Frozen allowances highlighted

Briefings

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A study by the ATT has highlighted the extent to which the freezing of reliefs and allowances is reducing their value.

The Association has identified some of the most outdated reliefs and allowances across the tax system, ranging from VAT to employment, self-employment, inheritance tax and savings. The oldest is the inheritance tax wedding gift allowance, last changed in 1975 (when it was still capital transfer tax!), which would have risen from its present value of £5,000 to £39,876 if it had been uprated in line with CPI inflation. In many cases, the original policy intention behind these reliefs has been eroded over time as their real-terms value has steadily declined.

‘Too many reliefs and allowances have been left to quietly wither,’ said Emma Rawson, ATT’s Director of Public Policy. 'The result is a system that creates unnecessary complexity, increases admin and costs for households and businesses and no longer achieves what it was designed to do.’

ATT’s analysis of frozen allowances can be read at: tinyurl.com/frozen-reliefs