

David Cameron 'sorry' child benefit cut was not in Tory manifesto ^[1]

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EXCERPTS

David Cameron was forced today to apologize to voters for breaking an election promise with his decision to withdraw child benefit from 1.2 million higher-rate taxpayers.

On a day of policy wobbles in the Conservative high command, the prime minister acknowledged the decision - announced on Monday by the chancellor, George Osborne - had led to a storm of criticism from those claiming that axing child benefit had damaged the party's commitment to family values and undermined the universalist base of the welfare state, which he had promised to preserve in the election.

"We did not outline all those cuts, we did not know exactly the situation we were going to inherit," he told ITV news. "But I acknowledge this was not in our manifesto. Of course I am sorry about that."

In what was rapidly becoming a test of the Conservative leadership mettle at the party's conference in Birmingham, Osborne also rushed out a letter to all MPs explaining that a decision that seemed to punish its core aspirational support should not be seen in isolation.

Osborne wrote: "I know some have pointed out that this approach will leave households that do not contain a higher rate taxpayer, but whose joint income is above the higher-rate threshold, still in receipt of child benefit. The only way to assess these joint income families would be to create a new complex, costly and intrusive means test that would spread right up the income distribution."

Cameron made his comments in the face of growing unease on his own backbenches at the anomalies thrown up by the blanket withdrawal of child benefit from anyone earning more \$43,875.

The cut will mean a loss of £1,055 a year for one-child families and almost \$2,500 for those with three children.

In an effort to assuage the anger of some middle-class parents, he used television interviews throughout the day to highlight the party's longstanding plans to introduce a transferable tax allowance for married couples.

"I have always supported the idea of supporting marriage through the tax system, specifically supporting the idea of a transferable tax allowance," he said.

When it was pointed out that the Tory pre-election plan to help married couples had been aimed only at basic-rate taxpayers, and would therefore not compensate higher-rate taxpayers for the loss of child benefit, government sources rapidly shifted ground.

The sources suggested the wording in the Lib Dem-Conservative coalition agreement left open the possibility of higher-rate taxpayers also being helped by the marriage tax allowance, which will be introduced by 2015.

The initial proposal had been calculated by the Institute for Fiscal Studies as costing \$550m and was worth \$120 a year - a figure far lower than the loss due to the removal of child benefit.

Extending the scheme to higher-rate taxpayers might push the cost as high \$1bn, wiping out nearly all savings from withdrawing child benefit and rendering the exercise highly costly in political terms for zero financial reward.

However, Cameron was given a boost when a YouGov poll for the Sun showed 83% of voters backed Osborne's announcement on child benefit.

In his closing speech to the party conference tomorrow, his first as prime minister, Cameron will try to draw a line under the benefits controversy by offering a robust defence of the need to share the pain of cutting the deficit.

"As we work to balance the budget, fairness includes asking those on higher incomes to shoulder more of the burden than those on lower incomes. It is fair that those with broader shoulders bear greater load," Cameron will argue.

At the same time he will try to reflect the growing demands in his party at this conference not to ape Labour's definition of fairness, based

on monetary transfers, but instead to develop a new, broader interpretation.

In what is likely to be one of the big arguments in his one-hour speech, he will say: "It is time for a new conversation about what fairness really means... you cannot measure fairness just by how much money we spend on welfare."

He will also say: "For too long we have measured success in tackling poverty by the size of the cheque we give people. We say let us measure success by the chance we give. Fairness is not just about who gets help from the state. The other part of the equation is who gives that help through their taxes.

"Fairness means giving people what they deserve - and what people deserve depends on how they behave."

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