



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

12 February 2024

Dear Sir George,

Thank you for your email of 30 January to the Chancellor of the Exchequer, enclosing correspondence from your constituent,
about raising the Personal Allowance (PA). I am replying as the Minister responsible for the UK tax system.

The Government is committed to keeping taxes low to support working people and pensioners to keep more of what they earn. The Government has nearly doubled the PA since 2010 (30 per cent higher in real terms), ensuring some of the lowest earners do not pay income tax. Thanks to the PA, around 30 per cent of individuals do not pay tax.

Due to the significant real term increases to the PA, it is estimated there will be over 3 million people taken out of tax by 2023-24, compared to the threshold rising in line with inflation from 2010-11.

The Government has taken action to support hard-working families through the tax system. The historic increase in the National Insurance starting thresholds introduced in July 2022 was the largest ever increase to a personal tax starting threshold and ensured that individuals can earn over £1,000 a month tax free.

Thanks to above inflation increases of the PA and the NICs Primary Threshold since 2010-11, Someone on the current average salary of £35,000 will pay over £1,000 less income tax and NICs in 2023-24, and £640 less in 2028-29, compared to the PA/PT rising in line with inflation since 2010-11.

According to the OECD, the UK has some of the more generous starting allowances for income tax and social security contributions in the OECD and the most generous in the G7. The UK's PA and PT are high by international standards - based on latest OECD data, the UK has some of the more generous starting allowances for income tax and social security contributions in the OECD and the most generous in the G7.

Thanks to above inflation increases of the PA since 2010-11, someone on the current average salary of £35,000 will pay over £1,000 less income tax and NICs in 2023-24, and £640 less in 2028-29, compared to the PA/PT rising in line with inflation since 2010-11.

The Government's approach to delivering fiscal sustainability is underpinned by fairness, with those on the highest incomes paying a larger share. By taking the responsible decisions needed to achieve fiscal sustainability, the Government is providing the necessary conditions for economic growth. The Government is taking a balanced approach between revenue raising and spending restraint, whilst protecting vital public services.

If the PA was increased to £15,000, as suggested in _____ correspondence, taxpayers earning below the current PA would not benefit from this change as they do not pay income tax.

However, as with all aspects of the tax system, the Government will keep the PA under review and any decisions on future changes will be taken by the Chancellor in the context of the wider public finances.

Please pass on my thanks to _____ for making me aware of _____ suggestion.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nigel Huddleston'.

Nigel Huddleston MP
FINANCIAL SECRETARY TO THE TREASURY