

21 November 2018

## **Supplementary forecast information release**

### **Marriage allowance**

- 1.1 The OBR is releasing this information following a request for further detail on the information presented in Annex A of our October 2018 *Economic and fiscal outlook (EFO)* in respect of the 'marriage allowance'. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 The marriage allowance was announced at Autumn Statement 2013 and was due to come into effect from April 2015. It initially allowed one partner to transfer £1,000 of their income tax personal allowance to the other, but only if the income of the higher earner was below the higher rate threshold. Married couples or civil partnerships where the recipient is a basic-rate taxpayer and the other partner is a non-taxpayer would stand to gain. At Budget 2014 the policy was modified so that the level of the marriage allowance would be set at 10 per cent of the personal allowance.
- 1.3 The Budget 2014 estimate was for the loss in income tax for the combined measures to rise to £0.9 billion a year by 2018-19, though some of this would be offset by savings from lower welfare spending. This was based on the personal allowance rising to £11,160 in 2018-19, the final year of that forecast. The higher rate threshold, which also affects eligibility for the marriage allowance, was due to reach £45,460.
- 1.4 The original costing was based on assumed take-up of 73 per cent in 2015-16 rising to 88 per cent in 2018-19, based on analysis of take-up rates for similar value benefits and reliefs. Actual take-up was estimated at just 16 per cent in 2015-16 but is estimated to have risen to around 44 per cent in 2016-17 and 67 per cent in 2017-18. It is expected to reach around 83 per cent in 2018-19, not far short of the original estimate.
- 1.5 Outturn data suggest there were 2.8 million claimants in 2017-18 and this is expected to rise to 3.6 million in 2018-19. Our revised estimate, based on a 2018-19 personal allowance of £11,850 and a higher rate threshold of £46,350, is for the marriage allowance to cost £1.1 billion in foregone income tax receipts in 2018-19. This is slightly higher than the Budget 2014 costing, and mainly reflects the additional cost from a higher personal allowance outweighing the effect of slightly lower than expected take-up.