**UK Budget 2014: Impact on Households**

This note summarises the anticipated impact of the various changes to taxation, benefits and public spending as part of the UK Government’s fiscal consolidation programme on households – drawing on updated analysis published alongside Budget 2014. The focus is on the distributional impact. It does not assess the counterfactual impact should such changes not have been made.

Similar analysis has been undertaken by the IFS – <http://www.ifs.org.uk/budgets/budget2014/personal_measures.pdf> - which reaches similar conclusions.

1. **Analysis of the impact on households by income distribution of tax, tax credit and benefit changes 2010-2011 to 2014-15.**



* This chart is taken from the HMT report “*Impact on households: distributional analysis to accompany Budget 2014*”[[1]](#footnote-1). It shows the impact on households of tax and benefit changes implemented between 2010-11 & 2014-15.
* As a proportion of income, households in the top decile are expected to experience the greatest negative cumulative impact, equivalent to 2% of their net income.
* The chart also highlights however, that households in the bottom 10% will experience the greatest negative cumulative impact of any other group, excluding the top 10%, primarily as a result of changes to tax credits and benefits.
1. **A similar picture emerges when incorporating changes to spending on public services**



* The chart highlights that, incorporating public service spending changes, on average households will be the equivalent of £757 (in 2010-11 prices) worse off on average in 2015-16 as a result of the measures announced thus far, around 2.1% of net income.
* The greatest impact will be on those in the top income quintile (i.e. 20%), with an impact equivalent to £2,194 per year. The poorest households with net income in the bottom 20% o will be worse off by the equivalent of £814, around 3.4% of net income – above the overall average.
1. <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293738/budget_2014_distributional_analysis.pdf> [↑](#footnote-ref-1)