 times £80), so in total would get £4,160 + £10,600 - £2,120 - £1,272 = £11,368.

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48. Under the current system, you'd pay no tax on the £10,600 but National Insurance at 12% on income above £5,824, that is, £573, thus receiving £10,027. So you'd be better off under Basic Income. This calculation takes no account of Working Tax Credit that the person might receive.

Why should rich people get Basic Income

49. Rather than have an arbitrary cut-off point, it is fairer and simpler to recover the cost of the Basic Income from richer people through increased taxation.

What about 'scroungers'?

50. The Basic Income is 'earned' in the sense that we all contribute to society in some way or another, so we should all share in its fruits. There is so much unpaid work being done; the Basic Income will reward it. The Earth originally belongs to everyone and, because all wealth ultimately comes from the Earth (as well as labour), we should all have a share in it. Also, we'll all receive Basic Income, whether we're employed or not, so we all get security, but you'll always be better off if you are in paid work. Therefore many people feel this is a fairer system.

Financial comparisons

51. This section compares what people receive under the existing system of taxation and benefits with what they would receive under the proposed Basic Income system.

52. The broad conclusions of the detailed work below are:

- Almost everyone in work with an income below about £40,000, that is around four-fifths of taxpayers, will gain from the system, whereas those with incomes above that will lose.
- Many on benefits and with no income will do a little better under Basic Income, but will be considerably more secure in that the Basic Income will be paid whatever happens and cannot be sanctioned. The main exception will be families with large numbers of children.
- People currently on benefits who begin to work will do much better than under the existing system, because they will keep far more of their earnings. The incentive to work will be hugely increased.

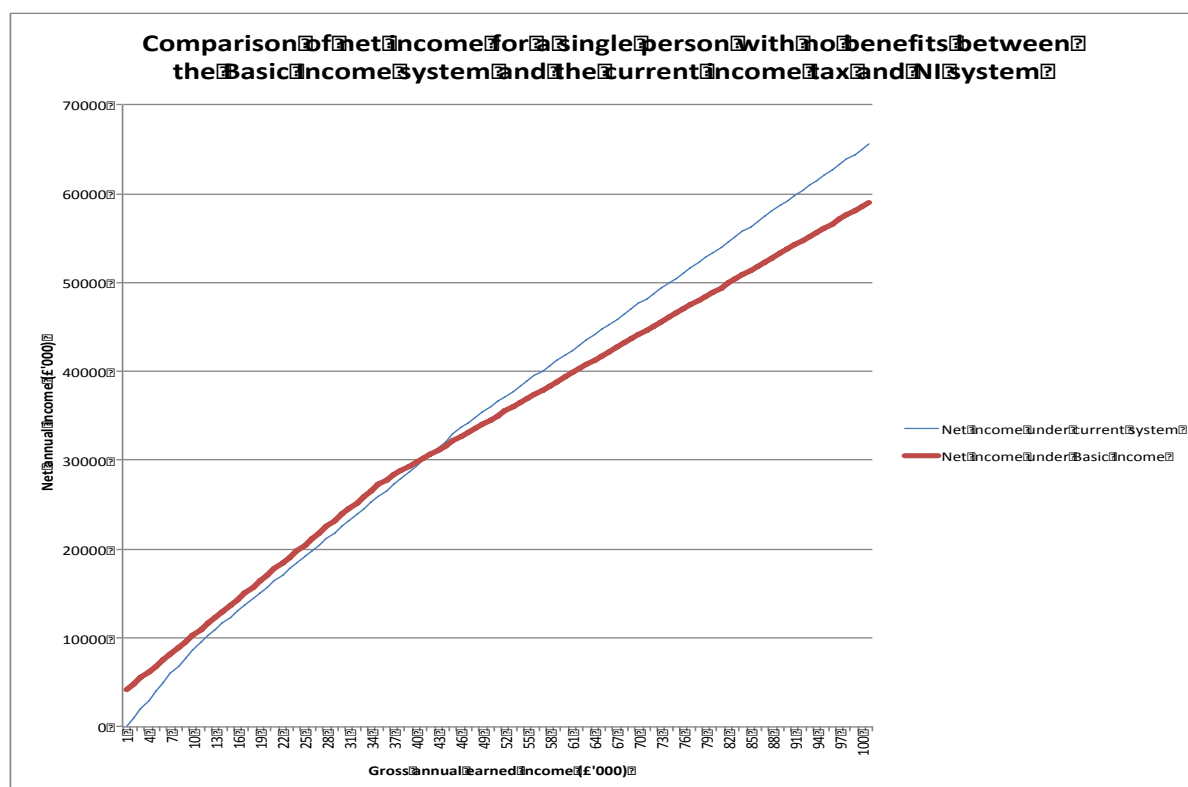
53. This section works through a number of individual cases.

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A working-age individual with an earned income not on benefit

54. This is the simplest possible case. The graph below shows, for each level of gross earned income between nothing (£0) and £100,000 per annum, the net income of the person

- under the current income tax and National Insurance system (thin line) and
- under the Basic Income system (thicker line), including the tax changes outlined above.



55. This shows that

- For a person with no income, under Basic Income they receive £4,160 a year and under the existing system nothing (though this is an artificial comparison because normally they would receive some benefits; see below).
- Under the existing system, the first £5,824 of income has no National Insurance or income tax deducted, and so the net income equals the gross income. The net income line rises steeply over this part of the income range.
- From £5,824 to £10,600 – the level of the income tax personal allowance – National Insurance is deducted at 12%, and so the line

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becomes less steep. After £10,600, income tax is also deducted at 20%, and the deductions continue at an aggregate 32% until reduced National Insurance at 2% and higher rate tax at 40% operate after about £43,000.²⁰ This is reflected in the line on the graph becoming steadily less steep.²¹

- Under Basic Income, the line starts higher at £4,160, but any income above that is initially taxed at 32%. After £10,600, the two lines run parallel for a while, because the aggregate withdrawal rate under both systems is 32%. Then at £31,785 (lower than at present because of the abolition of the personal allowance) the aggregate withdrawal rate under Basic Income rises to 52% and, because of the abolition of the National Insurance upper earnings limit, continues at that rate past £100,000.
- The lines cross, that is the net income under both systems become equal, at around £41,000 gross income. Those earning less than £41,000 will gain from Basic Income, whereas those earning more than £41,000 lose under the change to Basic Income.
- About 80% of income tax payers have incomes below £41,000,²² so four-fifths of taxpayers will gain from the system and one-fifth of taxpayers will lose.
- But, because there are many people whose income is too small to pay tax, a higher proportion of people (as against taxpayers) will gain from the system.
- Under the present system, a person not on benefits starts making a net contribution as soon as they pay National Insurance at £5,824 and income tax at £10,600. Under Basic Income, a person will need to earn about £13,000 before the tax and National Insurance they pay outweighs the Basic Income they have received.²³

A lone pensioner with some unearned income

56. The largest basic State Pension an individual can get under the present system is the new single-tier Pension, available from April 2016, expected to be around £155 pw, or £8,060 pa.²⁴ A single pensioner under the Basic

²⁰ Strictly it's a bit more complicated than that. At £42,380 the National Insurance rate drops to 2%, and so the aggregate rate goes down to 22%. This then rises to 42% after £42,385.

²¹ And it becomes more complicated again after £100,000 as the personal allowance is gradually withdrawn and additional rate tax begins at £150,000.

²² Data on percentiles of taxable income for 2011 are available at <https://www.gov.uk/government/publications/percentile-points-from-1-to-99-for-total-income-before-and-after-tax> (accessed 5 April 2015).

²³ Because 32% of £13,000 is £4,160, which is 52 weeks of Basic Income at £80 per week.

²⁴ Apart, of course, from any State Second Pension, but that will be preserved under the Basic Income scheme.

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Income proposal will get £155 pw plus £25 pw single supplement = £180 pw or £9,360 pa.

57. Under neither system will the pensioner pay National Insurance. Under the existing system, they will receive their personal allowance of £10,600, and then be taxed at 20% on the next £31,785 and at 40% thereafter. Under Basic Income, they will be taxed from the start on the income that is additional to their pension at 20%, and then at 40% after £31,785.

58. The result is that, at least up to £100,000, such a pensioner will do better under the Basic Income system. With no income they will be £1,300 a year better off. This drops to £792 a year once their additional income exceeds £3,000, but this £792 a year is maintained all the way up to an additional income of £35,000. Thereafter, all pensioners are at least £284 a year better off.

Comparison with the benefit system – general note

59. There is an issue about what we are to compare Basic Income with. The benefits system is changing, with many individual benefits being combined into the new Universal Credit. However, given the delays and uncertainty about Universal Credit, and the relative familiarity of the existing system, the comparisons here are with the system as it is now.

60. What we *can* say is that Universal Credit is means tested – people will be able to earn much larger amounts than now without any deductions, but many low-wage workers will face losing 65 pence in every extra £1 they earn if their wage rate or their hours go up. Moreover, Universal Credit comes with all the complex conditions about seeking work, availability for work and obligation to go on ‘schemes’ that the unemployed face now.

The effect of starting paid work – withdrawal rates

61. Existing benefits are reduced as soon as the person gets some income, usually by getting a paid job. This is in addition to deductions from pay made for National Insurance (income above £5,824 a year) or income tax (income above £10,600).

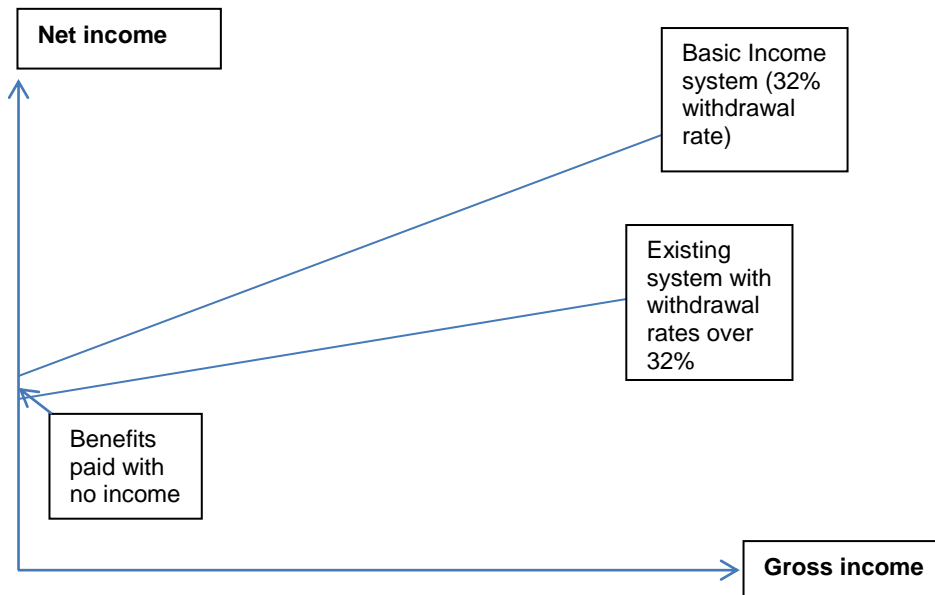
62. Under the Basic Income system, the only deduction is a combined National Insurance and income tax charge of 32%,²⁵ but that operates on the *whole* of any income. So there is a single withdrawal rate of 32%.

63. With the existing benefits system, the withdrawal rate is always greater than 32%, often substantially greater. For example, the withdrawal rate for Universal Credit is 65% – for each additional £1 a person earns, their Universal Credit is reduced by 65 pence.

²⁵ This increases after £31,785, but that is irrelevant when looking at low incomes.

64. This means that in any combination of circumstances, if the elements of the Basic Income system combined come to more than the benefits that would be paid in that circumstance under the existing system to a person with no income, then, whatever that person earns, the Basic Income system will stay ahead of the existing system and, moreover, become further ahead as that person's income rises. In addition, even if the Basic Income system pays marginally less with no income, as soon as the person starts earning the Basic Income system will overtake the existing system quite quickly.

65. This situation can be illustrated graphically:



66. Consequently there is no need to explore detailed numerical examples using different levels of income; if the Basic Income system starts ahead of, or very nearly ahead of, the existing system, it will always do better when the person enters work. So the examples below are restricted to cases where the person or household concerned has no income.

Single unemployed person

67. The most a single unemployed person would normally receive through JSA is currently £73.10 pw, as compared with £80 pw Basic Income. Housing Benefit would continue to be available under Basic Income as now. So the financial change is minimal, although the Basic Income payment would be completely secure and cannot be removed as a sanction.

68. People on JSA cannot work more than 16 hours a week. Income from work, or savings or a partner's work will directly reduce the level of income-based JSA. The withdrawal rate is therefore far higher than the basic tax and National Insurance rate of 32% under Basic Income, and so the person will always be better off under Basic Income.

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Lone parent with one or more children and no income

69. Take, first, the case of one child. There are various possibilities, but this person would normally now get each week:

Income-based Income Support	£73.10
Child Tax Credit	£63.94
Child Benefit	£20.70
Total	£157.74

Whereas on Basic Income they would get:

Basic Income adult amount	£80.00
Single parent supplement	£80.00
Basic Income for a child	£50.00
Total	£210.00

Basic Income is clearly ahead.

Now add another child, two in all. They would get:

Income-based Income Support	£73.10
Child Tax Credit	£117.40
Child Benefit	£34.40
Total	£224.90

Whereas on Basic Income they would get:

Basic Income adult amount	£80.00
Single parent supplement	£80.00
Basic Income for two children	£100.00
Total	£260.00

70. This is still ahead but, if we add further children, under the existing system there is an addition of £53.46 of Child Tax Credit for each child plus £13.70 Child Benefit, making a total of £67.16. But under Basic Income only £50 is added for each subsequent child. This means that for five or more children the existing system is more generous than the Basic Income system.

Further work

71. Just this one example shows that a great deal more work is needed testing different combinations of benefits, household types and employment types. One important focus of that work must be to ensure that there are no significant groups of people in poverty who would lose from the move to Basic Income, and to investigate whether special measures will be needed to protect such groups. For example, those in self-employment who pay little National Insurance but receive Working Tax Credits may well pose issues.

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But we have at least provided a detailed example of a Basic Income scheme to serve as the basis of comparison.

Annex 1: The Green Party's principal policies for a sustainable society: Citizen's Income and Citizen's Pension²⁶

Citizen's Income

EC730 A Citizen's Income sufficient to cover an individual's basic needs will be introduced, which will replace tax-free allowances and most social security benefits. A Citizen's Income is an unconditional, non-withdrawable income payable to each individual as a right of citizenship. It will not be subject to means testing and there will be no requirement to be either working or actively seeking work.

EC731 The Citizen's Income will eliminate the unemployment and poverty traps, as well as acting as a safety net to enable people to choose their own types and patterns of work. The Citizen's Income scheme will thus enable the welfare state to develop towards a welfare community, engaging people in personally satisfying and socially useful work.

EC732 When the Citizen's Income is introduced it is intended that nobody will be in a position that they will receive less through the scheme than they were entitled to under the previous benefits system. Children will be entitled to a reduced amount²⁷ which will be payable to a parent or legal guardian. People with disabilities or special needs, and single parents will receive a supplement.

EC733 Initially, the housing benefit system will remain in place alongside the Citizen's Income and will be extended to cover contributions towards mortgage repayments. This will subsequently be reviewed to establish how housing benefit could be incorporated into the Citizen's Income, taking into account the differences in housing costs between different parts of the country and different types of housing.

Citizen's Pension

EC800 Pensioners deserve a state pension which is sufficient to cover their basic needs and to enable them to live with dignity as of right, without the need for additional means-tested benefits. The Green Party will immediately introduce a Citizen's Pension to replace the current basic state pension and any additional top-up benefits. The Citizen's Pension will initially be set at a level no lower than the official poverty line.

²⁶ See the Green Party policy on the Economy: <http://policy.greenparty.org.uk/ec.html> (accessed 5 April 2015).

²⁷ Compared with adult Basic Income.

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EC801 The Citizen's Pension will replace an individual's Citizen's Income once they reach the specified pension age. This will not restrict an individual's right to continue working, and any additional earnings will be taxed just as they would for those below the pension age. Unlike the current system these payments will be unconditional, given as a right of citizenship and not subject to means testing. They will not be restricted to those people who have paid National Insurance contributions, which, for example, currently leaves many women without a proper state pension due to having an incomplete payment record.

EC802. The Citizen's Pension will be set at a higher level than the Citizen's Income. It will be up-rated annually in line with the increase in either a) the price of basic goods and services, or b) average earnings, whichever is greater. There will be a supplement paid to pensioners living alone as well as for those with disabilities and special needs. This will include payments to cover the costs of residential care, should this become necessary. Elderly residents will no longer be forced to sell their homes in order to pay for such care, as these supplements will not be subject to means-testing.

EC803. As with the Citizen's Income, housing benefit will initially continue to be paid. The situation will subsequently be reviewed to see how a housing cost element could be incorporated into Citizen's Pension payments.

Annex 2: The principal differences between this and the Citizen's Income Trust (CIT) calculation²⁸

1. Our calculation is for 2015–16, whereas the CIT is doing it for 2011–12. Because of inflation our figures are generally higher.
2. We use far higher numbers for the number of pensioners (about 3 million more) because:
 - the CIT is using actual figures from the 2010 Census, whereas we use 2015 Government Actuary projections, which are higher owing to population growth and the ageing population;
 - the CIT assumes the pension is paid to all at 65, whereas our calculation uses the actual ages relevant in 2015, that is, 65 for men and 62.5 for women;
 - we include 1 million pensioners living abroad.
3. The CIT has no lone parent and single pensioner supplements. These are required by Green Party policy.
4. We have just child and adult rates, and no special rate for 16–25 year olds.
5. There are differences in the benefits abolished and retained. In particular, we retain the Carer's Allowance, which we regard as payment for work done, not simply as income replacement. We also retain pensioners' bus passes and the Winter Fuel Payment. Moreover, our treatment reflects benefits as they will be in 2015, not as they were in 2011.
6. We add on an emergency Basic Income scheme for hard cases not otherwise eligible, and take account of money spent on disability included in funding for benefits that are otherwise abolished.
7. The overall effect of these changes is that our scheme largely avoids one problem that the CIT has identified in its own scheme – that it makes a proportion of the poorest, whose income is made up wholly of means-tested benefits, poorer than under the current benefits regime.

²⁸ See Citizen's Income Trust, *Citizen's Income: A Brief Introduction*, 2013, <http://www.citizensincome.org/filelibrary/booklet2013.pdf> (accessed 5 April 2015).

Annex 3: Basic Income and percentages of government spending and taxation as a proportion of GDP

1. Countries are often compared by the proportion of GDP used for public spending. Thus, in 2000, France, with a big state, spent 50% of GDP, the UK, with middling state, spent 40% and the USA, with a smaller state, spent about 35%.²⁹

2. On the face of it, the change to Basic Income massively increases the proportion of GDP spent by the government. Very crudely, benefits and running cost savings of £172 billion will be offset by Basic Income and Pension payments of £331 billion, and so government expenditure will rise by £159 billion, or 8% of GDP.

3. However, this is misleading, in that for many people what will happen is that their tax bill will increase but be offset by the Basic Income they receive – the government will take money away from them in taxation but give it back to exactly the same people. This is different from transfer payments, where the government takes money from some people in taxation, and then gives it largely to other people to spend, such as money spent on benefits. Transfer payments are usually counted in the figure for the proportion of GDP spent publically.

4. So how much will be taken in taxes but then returned to the same people? Any individual will have a balance of what they pay in tax and what they receive in Basic Income. As their income rises, they come to the point where they pay more in tax than they receive in Basic Income; this is called the 'contribution point', and for the implementation of Basic Income here this comes at £13,000 a year. Below the contribution point, all the tax that is paid is received back by the individual; above the contribution point, all the Basic Income received by the individual is matched by a part of the tax that person has paid. With knowledge of the distribution of taxable incomes we can calculate the aggregate of these two figures to produce what we call the 'Basic Income Rebate', that is, the amount spent on Basic Income that is directly financed by the tax contribution that the same individuals have made. A rough calculation suggests that a lower bound for this is around £100 billion, or about 5% of GDP.

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²⁹ Figures from the OECD: http://www.oecd-ilibrary.org/sites/gov_glance-2011-en/03/04/giii-4-01.html?itemId=/content/chapter/gov_glance-2011-10-en (accessed 5 April 2015). We've used 2000 figures because the later years are greatly affected by the post-2008 recession.