

North Devon Conservatives

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Date: 12 January 2009

Time to cut taxes for savers and pensioners says Philip Milton

Philip J Milton, Conservative Prospective MP for North Devon, today added his voice to the calls to cut taxes for savers and pensioners in North Devon. Conservatives have called for special help for these “innocent victims” of Labour’s recession, who are suffering as the income from their savings falls. Over the long term, cutting taxes on savings would help build a savings culture and end Britain’s addiction to debt under Gordon Brown.

Under the Conservative plans:

- Basic rate taxpayers would pay no tax at all on their income from savings, making them up to £7,200 a year better off.
- The income tax allowance for pensioners would be increased, with age-related personal allowances rising by £2,000, helping them by up to £400 a year.
- The package would be paid for by reducing the growth in government spending by £5 billion. Instead of rising by £30 billion next year, the increase would be £25 billion. Spending on the NHS, schools, defence and international development would all be protected.
- An estimated 1,904,256 people across the South West would benefit from these tax cuts.

Philip explained,

“South West’s savers and pensioners are the innocent victims of Gordon Brown’s recession. They are being punished for putting aside money. We need to cut taxes for them and help turn Britain from a spend, spend, spend society into a save, save, save society.

“We need change to deliver a culture of thrift at the heart of government and a culture of saving at the heart of our economy.”

FOR FURTHER INFORMATION OR PHOTOCALL PLEASE CONTACT:

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Notes to Editors

CONSERVATIVE PLANS: NO TAX ON SAVINGS INCOME FOR BASIC RATE TAXPAYERS

At the moment income from savings in bank accounts and other non-exempt savings products suffers from double taxation – the money is taxed when you earn it and then any interest is taxed again. This proposal would abolish the unfair double taxation of savings for basic rate taxpayers.

It would also be a significant simplification of the tax system, as banks would no longer have to withhold 20 per cent of interest income at source and people on low incomes who currently do not pay tax at 20 per cent would no longer be forced to apply for their money back.

Anyone who had income from savings and who had earnings or pension income below the higher rate threshold of £43,875 would benefit, but the biggest benefits would go to people who are dependent on income from savings and do not have other income. The maximum benefit would be just over £7,200.

Higher rate taxpayers would not benefit. Their savings income would continue to be taxed at 40 per cent.

Example 1

A 60 year old couple who are retired and have total pension income of £12,000 a year each: They are dependent on income from savings to top up their living standards, and currently get £1,000 a year each in interest from their savings account. They currently pay £200 a year each in tax on their savings income, so they would be £400 a year better off in total.

Example 2

A 40 year old single mother who works part time and earns £10,000 a year: She is dependent on income from her savings to help with her costs, and currently gets £800 a year in income from her savings. She currently pays £160 a year in tax on her savings, so she would be £160 a year better off.

Example 3

A single person earning £60,000 a year: They receive £2,000 a year in income from savings, and pay £800 tax on it. Their income would be unchanged and they would continue to pay higher rate tax on their savings income.

CONSERVATIVE PLANS: £2,000 INCREASE IN TAX ALLOWANCES FOR PENSIONERS

The income tax personal allowance for pensioners aged under 75 would increase from £9,490 to £11,490, and the personal allowance for those aged 75 and over would increase £9,640 to £11,640.

These additional personal allowances would continue to be tapered away at incomes over the aged income limit of £22,900 as at present. For those aged 65-74, anyone with pension income and other earnings between £9,490 and £32,930 would benefit. The maximum benefit of £400 would go to anyone with pension income and other earnings between £11,490 and £22,900.

Example 1

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A 65 year old couple who are retired and have total pension income of £14,000 a year each: They currently pay £902 in income tax each, or £1,804 in total. Their tax bill on their pensions would fall to just £502 each, or £1,004 in total, so they would be £400 a year better off each, or £800 better off in total. If they also currently get £1,000 a year each in interest from their savings account, they would pay £200 less each in tax on savings, or £400 in total. So in total they would be £1,200 better off.

Example 2

A 65 year old single person with a pension income of £15,000 and savings income of £5,000 a year: They currently pay £1,102 in tax on their pension and £1,000 in tax on their savings, so £2,102 in total. Their tax bill on their pension would fall by £400 to just £702 and they would pay no tax at all on their savings. So in total they would be £1,400 better off.

LOCAL FIGURES

The table below shows the estimated number of people who will potentially benefit from the tax cut proposals:

<i>Government office region</i>	<i>Potential beneficiaries (people)</i>
North East	798,336
North West	2,146,880
Yorkshire and The Humber	1,794,312
East Midlands	1,596,402
West Midlands	1,794,860
East	2,119,579
London	2,451,306
South East	3,141,840
South West	1,904,256
Wales	837,984
Scotland	1,555,722

Calculated using Office of National Statistics on savings, <http://www.statistics.gov.uk/pdffdir/wealth0108.pdf>, and official government population data (ONS, Regional Trends 40).

PAYING FOR THE TAX CUTS

According to HM Treasury figures, abolishing tax on savings for basic rate taxpayers would cost £2.6 billion (although the actual cost next year would probably be lower because interest rates have fallen). Raising age related personal allowances by £2,000 would cost £1.5 billion. So the total cost of the package would be £4.1 billion.

Labour intend to increase spending from £620 billion this year to £650 billion. Conservatives would save £5 billion of that increase. Conservatives would match Labour's existing plans for spending on health, schools, defence and international development, but the real rate of spending growth for other departments would be reduced.

In due course, Conservatives will set out more detail of the radical reforms to the culture of Whitehall that will help to achieve these savings without hitting front line services, by improving financial accountability and entrenching value for money. £5 billion is the same size as the savings that the Government claim to have identified in 2010-11.

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