

Written evidence submitted by the TaxPayers' Alliance (BSW0037)

The TaxPayers' Alliance does not support the introduction of a Universal Basic Income (UBI) because it would be costly, economically inefficient and poorly targeted in Wales.

Indiscriminate cash payments are likely to redistribute wealth away from poorer households, which is a particular problem for Wales as median gross weekly earnings there are the third [lowest](#) among the 12 UK regions. Middle income households benefit the most from a universal basic income (UBI) because they are insulated from tax rises and claim fewer benefits, while poor families claim more. Unless UBI is introduced at an extremely high level, a level likely to be far in excess of that offered by the pilot scheme, a universal payment will not adequately replace targeted benefits to account for common issues like housing costs, disability, and childcare.

Redistribution along these lines could distort economic incentives with little benefit. UBI payments are not targeted at particular needs, unlike other welfare payments which seek to address particular problems. Universal payments may redirect capital from profitable enterprises to less productive pursuits. For instance, those working hard to earn annual bonuses or to create a fledgling business are taxed more to fund the leisure activities or hobbies of others. Therefore, the distortionary effect of these payments is a greater problem in the case of UBI than in typical targeted welfare measures.

Multiple civil society organisations, including the Future Generations commissioner for Wales, have called for the broadening of the policy since it was announced. Originally including only care leavers, the policy could grow to encompass the whole country or the wider UK. The danger of an expanding policy is both that overall expenditure increases, and that redistribution becomes more regressive as a greater number of relatively wealthy groups are included in the scheme. The TaxPayers' Alliance has estimated a UBI could cost up to £172.6bn if the influential recommendation of a £50 per week basic income was extended to include every individual in the UK. Covid-19 has worsened the fiscal situation of the governments of the UK and the introduction of a UBI scheme would mean more unsustainable costs.

There is also a danger that UBI could become an entrenched entitlement with no corresponding reduction in expenditure. The UK government already funds a number of 'scatter-gun' payments which are regressive and do not account for fairness or efficiency. For instance, the Winter Fuel Payment redistributes money to relatively wealthy pensioners and is paid without an assessment of need. This has already undermined public confidence in universal benefits payments, due to money being given even to those who don't need it with little prospect of it ever being withdrawn.

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