

Tax ready reckoner and tax reliefs

October 2007



HM TREASURY



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TAX READY RECKONER AND TAX RELIEFS

1.1 This document provides estimates of the effects of various illustrative tax changes on tax revenues in 2008–09, 2009–10 and 2010–11. Estimates of the costs of the main tax reliefs are also provided for 2006–07 and 2007–08.

Tax rates, allowances and limits

1.2 The main tax rates for 2007–08, and those pre-announced 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 2007–08 and 2008–09.

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 determinants used in the 2007 Pre-Budget Report forecasts and are based on the 2007–08 tax system. They exclude all pre-announced changes to the tax system in subsequent years. 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 taxes assuming the standard method of indexation or revalorisation and after applying the statutory rounding rules for each of the taxes. Where relevant, direct taxes use the September 2007 annual RPI increase of 3.9 per cent.

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 2008. Estimates are measured from the relevant standard indexed base. Table 6 shows the effects of a one per cent or one percentage point change in indirect taxes, assuming other duties are unchanged from April 2008.

1.7 The costs presented in tables 4 to 6 are not directly comparable to those presented in the Budget and Pre-Budget Reports. This is primarily because, unless otherwise stated, they exclude the effect of behavioural changes and also the impact of any other tax changes. In practice, these tax changes will themselves affect economic variables and the levels of overall income and spending, which in turn will have further effects on tax revenues and on public sector net borrowing. They do, however, provide a general indication to the potential effects on government revenues of changes in taxation. Further information on the costing of Budget measures can be found in Chapter A of the Financial Statement and Budget Report.

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 starting, 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 2006–07 and preliminary estimates for 2007–08. 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 1.4 above). The table covers only reliefs with an estimated annual cost of at least £50 million. The costs of minor tax reliefs 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 I: Main tax rates

	Per cent	
	2007-08	2008-09 ¹
Income tax ²		
starting rate	10	10 ³
basic rate ⁴	22	20
higher rate ⁵	40	40
Capital gains tax ^{6,7}		
starting rate	10	18
basic rate	20	18
higher rate	40	18
Inheritance tax	40	N/A
Corporation tax ⁸		
small companies' rate	20	21
main rate	30	28
VAT		
standard rate	17.5	N/A
reduced rate	5	N/A

1. Main tax rates for 2008-09 where they have been pre-announced.

2. The rate applicable to trusts is 40 per cent, unless it is dividend or similar income.

3. For savings income only from 2008-09.

4. For savings income between the starting rate limit and the basic rate limit the rate of tax is 20 per cent; for dividend income between those limits the rate of tax is 10 per cent.

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

6. For 2007-08, chargeable gains after deduction of reliefs and qualifying losses can be further reduced by deduction of taper relief. The amount of taper relief available depends on the type of asset disposed of and the length of time for which the asset has been held.

7. The rate applicable to trusts is 40 per cent in 2007-08 and 18 per cent in 2008-09.

8. A 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 2007-08 this effective rate is 32.5 per cent and for 2008-09 it will be 29.75 per cent.

Table 2: Allowances and limits

	£	
	2007–08	2008–09 ¹
Income tax		
Personal allowance	5,225	5,435 ²
Personal allowance (age 65–74) ³	7,550	9,030 ²
Personal allowance (age 75 and over) ³	7,690	9,180 ²
Married couple's allowance (born before 6 April 1935) ⁴	6,285	6,535 ²
Married couple's allowance (age 75 and over) ⁴	6,365	6,625 ²
Minimum married couple's allowance	2,440	2,540 ²
Aged income limit ³	20,900	21,800 ²
Blind person's allowance	1,730	1,800 ²
Starting rate limit ⁵	2,230	2,320
Basic rate limit	34,600	36,000
Tax credits (annual amounts)		
Working Tax Credit		
Basic element	1,730	1,800 ²
Couple and lone parent element	1,700	1,770 ²
30 hour element	705	735 ²
Disabled worker element	2,310	2,405 ²
Severe disability element	980	1,020 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	1,845	2,060 ²
Disabled child element	2,440	2,540 ²
Severely disabled child element	980	1,020 ²

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

	£	
	2007-08	2008-09 ¹
Common Features to Working and Child Tax Credit		
First income threshold	5,220	6,420 ²
First withdrawal rate (per cent)	37%	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	14,495	15,575 ²
Inheritance tax threshold		
Standard threshold	300,000	312,000 ²
Combined threshold for couples ⁶	600,000	624,000 ²
Capital gains tax		
Annual exempt amount: individuals	9,200	9,600
Annual exempt amount: trustees	4,600	4,800

1. Except where figures have been pre-announced, figures are calculated by applying 3.9 per cent (September 2007 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. For savings income only from 2008-09.

6. Effective from 9th October 2007. Applies to married couples and civil partnerships.

Table 3: Cost of indexation and yield of revalorisation ¹

	£ million		
	2008–09	2009–10	2010–11
Indexation of all income tax allowances, starting and basic rate limits ²	3,200	3,115	2,895
of which:			
Increases in allowances ²	1,420	1,290	1,200
Increase in the starting-rate limit ^{2,3}	260	225	215
Increase in the basic-rate limit ^{2,3}	670	890	730
Increase in the Child Tax Credit ²	590	530	560
Increase in the Working Tax Credit ²	260	180	190
Indexation of inheritance tax threshold ²	50	115	135
Indexation of capital gains tax annual exempt amount ²	0	30	30
Revalorisation of beer, wine and cider duties ^{4,5}	175	185	200
Revalorisation of spirits duties ^{4,5}	15	15	10
Revalorisation of tobacco duties ^{4,5}	30	30	30
Revalorisation of petrol and diesel duties ^{4,5}	680	640	660
Revalorisation of rebated oil duties ^{4,5}	20	20	20
Revalorisation of vehicle excise duties ⁴	115	120	125
Revalorisation of air passenger duties ^{4,5}	55	60	65
Revalorisation of landfill tax ⁴	25	25	25
Revalorisation of climate change levy ⁴	20	20	20
Revalorisation of aggregates levy ⁴	10	10	10

1. The estimates shown here are based on the 2007-08 tax system and exclude any pre-announced policy changes affecting 2008-09 or later.
2. Figures assume 3.9 per cent indexation for 2008–09, 2.6 per cent in 2009-10 and 2.7 per cent in 2010-11. Costs are based on unrounded indexation.
3. Additional cost after change set out in the line(s) above has been introduced.
4. Figures assume 2.64 per cent revalorisation for 2008–09, 2.72 per cent in 2009-10 and 2.84 per cent in 2010-11.
5. 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 cost/yield		
	2008–09	2009–10	2010–11
<i>Rates</i>			
Change starting-rate by 1p ³	610	740	740
Change savings rate by 1p	100	140	140
Change basic-rate by 1p ⁴	3,450	4,150	4,200
Change basic-rate in Scotland by 1p ³	290	340	340
Change higher-rate by 1p ⁵	900	1,520	1,490
<i>Allowances and reliefs</i>			
Change personal allowance by £100	550	680	660
Change age-related personal allowances by £100	65	80	85
Change aged income limit by £500	15	25	25
Change all personal allowances by 1 per cent	350	430	420
Change all personal allowances by 10 per cent	3,500	4,300	4,300
<i>Limits</i>			
Change starting-rate limit by £100	290	350	340
Change basic-rate limit by 1 per cent	160	280	260
Change basic-rate limit by 10 per cent:			
Increase (cost)	1,500	2,550	2,500
Decrease (yield)	1,900	3,200	3,150
<i>Allowances, starting and basic-rate limits</i>			
Change all main allowances, starting and basic-rate limits by 1 per cent	600	790	760
Change all main allowances, starting and basic-rate limits by 10 per cent:			
Increase (cost)	5,700	7,600	7,450
Decrease (yield)	6,450	8,800	8,800
<i>Working Tax Credit</i>			
Change basic element by £100	230	240	240
Change 30-hour element by £100	170	170	170
Change additional elements for couples and lone parents by £100	210	220	220
<i>Child Tax Credit</i>			
Change family element by £100 ⁶	580	600	600
Change child element by £100	630	650	650
<i>Common Features</i>			
Change first income threshold by £100	80	80	80
Change second income threshold by £1,000	10	10	10

1. The estimates shown here are based on the 2007-08 tax system and exclude any pre-announced policy changes affecting 2008-09 or later.

2. The figures include consequential effects on the yield of capital gains tax. Changes are assumed to take effect from April 2008.

3. Including savings income taxable at the starting rate, but excluding dividend income.

4. Excluding savings income taxed at the lower or starting rates and dividends.

5. Excluding dividend income.

6. Excluding family element, baby addition.

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

	£ million cost/yield		
	2008–09	2009–10	2010–11
Corporation tax			
Change small companies' rate by 1 percentage point ³	15	395	555
Change main rate by 1 percentage point	950	1,750	1,900
Increase small and main rate threshold by £10,000 ³	0	5	10
Capital gains tax			
Increase annual exempt amount by £500 for individuals and £250 for trusts	0	40	40
Inheritance tax			
Change rate by 1 percentage point	30	65	75
Increase threshold by £5,000	20	45	45
National insurance contributions			
<i>Rates</i>			
Change Class 1 employee main rate by 1 percentage point	3,650	3,850	4,050
Change Class 1 employee additional rate by 1 percentage point	1,200	1,300	1,400
Change Class 1 employer rate by 1 percentage point ⁴	5,000	5,250	5,550
Change Class 2 rate by £1 per week	180	190	195
Change Class 4 main rate by 1 percentage point	325	340	355
Change Class 4 additional rate by 1 percentage point	195	210	220
<i>Limits</i>			
Change employee entry threshold by £2 per week	245	255	265
Change employer threshold by £2 per week	295	305	315
Change lower profits limit by £104 per year (£2 per week)	20	20	20
Change upper profits limit by £520 per year (£10 per week) ⁵	15	15	15
Change upper earnings limit by £10 per week ⁵	150	155	175

1. The estimates shown here are based on the 2007-08 tax system and exclude any pre-announced policy changes affecting 2008-09 or later.

2. Changes are assumed to take effect from April 2008.

3. Estimates assume rate changes apply to profits from April 2008.

4. Estimates include Class 1A and Class 1B national insurance contributions paid by employers.

5. Estimates 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.

Table 6: Direct effects of illustrative changes in indirect tax rates ¹

	Indicative level of current duty on a typical item ²	£ million cost/yield ³		
		2008–09	2009–10	2010–11
One per cent change				
Beer and cider duties ⁴	Pint of beer: 33p	40	40	45
Wine duties ⁴	75cl bottle of table wine: £1.33	25	25	25
Spirits duties ⁴	70cl bottle of whisky: £5.48	5	5	5
Tobacco duties ^{4,5}	20 king size cigarettes: £3.37	10	10	10
Petrol ⁴	Litre of ultra low sulphur: 50.35p	120	110	100
Diesel ⁴	Litre of ultra low sulphur: 50.35p	140	140	150
Rebated oil ⁴	Litre of gas oil: 9.69p	5	5	10
Vehicle Excise Duty	Petrol and diesel cars band C: £115	40	45	45
Air passenger duty ⁶	Economy flight departure: £10	20	25	25
Landfill tax ⁴	Tonne of waste: £2/£24	10	10	10
Climate change levy ⁴	100kWh of business electricity: 44.1p	5	5	5
Aggregates levy ⁴	Tonne of aggregate: £1.60	5	5	5
VAT				
VAT: change reduced rate by 1 percentage point		210	225	240
VAT: change standard rate by 1 percentage point		4,840	5,100	5,325
Insurance premium tax				
Change standard rate by 1 percentage point		355	495	520
Change higher rate by 1 percentage point		10	10	10
Stamp duty land tax				
Change 1 per cent rate by 1 percentage point ⁷		1,110	1,120	1,120
Change 3 per cent rate by 1 percentage point ⁷		1,030	1,130	1,160
Change 4 per cent rate by 1 percentage point ⁷		1,770	1,880	2,010
Change rate on leases by 1 percentage point ⁷		260	280	290
Increase £125,000 threshold by £5,000 ⁸		15	20	20
Increase £250,000 threshold by £5,000 ⁷		65	90	85
Increase £500,000 threshold by £10,000 ⁷		15	20	25

1. The estimates shown here are based on the 2007-08 tax system and exclude any pre-announced policy changes affecting 2008-09 or later.

2. These figures are illustrative as at October 2007 and do not equate to the weighted average level of duty on each item.

3. Assuming implementation in April 2008 for all taxes except insurance premium tax (July 2008).

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

5. Duty 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.

6. Change applies to all air passenger duties, including both economy and business rates of travel for all flights.

7. Estimates include both residential and commercial transactions.

8. Threshold only applies to residential transactions. Adjusted for impact on disadvantaged area relief.

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

	£ million	
	2006-07	2007-08
Tax Expenditures		
Income tax ¹		
Relief for:		
Registered pension schemes ^{2*}	17,400	17,500
Share Incentive Plan *	210	220
Approved savings-related share schemes ^{3*}	280	300
Enterprise Management Incentives *	140	160
Approved Company Share Option Plans *	170	180
Personal Equity Plans *	475	475
Individual Savings Accounts *	1,625	1,950
Venture Capital Trusts ^{4*}	95	85
Enterprise Investment Scheme ^{4*}	160	150
Professional subscriptions *	85	80
Rent a room *	110	120
Seafarers' Earnings Deduction*	90	90
Exemption of:		
First £30,000 of payments on termination of employment *	800	800
Interest on National Savings Certificates including index-linked certificates *	150	180
Premium Bond prizes *	210	280
Income of charities ^{5*}	1,200	1,350
Foreign service allowance paid to Crown servants abroad *	65	65
Personal Tax Credits ⁶	4,600	4,500
Corporation tax		
R&D tax credits ^{7*}	480	490
Income tax and corporation tax ¹		
Small budget film tax relief ^{8*}	240	120
Large budget film tax relief ^{8*}	240	130
National insurance contributions		
Relief for:		
Share Incentive Plan *	140	150
Approved savings-related share schemes *	190	200
Enterprise Management Incentives	40	50
Approved company share option plans *	50	50
Employer contributions to registered pension schemes ^{9*}	8,300	8,300
Capital gains tax		
Exemption of gains arising on disposal of only or main residence ¹⁰	15,800	17,300

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

	£ million	
	2006-07	2007-08
Inheritance tax		
Relief for:		
Agricultural property *	220	240
Business property *	340	370
Exemption of transfers to charities on death *	390	420
Value added tax ¹¹		
Zero-rating of:		
Food	11,000	11,300
Construction of new dwellings (includes refunds to DIY builders) *	7,600	8,200
Domestic passenger transport	2,400	2,500
International passenger transport (UK portion) *	150	150
Books, newspapers and magazines	1,650	1,700
Children's clothing	1,300	1,350
Water and sewerage services	1,250	1,300
Drugs and supplies on prescription	1,300	1,350
Supplies to charities ¹² *	200	200
Ships and aircraft above a certain size	650	700
Vehicles and other supplies to disabled people ¹²	300	350
Reduced rate for: ¹³		
Domestic fuel and power	2,800	2,950
Certain residential conversions and renovations	150	150
Energy-saving materials	50	50
Women's sanitary products	50	50
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 ¹⁴	50	50
Hydrocarbon oils duty		
Rate differential for biofuels	70	100
Structural Reliefs		
Income tax ¹		
Personal allowance	42,200	44,400
Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit *	600	750
Tonnage tax ¹⁵	85	95
Income tax and corporation tax ¹		
Double taxation relief ¹⁶ *	12,000	12,000

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

	£ million	
	2006–07	2007-08
National insurance contributions		
Contracted-out rebate occupational schemes: *		
Rebates deducted at source by employers	7,480	8,060
Rebates paid by the Contributions Agency direct to the scheme	210	210
Contracted – out rebate personal and stakeholder pension schemes	2,280	2,240
Value added tax ¹¹		
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 national museums and galleries under the Section 33A refund scheme)	7,200	7,250
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	4,500	4,350
Hydrocarbon oils duty		
Tied oils scheme (Industrial Relief Scheme) ¹⁷	200	200
<u>Reliefs with Tax Expenditure and Structural Components</u>		
Income tax ¹		
Age-related allowances ¹⁸	2,400	2,500
Reduced rate for savings ¹⁹	210	260
Exemption of:		
British Government securities where owner not ordinarily resident in the UK *	1,460	1,460
Child benefit (including one parent benefit) *	1,150	1,200
Long-term incapacity benefit *	230	240
Industrial disablement benefits *	60	60
Attendance allowance *	120	120
Disability living allowance *	360	370
War disablement benefits *	60	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 ^{20 *}	19,400	20,550
Of which:		
First year allowances for SMEs *	610	640
Enhanced capital allowances for energy saving technology	130	115
Accelerated capital allowances for enterprise zones	50	50

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

	£ million	
	2006-07	2007-08
Capital gains tax		
Indexation allowance and rebasing to March 1982 ²¹	310	260
Taper relief *	6,300	7,200
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees) *	2,500	2,600
Gains accrued but unrealised at death ²² *	560	560
Petroleum revenue tax ²³		
Uplift on qualifying expenditure	110	90
Oil allowance	850	740
Safeguard: a protection for return on capital cost	50	30
Tariff receipts allowance	50	30
Exemption for gas sold to British Gas under pre-July 1975 contracts	80	50
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold *	10,000	11,300
Exemption of transfers on death to surviving spouses ²⁴	1,900	2,100
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 *	570	550
Exemption of all residential transfers in designated disadvantaged wards where the consideration exceeds £125,000 but does not exceed £150,000	55	60
Transfers to charities	120	140
Group relief	1,570	1,570
Transfers to registered social landlords	65	50
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility	1,800	1,900
Value added tax ¹¹		
Exemption of: ²⁵		
Rent on domestic dwellings *	3,250	3,500
Supplies of commercial property *	150	200
Private education*	300	300
Health services *	850	900
Postal services ²⁶	200	200
Burial and cremation	100	100
Finance and insurance *	4,200	4,500
Betting and gaming and lottery duties *	1,250	1,300
Small traders below the turnover limit for VAT registration ²⁶ *	1,100	1,150

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

	£ million	
	2006-07	2007-08
Air Passenger Duty		
Non-passengers (e.g. cabin crew)	70	130
Vehicle Excise Duty		
Exemption for disabled motorists	170	170

* These figures are particularly tentative and subject to a wide margin of error.

Notes for Table 7

1. The 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.
2. The 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.
3. Excludes the cost of the tax-free bonus or interest received under a Save As You Earn contract.
4. These figures include the capital gains cost as well as the income tax cost.
5. These 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.
6. These 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.
7. These 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 £170 million in 2006-07 and £170 million in 2007-08.
8. The figures provided represent only the estimated cost of the tax relief and are on a receipts basis.
9. This value of the National Insurance Contribution relief is based on the assumption that registered pension schemes became not registered, and as a consequence employer contributions to them were subject to NI charges as if they were earnings.
10. The 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.
11. Some 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).
12. Costs exclude the zero-rating of items appearing higher in the list.
13. The 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.
14. Supplies of electricity derived from renewable sources excluding those from hydro electric stations with more than 10 Megawatts generating capacity.
15. A concessionary tax regime for shipping companies.
16. The estimated cost to the Exchequer of the current double tax reliefs, is based on provisional corporation tax assessment data for accounting period ending in 2005-06 and the results of the 2005-06 Survey of Personal Incomes.
17. Exempt oils used for purposes other than heating and in engines.
18. These 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 2006-07 and £40 million in 2007-08 for the cost of the higher age-related allowances for those aged 75 and over.
19. These figures represent the difference between the basic rate of 22 per cent and the basic rate on savings income of 20 per cent.
20. The 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.
21. The estimated costs relate to gains of individuals and trustees only.
22. These estimates assume that assets transferred between spouses or civil partners on death would be exempt from capital gains tax.
23. The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2006 and 2007. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,400 million in 2006-07 and £1,200 million in 2007-08. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.
24. Includes civil partnerships. These costs are only in respect of transfers for which an account is submitted to HMRC.
25. Traders 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.
26. The methodology for these figures has been revised and updated.

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