

UK Tax Credits for low-income families: How innovative? How Transferable?

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The aim: what was the policy context in which tax credits were designed?

- High levels of polarisation between families in the UK in the late 1990s: many two-earner households, many no-earner households.
- Relatively high levels of child poverty – 8 percentage points higher than the EU average in 1997.
- Large numbers of families facing high marginal deduction rates.
- A complex array of support systems available to families.

The design: influences and priorities.

- The gain to work and child poverty
- The relevance of the US and European systems
- The Canadian system
- The Australian system
- How the UK system works – somewhere between Australia and Canada

The impact: theoretical and empirical.

- Marginal deduction rates and the gain to work: the unemployment and poverty traps
- Numbers benefiting from tax credits; tax credit take-up rates
- Independent evidence on the reduction in workless households
- Overpayments