

Tax ready reckoner and tax reliefs

November 2008



HM TREASURY



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1

Introduction

1.1 This document provides estimates of the effects of various illustrative tax changes on tax revenues in 2009–10, 2010–11 and 2011–12. Estimates of the costs of the main tax reliefs are also provided for 2007–08 and 2008–09.

1.2 The main tax rates for 2008–09 are shown in Table 1. Table 2 shows allowances, thresholds and limits for income tax, personal tax credits, inheritance tax and capital gains tax for 2008–09 and 2009–10.

Tax ready reckoner

1.3 The costs presented in Tables 3 to 6 are on a national accounts basis (NAB). The national accounts basis aims to recognise tax as the tax liability accrues, irrespective of when the tax is received by the Exchequer. However, some taxes are accounted for when the Exchequer actually receives the tax, reflecting the difficulty in determining the period to which the tax liability relates. Examples of such taxes are: corporation tax, self-assessment income tax, stamp duty land tax, inheritance tax and capital gains tax. This approach is consistent with other government publications.

1.4 The effects of tax changes on tax revenues depend on a number of economic variables such as prices, earnings and consumers' expenditure. The estimates shown here are in line with the economic forecasts used in the 2008 Pre-Budget Report forecasts. The estimates are rounded and, unless otherwise shown, the figures apply to both increases and decreases.

1.5 Table 3 shows estimates of the costs of indexation and yields from revalorisation of the main tax rates and allowances¹ in 2009–10 assuming the standard method of indexation or revalorisation and after applying the statutory rounding rules for each of the taxes. The estimates therefore exclude any pre-announced changes to the tax rates and thresholds.

1.6 Tables 4 to 6 show estimates of the direct effects on tax revenues of a variety of illustrative tax changes. Tables 4 and 5 show estimates of changes in income tax, personal tax credits, corporation tax, capital gains tax, inheritance tax, and national insurance contributions from April 2009. Table 6 shows the effects of a 1 per cent or 1 percentage point change in indirect taxes, assuming other duties are unchanged from April 2009. Estimates are measured from the relevant standard indexed base, which excludes measures announced since Budget 2008.

1.7 The costs presented in Tables 4 to 6 are generally estimated using the standard costings methodology described in Chapter A of the Financial Statement and Budget Report. This means the net Exchequer effect of a change in a tax rate or allowance is generally calculated as the difference between applying the pre-Budget and post-Budget tax and benefit regimes to the levels of total income and spending at factor cost expected after the Budget. The estimates do not therefore include any effect the tax changes themselves may have on overall levels of income and spending, even though these effects may be significant for large changes in the tax system.

¹ As announced in Budget 2008

1.8 The effects of the illustrative changes can be scaled up or down to give a reasonable guide to the potential revenue effects. It should be noted that with large changes the margins of uncertainty about the effects on revenue become progressively greater. For this reason, the tables show the effects of different percentage changes for both increases and reductions.

1.9 The total cost of a group of changes can broadly be assessed by adding together the revenue effects of each change. However, if, for example, income tax allowances are increased substantially and combined with a reduction in the basic or higher rate, the cost of the rate reductions will be reduced. In such cases, the cost or yield obtained by adding components from the ready reckoner should be considered only as a general guide

Tax reliefs

1.10 Table 7 provides the latest estimates of the revenue costs of some of the main reliefs against tax and national insurance contributions in 2007–08 and preliminary estimates for 2008–09. The tax rates and allowances used in the estimates exclude the impact of any Pre-Budget Report 2008 decisions. The figures are shown on a full-year accruals basis unless otherwise specified. This differs from Tables 3 to 6 which are shown on the National Accounts basis (see paragraph 1.3 above). The table covers only reliefs with an estimated annual cost of at least £50 million. The costs of minor tax reliefs, and reliefs for which insufficient data exist upon which to base any reasonable estimates, can be found on the HM Revenue and Customs website:

http://www.hmrc.gov.uk/stats/tax_expenditures/menu.htm.

1.11 The effect of some reliefs is to help or encourage particular types of individuals, activities or products. Such reliefs are often alternatives to public expenditure and have similar effects. They are called ‘tax expenditures’.

1.12 Many allowances and reliefs can reasonably be regarded (or partly regarded) as an integral part of the tax structure. These are called ‘structural reliefs’. Some do no more than recognise the expense incurred in obtaining income. Others reflect a more general concept of ‘taxable capacity’ – the personal allowances are a good example. To the extent that income tax is based on ability to pay, it does not seek to collect tax from those with the smallest incomes. But even with such structural reliefs, the Government has some discretion about the level at which they are set.

1.13 The split between structural reliefs and tax expenditures is inevitably broad-brush and the distinction is not always straightforward. Many reliefs combine both structural and discretionary components. Capital allowances, for example, can provide relief for depreciation at a commercial rate as well as an element of accelerated relief. It is this element that represents additional help provided to business by the Government and is a ‘tax expenditure’.

1.14 The figures should only be regarded as broad estimates. The loss of revenue from a tax relief cannot be directly observed and so the estimates are often based on simplified assumptions. The cost of a relief also depends on the tax base against which it is measured. Largely because of the difficulties of estimation, the published tables are not comprehensive, but do cover the major reliefs and allowances.

1.15 It is important to note that each relief is costed separately. In some cases the combined cost of a number of reliefs will differ significantly from the sum of the figures for the individual reliefs. The figures do not allow for any behavioural changes as a result of the reliefs. In practice, if a relief was withdrawn, taxpayers’ behaviour would often alter so that the actual yield from ending the relief would be very different from, and often smaller than, that shown.

Table 1: Main tax rates

	Per cent
	2008-09
Income tax ¹	
basic rate ^{2,3}	20
higher rate ⁴	40
Capital gains tax	18
Inheritance tax	40
Corporation tax ⁵	
small companies' rate	21
main rate	28
VAT	
standard rate ⁶	17.5
reduced rate	5

¹The rate applicable to trusts is 40 per cent, unless it is dividend or similar income, which is chargeable at the dividend trust rate of 32.5%. However, the first £1,000 of trust income is charged at the basic, savings, or dividend ordinary rate, depending on the nature of the income (see footnote 4 for rates).

²There is a 10 per cent starting rate for savings income up to the starting rate limit within the basic rate band. Where taxable non-savings income does not fully occupy the starting rate limit the remainder of the starting rate limit is available for savings income..

³For dividend income below the basic rate limit the rate of tax is 10 per cent.

⁴The rate applicable to dividend income above the basic rate limit is 32.5 per cent.

⁵A smooth transition is achieved between taxing profits at the small companies rate and taxing them at the main rate by applying a marginal rate on profits in excess of £300,000 but not exceeding £1.5 million. For 2008-09 this effective rate is 29.75 per cent.

⁶Standard rate reduced to 15 per cent for 13 months from December 2008.

Table 2: Allowances and limits

	£	
	2008-09	2009-10 ¹
Income tax		
Personal allowance	6,035	6,475 ²
Personal allowance (age 65–74) ³	9,030	9,490 ²
Personal allowance (age 75 and over) ³	9,180	9,640 ²
Married couple's allowance (born before 6 April 1935) ⁴	6,535	6,865 ²
Married couple's allowance (age 75 and over) ⁴	6,625	6,965 ²
Minimum married couple's allowance	2,540	2,670 ²
Aged income limit ³	21,800	22,900 ²
Blind person's allowance	1,800	1,890 ²
Starting rate limit for savings income	2,320	2,440
Basic rate limit	34,800	37,400 ²
Tax credits (annual amounts)		
Working Tax Credit		
Basic element	1,800	1,890 ²
Couple and lone parent element	1,770	1,860 ²
30 hour element	735	775 ²
Disabled worker element	2,405	2,530 ²
Severe disability element	1,020	1,075 ²
50 plus element (16-30 hours)	1,235	1,300 ²
50 plus element (over 30 hours)	1,840	1,935 ²
Childcare element		
maximum eligible cost for one child	175 per week	175 per week ²
maximum eligible cost for two or more children	300 per week	300 per week ²
per cent of eligible costs covered	80%	80% ²
Child Tax Credit		
Family element	545	545 ²
Family element, baby addition	545	545 ²
Child element	2,085	2,210 ²
Disabled child element	2,540	2,670 ²
Severely disabled child element	1,020	1,075 ²

Table 2: Allowances and limits (continued...)

	£	
	2008-09	2009-10 ¹
Common Features to Working and Child Tax Credit		
First income threshold	6,420	6,420 ²
First withdrawal rate (per cent)	39%	39% ²
Second income threshold	50,000	50,000 ²
Second withdrawal rate (per cent)	6.67%	6.67% ²
First threshold for those entitled to Child Tax Credit only	15,575	16,040 ²
Inheritance tax threshold		
Standard threshold	312,000	325,000 ²
Combined threshold for couples ⁵	624,000	650,000 ²
Capital gains tax		
Annual exempt amount: individuals	9,600	10,100
Annual exempt amount: trustees ⁶	4,800	5,050
¹ Except where figures have been pre-announced, figures are calculated by applying 5.0 per cent (September 2008 RPI increase) indexation and statutory rounding rules. ² These figures have been pre-announced. ³ Age related allowances are subject to the aged income limit above which these allowances are reduced by one half of the amount over the limit subject to minimums of the basic personal allowance and minimum married couples allowance. ⁴ Either partner. Includes civil partnerships. Relief is restricted to 10%. ⁵ Effective from 9th October 2007. Applies to married couples and civil partnerships. ⁶ The annual exempt amount for trustees can be set between 5% and 100% of the individuals AEA but is typically set to half.		

Table 3: Cost of indexation and yield of revalorisation ¹

	£ million		
	2009-10	2010-11	2011-12
Indexation of all income tax allowances, starting and basic rate limits ²	4,015	5,055	5,165
of which:			
Increases in allowances ²	1,880	2,250	2,280
Increase in the basic-rate limit ^{2,3}	900	1,460	1,480
Increase in the Child Tax Credit ²	530	530	550
Increase in the Working Tax Credit ²	660	680	700
Indexation of inheritance tax threshold ²	45	105	125
Indexation of capital gains tax annual exempt amount ²	0	30	30
Revalorisation of beer, wine and cider duties ⁴	0	0	0
Revalorisation of spirits duties ⁴	0	0	0
Revalorisation of tobacco duties ⁴	0	0	0
Revalorisation of petrol and diesel duties ⁴	0	0	0
Revalorisation of rebated oil duties ⁴	0	0	0
Revalorisation of vehicle excise duties ⁴	0	0	0
Revalorisation of air passenger duties ⁴	0	0	0
Revalorisation of landfill tax ^{5,6}	30	30	30
Revalorisation of climate change levy ^{5,6}	20	20	25
Revalorisation of aggregates levy ^{5,6}	10	10	10

¹ The estimates shown here are based on the tax rates announced in Budget 2008.

² Figures use an indexation factor of 5.0 per cent for 2009–10.

³ Additional cost after change set out in the line(s) above has been introduced.

⁴ The estimates are zero as the revalorisation rates for these taxes are based on the annual increase in the RPI in September 2009, which is expected to be negative.

⁵ The revalorisation rate used to increase environmental levies and taxes in 2009 was announced in Budget 2008 and was 3.2 per cent.

⁶ Revenue effects (from the change in duty plus consequential VAT at standard rate) include behavioural effects.

Table 4: Direct effects of illustrative changes in income tax ^{1,2}

	£ million		
	2009-10	2010-11	2011-12
<i>Rates</i>			
Change starting rate for savings income by 1p ³	10	15	20
Change savings rate by 1p	80	120	160
Change basic rate by 1p ⁴	4,100	4,900	5,000
Change basic rate in Scotland by 1p ³	340	400	410
Change higher rate by 1p ⁵	880	1,450	1,400
<i>Allowances and reliefs</i>			
Change personal allowance by £100	530	650	620
Change age-related personal allowances by £100	65	75	50
Change aged income limit by £500	20	25	25
Change all personal allowances by 1 per cent	360	430	410
Change all personal allowances by 10 per cent	3,550	4,250	4,300
<i>Limits</i>			
Change starting rate limit for savings income by £100	5	5	5
Change basic rate limit by 1 per cent	160	280	270
Change basic rate limit by 10 per cent:			
Increase (cost)	1,500	2,500	2,450
Decrease (yield)	1,900	3,150	3,150
<i>Allowances, starting and basic rate limits</i>			
Change all main allowances, starting and basic rate limits by 1 per cent	540	720	680
Change all main allowances, starting and basic rate limits by 10 per cent:			
Increase (cost)	5,100	6,850	6,750
Decrease (yield)	5,850	7,900	7,950
<i>Working Tax Credit</i>			
Change basic element by £100	320	330	330
Change 30-hour element by £100	230	240	240
Change additional elements for couples and lone parents by £100	280	290	300

**Table 4: Direct effects of illustrative changes in income tax ^{1,2}
(continued...)**

	£ million		
	2009-10	2010-11	2011-12
<i>Child Tax Credit</i>			
Change family element by £100 ⁶	550	560	570
Change child element by £100	740	750	750
<i>Common Features</i>			
Change first income threshold by £100	90	100	100
Change second income threshold by £100	10	10	10
<p>¹ Estimates are measured from the relevant standard indexed base, i.e. they show the impacts of the various illustrative changes on top of what is already assumed in the indexed baseline (generally revalorisation plus any announced pre-commitments).</p> <p>² Changes are assumed to take effect from April 2009.</p> <p>³ Includes non-savings income only.</p> <p>⁴ Excluding savings income taxed at the lower or starting rates and dividends.</p> <p>⁵ Excluding dividend income.</p> <p>⁶ Excluding family element, baby addition.</p>			

Table 5: Direct effects of illustrative changes in other direct taxes and national insurance contributions ^{1,2}

	£ million		
	2009-10	2010-11	2011-12
Corporation tax			
Change small companies' rate by 1 percentage point ³	15	450	650
Change main rate by 1 percentage point	600	1,000	1,150
Increase small and main rate threshold by £10,000 ³	0	15	20
Capital gains tax			
Change rate by 1 percentage point ⁴	0	100	150
Increase annual exempt amount by £500 for individuals and £250 for trusts	0	30	30
Inheritance tax			
Change rate by 1 percentage point	20	45	45
Increase threshold by £5,000	15	30	30
National insurance contributions			
<i>Rates</i>			
Change Class 1 employee main rate by 1 percent pt.	3,900	4,100	4,300
Change Class 1 employee additional rate by 1 percent pt.	950	1,000	1,100
Change Class 1 employer rate by 1 percentage point ⁵	4,950	5,200	5,500
Change Class 2 rate by £1 per week	155	165	170
Change Class 4 main rate by 1 percentage point	340	350	365
Change Class 4 additional rate by 1 percentage point	180	190	205
<i>Limits</i>			
Change employee entry threshold by £2 per week	245	245	255
Change employer threshold by £2 per week	290	295	305
Change lower profits limit by £104 per year	20	20	20
Change upper profits limit by £520 per year ⁶	10	10	10
Change upper earnings limit by £10 per week ⁶	115	130	135
<p>¹Estimates are measured from the relevant standard indexed base, i.e. they show the impacts of the various illustrative changes on top of what is already assumed in the indexed baseline (generally revalorisation plus any announced pre-commitments).</p> <p>²Changes are assumed to take effect from April 2009.</p> <p>³Estimates assume rate changes apply to profits from April 2009.</p> <p>⁴Figures are on a cash receipts basis.</p> <p>⁵Estimates include Class 1A and Class 1B national insurance contributions paid by employers.</p> <p>⁶Estimates include employee national insurance contributions and offsetting effects of contracted-out rebates. Consequential long-term effects on State Second Pension expenditure have not been allowed for.</p>			

Table 6: Direct effects of illustrative changes in indirect tax rates¹

		£ million ³		
		2009-10	2010-11	2011-12
Indicative level of current duty on a typical item ²				
One per cent change				
Beer and cider duties ⁴	Pint of beer: 36p	35	40	40
Wine duties ⁴	75cl bottle of table wine: £1.46	25	25	25
Spirits duties ⁴	70cl bottle of whisky: £5.98	5	5	5
Tobacco duties ^{4,5}	20 king size cigarettes: £3.49	10	10	10
Petrol ⁴	Litre of ultra low sulphur: 50.35p	120	110	110
Diesel ⁴	Litre of ultra low sulphur: 50.35p	150	150	160
Rebated oil ⁴	Litre of gas oil: 9.69p	5	5	5
Vehicle Excise Duty	Petrol/diesel cars band C: £120	60	65	65
Air passenger duty ⁶	Economy flight departure: £10	15	20	20
Landfill tax ⁴	Tonne of waste: £2.50/£32	10	10	10
Climate change levy ⁴	100kWh of business electricity: 45.6p	5	5	5
Aggregates levy ⁴	Tonne of aggregate: £1.95	5	5	5
VAT				
VAT: change reduced rate by 1 percentage point		250	260	270
VAT: change standard rate by 1 percentage point ⁷		4,600	4,800	5,000
Insurance premium tax				
Change standard rate by 1 percentage point		355	485	505
Change higher rate by 1 percentage point		10	10	10
Stamp duty land tax				
Change 1 per cent rate by 1 percentage point ⁸		530	920	1,140
Change 3 per cent rate by 1 percentage point ⁸		300	540	780
Change 4 per cent rate by 1 percentage point ⁸		710	930	1,170
Change rate on leases by 1 percentage point ⁸		250	330	410
Increase £125,000 threshold by £5,000 ⁹		20	35	60
Increase £250,000 threshold by £5,000 ⁸		20	70	70
Increase £500,000 threshold by £10,000 ⁸		5	10	15

Notes for Table 6

¹Estimates are measured from the relevant standard indexed base, i.e. they show the impacts of the various illustrative changes on top of what is already assumed in the indexed baseline (generally revalorisation plus any announced pre-commitments).

²These figures are illustrative as at October 2008 and do not equate to the weighted average level of duty on each item.

³Assuming implementation in April 2009 for all taxes except insurance premium tax (July 2009 and not allowing for any concessionary period).

⁴Revenue effects (from the change in duty plus consequential VAT, at standard rate) include behavioural effects.

⁵Duty on cigarettes has specific and ad valorem elements. The figures shown are for a one per cent change in total duty for cigarettes and in the specific duties for other products.

⁶Change applies to all air passenger duty rates.

⁷Change applies to the standard rate of VAT at 17.5%.

⁸Estimates include both residential and commercial transactions, and ignore the temporary increase in the £125,000 threshold to £175,000 for residential transactions.

⁹Threshold only applies to residential transactions, and ignore the temporary increase in the £125,000 threshold to £175,000 for residential transactions. Adjusted for impact on disadvantaged areas relief.

Table 7: Estimated costs of the principal tax expenditure and structural reliefs

	£ million	
	2007-08	2008-09
Tax Expenditures		
Income tax ¹		
Relief for:		
Registered pension schemes ^{2*}	18,900	20,000
Share Incentive Plan *	190	140
Save As You Earn ^{3*}	320	240
Enterprise Management Incentives *	190	160
Approved Company Share Option Plans *	160	120
Personal Equity Plans ^{4*}	450	N/A
Individual Savings Accounts ⁴	2,000	2,430
Venture Capital Trusts ^{5*}	85	70
Enterprise Investment Scheme ^{5*}	160	130
Professional subscriptions *	85	80
Rent a room *	120	120
Seafarers' Earnings Deduction*	110	110
Exemption of:		
First £30,000 of payments on termination of employment *	900	900
Interest on National Savings Certificates including index-linked certificates *	170	170
Premium Bond prizes *	280	270
Income of charities ^{6*}	1,250	1,350
Foreign service allowance paid to Crown servants abroad *	70	70
Personal Tax Credits ⁷	4,700	5,500
Employer Supported Childcare exemption *	400	500
Student maintenance awards	70	85
Corporation tax		
R&D tax credits ^{8*}	510	580
Income tax and corporation tax ¹		
Discontinued small budget film tax relief ^{9*}	120	neg
Discontinued large budget film tax relief ^{9*}	130	40

Table 7: Estimated costs of the principal tax expenditure and structural reliefs (continued...)

	£ million	
	2007-08	2008-09
National insurance contributions		
Relief for:		
Share Incentive Plan *	130	100
Save As You Earn *	220	160
Enterprise Management Incentives	60	50
Approved company share option plans *	50	30
Employer contributions to registered pension schemes ^{10*}	8,200	9,000
Capital gains tax		
Exemption of gains arising on disposal of only or main residence ¹¹	14,500	5,100
Inheritance tax		
Relief for:		
Agricultural property *	225	225
Business property *	195	130
Exemption of transfers to charities on death *	535	390
Value added tax ¹²		
Zero-rating of:		
Food	11,850	11,950
Construction of new dwellings (includes refunds to DIY builders) *	8,700	7,650
Domestic passenger transport	2,600	2,650
International passenger transport (UK portion) *	200	200
Books, newspapers and magazines	1,700	1,750
Children's clothing	1,250	1,300
Water and sewerage services	1,300	1,350
Drugs and supplies on prescription	1,400	1,500
Supplies to charities ^{13*}	200	200
Ships and aircraft above a certain size	700	700
Vehicles and other supplies to disabled people ¹³	350	400
Reduced rate for: ¹⁴		
Domestic fuel and power	3,100	3,250
Certain residential conversions and renovations	150	150
Energy-saving materials	50	50
Women's sanitary products	50	50

Table 7: Estimated costs of the principal tax expenditure and structural reliefs (continued...)

	£ million	
	2007-08	2008-09
Landfill tax		
Exemption of waste for contaminated land	40	50
Climate change levy		
Reduced rate for participants in Climate Change agreements	350	350
Exemption of electricity generated from certain renewable resources ¹⁵	60	70
Hydrocarbon oils duty		
Rate differential for biofuels	110	240
Structural Reliefs		
Income tax ¹		
Personal allowance	45,000	49,700
Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit *	650	400
Tonnage tax ¹⁶	100	100
Income tax and corporation tax ¹		
Double taxation relief ^{17*}	15,000	15,000
National insurance contributions		
Contracted-out rebate occupational schemes: *		
Rebates deducted at source by employers	7,940	8,310
Rebates paid by the National Insurance Contributions office direct to the scheme	210	230
Contracted – out rebate personal and stakeholder pension schemes	2,360	2,320
Value added tax ¹²		
Refunds to:		
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	300	300
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme (includes museums and galleries under the Section 33A refund scheme)	7,850	8,650
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	4,350	4,350

Table 7: Estimated costs of the principal tax expenditure and structural reliefs (continued...)

	£ million	
	2007-08	2008-09
Hydrocarbon oils duty		
Tied oils scheme (Industrial Relief Scheme) ¹⁸	200	200
Climate change levy		
Supply of taxable commodities not for burning or consuming in the UK	200	210
<u>Reliefs with Tax Expenditure and Structural Components</u>		
Income tax ¹		
Age-related allowances ¹⁹	2,400	3,000
Reduced rate for savings ²⁰	360	N/A
Exemption of:		
British Government securities where owner not ordinarily resident in UK *	1,460	1,460
Child benefit (including one parent benefit) *	1,190	1,190
Long-term incapacity benefit *	370	390
Attendance allowance *	160	150
Disability living allowance *	400	410
War disablement benefits *	70	70
Corporation tax		
Small companies' reduced corporation tax rate	4,500	4,500
Exemption for gains on substantial shareholdings	260	260
Income tax and corporation tax ¹		
Capital allowances ²¹ *	20,600	21,490
Of which:		
First year allowances for SMEs ²² *	640	N/A
Annual Investment Allowance ²²	N/A	1,560
Enhanced capital allowances for energy saving technology	115	95
Accelerated capital allowances for enterprise zones	50	50
Capital gains tax		
Indexation allowance and rebasing to March 1982 ²³	250	N/A
Taper relief *	6,800	N/A
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees) *	2,600	1,800
Gains accrued but unrealised at death ²⁴ *	560	270

Table 7: Estimated costs of the principal tax expenditure and structural reliefs (continued...)

	£ million	
	2007-08	2008-09
Petroleum revenue tax ²⁵		
Oil allowance	570	870
Tariff receipts allowance	60	70
Exemption for gas sold to British Gas under pre-July 1975 contracts	40	50
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold *	9,400	10,100
Exemption of transfers on death to surviving spouses ²⁶	2,800	2,300
Stamp duty land tax		
Exemption of transfers of residential land and property where the consideration does not exceed the £125,000 threshold and non-residential land and property where the consideration does not exceed the £150,000 threshold ^{27*}	490	340
Exemption of all residential transfers in designated disadvantaged wards where the consideration exceeds £125,000 but does not exceed £150,000 ²⁷	50	25
Transfers to charities	130	190
Group relief	1,410	800
Transfers to registered social landlords	95	80
Alternative property finance	110	25
Transfers involving public bodies	30	150
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility	1,950	1,950
Value added tax ¹²		
Exemption of: ²⁸		
Rent on domestic dwellings *	3,750	3,850
Supplies of commercial property *	200	200
Private education *	50	50
Health services *	900	900
Postal services	200	200
Burial and cremation	100	100
Finance and insurance *	4,500	4,600
Betting and gaming and lottery duties *	1,200	1,250
Small traders below the turnover limit for VAT registration *	1,650	1,650

Table 7: Estimated costs of the principal tax expenditure and structural reliefs (continued...)

	£ million	
	2007-08	2008-09
Air Passenger Duty		
Non-passengers (e.g. cabin crew)	110	115
Vehicle Excise Duty		
Exemption for disabled motorists	180	180
* These figures are particularly tentative and subject to a wide margin of error.		

Notes for Table 7

¹The costs of the personal income tax allowances do not cover individuals who are not on HMRC records because their income is below the tax threshold.

²The cost of the tax relief is calculated as the tax that would be paid by registered pension schemes if they were not registered with HMRC and thus not able to benefit from the tax privileges associated with being a registered pension scheme. The figure is the sum of the front-end relief on contributions plus the relief on investment income of funds net of tax paid on current pension payments. Relief on capital gains made by funds is not included due to lack of information about the duration of holdings.

³Excludes the cost of the tax-free bonus or interest received under a Save As You Earn contract.

⁴From April 2008 PEPs merged and therefore the cost of relief for Peps is included in that quoted for ISAs from 2008-09.

⁵These figures include the capital gains cost as well as the income tax cost.

⁶These figures comprise the total sum paid to charities and other qualifying bodies in respect of income tax deducted at source from eligible investment income and basic rate tax relief on donations under the Gift Aid scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance is made for this. The figures also include an estimate of income tax relief, which is received by donors.

⁷These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the tax credit that is less than or equal to the tax liability of the family. The equivalent figures for the public expenditure element of tax credit payments are £14,100 million in 2006-07 and £14,800 million in 2007-08.

⁸These figures represent only the negative tax element of R&D tax credits. Negative tax is that part of the tax relief due to the enhanced expenditure (i.e. amounts in excess of 100 per cent of the expenditure) which offsets liability to corporation tax. Directly payable tax credits are treated as public expenditure and are not included in these figures. The equivalent figures for the public expenditure element of R&D tax credits are £150 million in 2007-08 and £150 million in 2008-09.

⁹These reliefs were provided under section 48 F(No 2)A 1997 for small budget films and section 42 F(No 2)A 1992 for large budget films (or, for income tax relief, the equivalent sections of ITTOIA 2005) but have been replaced by the new film tax relief introduced from January 2007. The figures for these discontinued reliefs represent only the estimated cost of the relief and are on a receipts basis. The new film tax relief figures are not shown as the negative tax element is less than £50m. However, the equivalent figures for both the negative tax and public spending elements are £105m in 2007-08 and £115m in 2008-09.

¹⁰This value of the National Insurance Contribution relief is based on the assumption that should registered pension schemes become not registered with HMRC, employer contributions to them would be subject to NI charges as if they were earnings.

¹¹The estimated cost of the exemption of main residence from capital gains tax does not represent the yield if this exemption were to be abolished, as consequential behavioural effects would substantially reduce yield.

¹²Some of these tax expenditures and reliefs are mandatory or permitted under the EC 6th VAT Directive and some are derogations from the Directive. These estimates are produced on a national accounts basis (receipts).

¹³Costs exclude the zero-rating of items appearing higher in the list.

¹⁴The figures for all reduced-rate items are estimates of the cost of the difference between the standard rate of VAT and the reduced rate of 5 per cent.

¹⁵Supplies of electricity derived from renewable sources excluding those from hydro-electric stations with more than 10 Megawatts generating capacity.

¹⁶A concessionary tax regime for shipping companies.

¹⁷The estimated cost to the Exchequer of the current double tax reliefs, is based on provisional corporation tax assessment data for accounting period ending in 2006-07 and the results of the 2006-07 Survey of Personal Incomes.

¹⁸Exempt oils used for purposes other than heating and in engines.

¹⁹These figures represent the cost of the excess of the age-related personal allowance over the corresponding allowances of non-aged taxpayers. They include £40 million in 2007-08 and £40 million in 2008-09 for the cost of the higher age-related allowances for those aged 75 and over.

²⁰These figures for 2007-08 represent the difference between the basic rate of 22 per cent and the basic rate on savings income of 20 per cent. In 2008-09 the basic rate was lowered to 20 per cent and the savings rate was abolished.

²¹The figures for capital allowances are on an accruals basis, net of balancing charges and reflect the cost in the year investment takes place. Because enhanced capital allowances bring forward tax relief from future years, most of the first year cost will be offset by lower allowances claims in the future.

²²From April 2008 Annual Investment Allowance, available to all businesses regardless of size, replaced the First Year Allowances previously available to SMEs.

²³The estimated costs relate to gains of individuals and trustees only.

²⁴These estimates assume that assets transferred between spouses or civil partners on death would be exempt from capital gains tax.

²⁵The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2007 and 2008. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,650 million in 2007-08 and £2,000 million in 2008-09. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.

²⁶Includes civil partnerships. These costs are only in respect of transfers for which an account is submitted to HMRC.

²⁷Ignores the temporary increase in the £125,000 threshold to £175,000.

²⁸Traders are unable to charge output tax on exempt goods and services, but are also unable to reclaim input tax. These estimates reflect the net effect of VAT exemption, compared to applying the standard rate of VAT. There may also be some additional revenue gain as a result of the exemption; some of the costs of irrecoverable input tax may be reflected within the prices of intermediate goods and services. This could then feed through the supply chain to the final prices of other taxable goods and services, and to the amount of VAT collected on them. This additional effect is not included in the estimates explicitly.

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