METHOD FOR COSTING A BI SCHEME FOR UK IN 2017-18, with BIs given as proportions of average income per head in 2015.

Pensioner BI, (full) = £165 pw = 0.4006 of average income
Working-age BI, (partial) = £132 pw = 0.3205 per head in the UK
Child BI = £66 pw = 0.1602 in 2015,
Parent with Care premium = £33 pw = 0.0801 (£411.89 pw).

<table>
<thead>
<tr>
<th>Groups by Age or premium</th>
<th>Populat UK, 2015 '000s</th>
<th>Proportion of pop -ulation</th>
<th>BI as proportion of av. income</th>
<th>Contribution to tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>65,110</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>64 or over</td>
<td>12,300</td>
<td>0.18890</td>
<td>0.4006</td>
<td>0.075673</td>
</tr>
<tr>
<td>16-63</td>
<td>40,553</td>
<td>0.62283</td>
<td>0.3205</td>
<td>0.199616</td>
</tr>
<tr>
<td>0-15</td>
<td>12,258</td>
<td>0.18826</td>
<td>0.1602</td>
<td>0.030159</td>
</tr>
<tr>
<td>Lone P premium</td>
<td>1,941</td>
<td>0.02981</td>
<td>0.0801</td>
<td>0.002388</td>
</tr>
<tr>
<td>Other PwC prem</td>
<td>4,913</td>
<td>0.07546</td>
<td>0.0801</td>
<td>0.006044</td>
</tr>
</tbody>
</table>

To finance the sum of BIs, 2017-18, t = 0.313880
ADD UK MARGIN for admin, retained benefits, etc. 0.0557
GRAND TOTAL for all SOCIAL SECURITY, tax rate = 0.3696

Blis by household type, (excl Housing and Disability Benefits)

<table>
<thead>
<tr>
<th>Household Configuration</th>
<th>£pw</th>
<th>MTBs 2017-18</th>
<th>Above BI Scheme</th>
<th>Official Poverty Benchkm, '14-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensioner, single</td>
<td></td>
<td>Pens Cred</td>
<td>159.35</td>
<td>165</td>
</tr>
<tr>
<td>Pensioner couple</td>
<td></td>
<td>JSA/ESA</td>
<td>243.25</td>
<td>330</td>
</tr>
<tr>
<td>Working-age single</td>
<td></td>
<td>JSA/ESA</td>
<td>73.10</td>
<td>132</td>
</tr>
<tr>
<td>Working age couple</td>
<td></td>
<td>JSA/ESA</td>
<td>114.85</td>
<td>264</td>
</tr>
<tr>
<td>Young adult, 16-24</td>
<td></td>
<td>JSA/ESA</td>
<td>57.90</td>
<td>132</td>
</tr>
<tr>
<td>Lone Parent + toddler</td>
<td>157.39</td>
<td>JSA, CTC, CB</td>
<td>231</td>
<td>189.07</td>
</tr>
<tr>
<td>LP + pre-sch +prim-sch</td>
<td>224.26</td>
<td>297</td>
<td>23.57</td>
<td>307.15</td>
</tr>
<tr>
<td>LP + pre +prim + sec</td>
<td>291.13</td>
<td>363</td>
<td>339.36</td>
<td></td>
</tr>
<tr>
<td>Couple + toddler</td>
<td>199.14</td>
<td>JSA, ESA, CTC, CB</td>
<td>363</td>
<td>290.88</td>
</tr>
<tr>
<td>Couple + pre +prim</td>
<td>266.01</td>
<td>429</td>
<td>339.36</td>
<td></td>
</tr>
<tr>
<td>Couple + pre +prim + s</td>
<td>332.88</td>
<td>561</td>
<td>441.17</td>
<td></td>
</tr>
<tr>
<td>Couple + all four</td>
<td>399.75</td>
<td>627</td>
<td>489.65</td>
<td></td>
</tr>
</tbody>
</table>

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2. POTENTIAL SOURCES OF FINANCE

SAVINGS:
from the replacement of most NI and means-tested benefits;
by simplifying the administration of social security, reducing its costs, and reducing fraud and errors by claimants and staff;
by reducing legal tax avoidance in NI Contribution (NIC) and inc. tax systems – ‘tax welfare’ will decrease & the tax base will be increased;
e.g., reduce NI Primary Threshold and Personal Income Tax Allowance, end tax relief on contributions to Registered & other Pension Schemes, & close other loopholes in the NIC and income tax systems;
by clamping down on illegal tax evasion;
by reducing the costs of poverty alleviation and the indirect effects of poverty on NHS, personal social services & criminal justice system.

CHANGES TO CURRENT TAXES:
NI Contributions and income tax systems:
Reduce and/or introduce new income tax thresholds
Increase current rates of income tax;
Higher tax rates on higher incomes
Restructure the NI Contribution and income tax systems (see p.3).
Increase VAT or Corporation Tax.
The UK is one of the lowest taxed nations in the developed world.

SOME PROPOSED NEW TAXES:
Wealth taxes: on the holding of wealth: Land Value Tax (LVT);
on the income from wealth: income from Capital;
on transactions in wealth (IHT, CGT, stamp duty).
Expenditure taxes: Sales Tax.
Taxes on the use of scarce resources, or on pollutants, such as a Carbon Tax, are designed to change behaviour, which, when successful, would reduce the tax base!
A Tobin (International) Financial Transactions Tax on speculation in currencies – requires international co-operation.
Sovereign Wealth Funds are based on the community control of community-owned natural resources. Part of their income streams are invested in the international stock market. Long-term solutions.
Seigniorage: it has been suggested that BIIs can be funded by printing money, as in Quantitative Easing. This would be inflationary in most circumstances.
A combination of taxes is also possible.

WHY INCOME TAX IS THE BEST SOURCE OF FINANCE

- Income tax is the most direct and efficient system of redistributing income from rich to poor;
- Only income tax and NICs could raise enough revenue on their own.
- Benefits and income tax are reverse sides of the same coin, and can be regarded as a single system, (even if the two branches are administered separately);
- Similarly, the social security payments (£262 bn. in 2015) and the tax welfare system (income tax and NIC loopholes (£235 bn. in 2015) should be considered as a single benefit system;
- Hypothecating (ring-fencing) the income tax and NIC system, to use it solely to finance the BI scheme, its administration and related cash transfers (for Housing Benefit, Disability Benefits, etc), imposes a discipline on the system and ensures its economic viability.
- Hypothecating the income tax and NICs can separate the system of income redistribution from the Government Expenditure system. This also implies that all Government Expenditure (welfare services and infrastructure, etc.) is financed out of other taxes (& borrowing).
- Procedures are already in place for deducting income tax at source, including from employees’ earnings through the PAYE system.

The current income tax system is very unjust and needs to be reformed.

THE SUGGESTED RESTRUCTURED INCOME TAX SYSTEM

- Merge the current income tax system and NICs of employees and self-employed workers.
- Close all tax loopholes in the current income tax and NIC systems, unless they can be shown to be in the public interest. For instance: remove/reduce the Personal Allowance and NI Primary Threshold; end tax relief on contributions to pension schemes.
- Levy the same rate of income tax on all sources of income.
- The new income tax structure is either proportionate, (ie flat rate tax, maximum 50%), or progressive, (up to 65% on highest incomes, as already experienced by low-income claimants via their marginal deduction rates, and as occurs in some Nordic countries).
- Hypothecate the new income tax system.
- This could be augmented by some or all of the employers’ NICs, which now becomes a payroll tax.