

[Raising the personal allowance?](#) [1]

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The House of Commons Treasury Committee chairman, John McFall MP, [says](#) [3] that raising the tax threshold for low-income workers is 'in the prime minister's mind'. It would mean that instead of paying tax on earnings over £6,035, nobody would face tax until they earned £10,000 or more.

Let's hope that John McFall is right and that what's in the prime minister's mind actually becomes reality for once. £10,000 is roughly what someone working full time on the minimum wage of £5.73 could earn in a year. It's scandalous that people earning less than that should be paying tax at all. Worse, there are millions of people who face an unemployment and benefits trap because of the high tax rates they have to pay. Not only do they pay income tax on low incomes, they also start losing benefits as well. In some cases the effective rate of tax they face is 70% or more. And who's going to work an extra hour at minimum wage rates if 70% of their extra earnings is taken straight off them.

There are so many millions of people on the minimum wage that this tax change would have a really big economic effect. Far more so than Gordon Brown's overcomplicated Tax Credit system. It would entice hundreds of thousands back to work, and hundreds of thousands more to move from part-time work to full-time work. It would help the government to meet its targets on reducing child poverty. And poorer people spend more of what they earn - they don't have the slack to put it aside as savings. So nearly all that money would go straight into the economy, boosting demand for our hard-pressed retailers and producers.

We've been calling for a doubling of the income-tax threshold for [years](#) [4], as part of a plan to reduce and to simplify the taxes on work. Perhaps it has taken economic disaster to make the government see the merit of it. If they have, then the whole country will be the gainers.

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