
Tax Ready Reckoner and Tax Reliefs

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TAX READY RECKONER AND TAX RELIEFS

1. This booklet provides estimates of the effects of various illustrative tax changes on tax revenues in 2002–03 and 2003–04 (plus 2004–05 for indirect taxes), and estimates of the costs of the main tax reliefs in 2000–01 and 2001–02.

Tax Ready Reckoner

2. 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 Pre-Budget Report forecast and are based on the tax system following Finance Act 2001.
3. The tables show estimates of the direct effects of tax changes on tax revenues. In practice, tax changes will themselves affect economic variables and benefit payments, which in turn will have further effects on tax revenues and on Public Sector Net Borrowing (PSNB). Estimated direct effects are not, therefore, the same as the effects on the PSNB.
4. The main tax rates for the current year, 2001–02, are shown in Table 1.

Direct taxes

5. Except where figures have been pre-announced in Financial Statement and Budget Reports and Pre-Budget Reports, Table 2 shows allowances, thresholds and limits for income tax, inheritance tax and capital gains tax for 2002–03, assuming the standard method of indexation (using the September 2001 RPI increase of 1.7 per cent) and after applying the statutory rounding rules for each of the taxes. Income tax credits for 2002–03 are shown indexed using the Rossi index.
6. Estimates of the costs of this indexation are shown in Table 3 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 scored on a receipts basis, principally reflecting the difficulty in assessing the period to which the tax liability relates. Examples of such taxes are corporation tax, self-assessment income tax, inheritance tax and capital gains tax. This approach is consistent with other Government publications. Figures are also given on a full-year **accruals basis**, as provided in previous versions.
7. Tables 4 and 5 show estimates of the direct revenue effects of illustrative changes in income tax, corporation tax, capital gains tax, inheritance tax and national insurance contributions taking effect from April 2002. Estimates are measured from the relevant standard indexed base.

8. The effects of the illustrative changes can be scaled up or down over a reasonably wide range. However, the extra cost of a marginal change in allowances or, in particular, the basic rate limit tends to fall as the allowances or limits rise. For this reason the tables show the effects of different percentage changes for both increases and reductions.
9. The total cost of a group of changes can be broadly assessed by adding together the revenue effects of each change. However, if 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.

Indirect taxes

10. Table 6 shows the revenue effects of a one per cent or one percentage point change in indirect taxes, assuming other duties are unchanged.
11. Within limits the illustrative changes can be scaled up or down to give a reasonable guide to the revenue effects. However, with large changes the margins of uncertainty surrounding the effects on sales and hence on revenue become progressively larger, and scaled estimates will be less reliable.

Tax reliefs

12. There are a number of different types of tax relief. 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 hence called “tax expenditures”.
13. Many allowances and reliefs can reasonably be regarded (or partly regarded) as an integral part of the tax structure – 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 structural reliefs of the latter kind, the Government has some discretion about the level at which they are set.
14. Many other 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 the latter element which represents additional help provided to business by the Government and is a “tax expenditure”.
15. Table 7 provides the latest estimates of the revenue costs of some of the main reliefs against tax and national insurance contributions in 2000–01 and preliminary estimates for 2001–02 broken down into the three categories identified above. The figures are on a full-year accruals basis. The split is inevitably broad-brush: the distinction between structural reliefs and tax expenditures is not always straightforward.

16. A number of points should be noted about the figures:

- they should only be regarded as broad estimates. As the loss of revenue from reliefs cannot be directly observed, the estimates are often based on simplifying assumptions. The cost of a relief also depends on the tax base against which it is measured;
- 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; and
- 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 different from, and often smaller than, that shown. The sizes of behavioural change will obviously depend on the measure examined and possible alternative behaviours. For example, removing the tax privileges of one form of saving may just lead people to switch to another tax-privileged form of saving.

Table 1: 2001–02 tax rates

	Per cent
Income tax and capital gains tax	
starting rate	10
basic rate ¹	22
higher rate ²	40
Inheritance tax	40
Corporation tax	
starting rate	10
small companies' rate	20
main rate	30
VAT standard rate	17.5

1. For income between the starting rate limit and the basic rate limit, the rates of tax applicable to savings (including capital gains) and dividend income are 20 per cent and 10 per cent respectively.
2. The rate applicable to dividend income above the basic rate limit is 32.5 per cent.

Table 2: Allowances and limits

	£	
	2001–02	2002–03 ¹⁰
Income tax		
Personal allowance	4,535	4,615
Personal allowance (age 65–74)	5,990	6,100
Personal allowance (age 75 and over)	6,260	6,370
Children's Tax Credit ^{1,2}	5,200	5,290
Children's Tax Credit (baby rate – additional amount) ^{1,2,3}	-	5,200
Married couple's allowance (born before 6 April 1935) ¹	5,365	5,465
Married couple's allowance (age 75 and over) ¹	5,435	5,535
Blind person's allowance	1,450	1,480
Aged income limit ⁴	17,600	17,900
Starting rate limit	1,880	1,920
Basic rate limit ⁵	29,400	29,900

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

	£	
	2001–02	2002–03 ⁹
Income tax (continued ...)		
<i>Tax credits (weekly amounts)</i> ⁶		
Basic tax credit (WFTC)	59.00 ⁷	60.00
Basic tax credit (DPTC – lone parent or couple)	91.25 ⁷	92.80
Basic tax credit (DPTC – single person)	61.05 ⁷	62.10
30-hour tax credit	11.45	11.65
Child tax credit – under 16	26.00	26.45
Child tax credit – 16–18 ⁸	26.75	27.20
Disabled child tax credit	30.00	30.50
Enhanced disability tax credit – lone parent or couple	16.00	16.25
Enhanced disability tax credit (DPTC – single person)	11.05	11.25
Enhanced disability tax credit – child	41.05	41.75
Income threshold – lone parent or couple	92.90	94.50
Income threshold – (DPTC – single person)	72.25	73.50
Inheritance tax threshold	242,000	247,000
Capital gains tax		
Annual exempt amount: individuals	7,500	7,700
Annual exempt amount: trustees	3,750	3,850

1. Allowance available at a flat rate of 10 per cent.
2. The credit is tapered away from families where one or both partners is a higher rate taxpayer.
3. The baby rate is expressed as an additional amount to the basic credit.
4. If the total income, less allowable deductions, of a taxpayer aged 65 or over exceeds this limit, the age-related allowances are reduced by £1 for each £2 of income over the aged income limit until the basic levels of the personal and married couple's allowances (MCA) are reached. In 2001–02 and 2002–03 the indexed minimum amount of MCA for older taxpayers who retain the married couple's allowance are £2,070 and £2,110 respectively.
5. Higher rate income tax (or the Schedule F upper rate if appropriate) is payable on income (less those allowances given as deductions from income) in excess of the basic rate limit.
6. Applies only to WFTC and DPTC. Low and middle income families with a child may qualify for WFTC if one adult is working 16 or more hours a week, they are resident and entitled to work in the UK and their savings are less than £8,000. The entitlement is calculated by totalling the appropriate credits for the family and deducting any income in excess of the income threshold at the rate of 55 pence in the pound. Savings in excess of £3,000 also reduce entitlement by £1 for each £250 of excess. The credits can also include a childcare tax credit of 70 per cent of eligible childcare costs subject to a maximum of £135 per week for one child with childcare and £200 for two or more children (£100 and £150, respectively, for awards starting before June 2001). Entitlement rules for DPTC are the same as for WFTC except that: it can be paid only to persons whose disability puts them at a disadvantage in getting a job; people with no children are eligible; and the savings limit is £16,000.
7. £5.00 lower for awards starting before June 2001.
8. The 16–18 child credits apply from the September following the 16th birthday.
9. Except where figures have been pre-announced in Financial Statement and Budget Reports and Pre-Budget Reports, figures are calculated by applying 1.7 per cent indexation and statutory rounding rules (1.7 per cent indexation for the Rossi index and rounding to the nearest 5 pence for WFTC and DPTC).

Table 3: Cost of indexation for 2002–03 and 2003–04

	£ million			
	2002–03 (accruals)	2003–04 ⁵ (accruals)	2002–03 (NAB)	2003–04 ⁵ (NAB)
Indexation of income tax allowances, starting and basic rate limits	1,150	1,400	950	1,400
of which:				
Increases in allowances ^{1,2}	600	710	520	730
Increase in the starting rate limit ^{1,2,3}	120	120	100	130
Increase in the basic rate limit ^{1,2,3}	260	340	200	340
Increase in Working Families' and Disabled Person's Tax Credits ^{3,4}	200	250	150	240
Indexation of inheritance tax threshold ¹	50	55	25	45
Indexation of capital gains tax annual exempt amount ¹	5	5	0	5

1. Figures assume 1.7 per cent indexation for 2002–03 and 1.9 per cent in the following year.
2. Includes the consequential effects on capital gains tax and the effects of WFTC/DPTC offsets.
3. Additional cost after previous change has been introduced.
4. These figures assume 1.7 per cent indexation for 2002–03 and 2.0 per cent for the following year.
5. Assuming the changes in 2002–03 are carried through to 2003–04.

Table 4: Direct effects of illustrative changes in income tax¹

	£ million cost/yield			
	2002–03 (accruals)	2003–04 ⁸ (accruals)	2002–03 (NAB)	2003–04 ⁸ (NAB)
<i>Rates</i>				
Change starting rate by 1p ²	490	520	440	540
Change lower rate on savings income by 1p ³	70	100	50	80
Change basic rate by 1p ²	2,750	2,950	2,450	3,050
Change basic rate in Scotland by 1p ²	220	240	200	250
Change higher rate by 1p	870	950	640	1,010
Change higher rate for dividends by 1p	75	85	0	95
<i>Allowances and reliefs</i>				
Change personal allowance by £100	550	580	480	600
Change Children's Tax Credit by £100 ⁴	40	40	35	40
Change Children's Tax Credit (baby rate) by £100 ⁴	5	5	5	5
Change age-related personal allowances by £100 ⁵	60	70	50	70
Change age-related married couple's allowances by £100 ⁶	10	10	10	10
Change aged income limit by £500	20	25	10	25
Change all personal allowances by 1 per cent ⁷	290	300	250	310
Change all personal allowances by 10 per cent ⁷	2,850	3,000	2,450	3,100
<i>Limits</i>				
Change starting rate limit by £100	290	310	260	320
Change basic rate limit by 1 per cent ⁷	150	160	110	170
Change basic rate limit by 10 per cent: ⁷				
Increase (cost)	1,350	1,500	1,000	1,550
Decrease (yield)	1,700	1,850	1,300	1,950

Table 4: Direct effects of illustrative changes in income tax ¹ (continued ...)

	£ million cost/yield			
	2002–03 (accruals)	2003–04 ⁸ (accruals)	2002–03 (NAB)	2003–04 ⁸ (NAB)
<i>Allowances, starting and basic rate limits</i>				
Change all main allowances, starting and basic rate limits by 1 per cent ⁷	520	560	440	580
Change all main allowances, starting and basic rate limits by 10 per cent: ⁷				
Increase (cost)	5,000	5,300	4,200	5,600
Decrease (yield)	5,600	6,000	4,700	6,300
<i>Working Families' Tax Credit ⁷</i>				
Change basic credit by £1	70	70	50	70
Change child credits by £1	140	140	100	140
Change 30-hour credit by £1	40	40	30	40
Change income threshold by £1	30	30	20	30
Change income taper rate by 5 per cent:				
Increase (yield)	200	210	150	210
Decrease (cost)	250	260	190	260

1. *The estimates are rounded and, unless otherwise shown, the figures apply to both increases and decreases. The extent of rounding reflects the desire to avoid undue compounding of its effects when numbers are pro-rated, rather than the accuracy of the estimates. The figures include consequential effects on the yield of capital gains tax and the effects of WFTC/DPTC offsets but exclude the effects on social security benefit expenditure. Changes are assumed to take effect from April 2002.*
2. *Including savings income taxable at the starting rate.*
3. *Covering savings income, but excluding dividends. This includes the consequential effects on the liability of higher rate taxpayers. The lower rate of tax on savings applies to income between the starting rate limit and the basic rate limit.*
4. *Children's Tax Credit was introduced with effect from April 2001, at £5,200 per year (at a rate of 10 per cent). From April 2002 it is due to be increased by £5,200 per year for families with a birth in the year. It is tapered away from families where one or both partners is a higher rate taxpayer.*
5. *Allowances for those aged 65–74 and aged 75 and over.*
6. *Allowances for those born before 6 April 1935.*
7. *Percentage changes are calculated with reference to 2001–02 levels except for the addition to the Children's Tax Credit in 2002–03 (see footnote 4), where the changes are calculated as a percentage of £5,200 per year.*
8. *Assuming the changes in 2002–03 are carried through to 2003–04.*

Table 5: Direct effects of illustrative changes in other direct taxes and national insurance contributions¹

	£ million cost/yield			
	2002–03 (accruals)	2003–04 ⁶ (accruals)	2002–03 (NAB)	2003–04 ⁶ (NAB)
Corporation tax				
Change starting rate by 1 percentage point ²	15	15	0	10
Change small companies' rate by 1 percentage point ²	230	240	0	190
Change main rate by 1 percentage point ²	1,090	1,230	840	1,200
Capital gains tax				
Increase annual exempt amount by £500 for individuals and £250 for trustees	10	15	0	10
Inheritance tax				
Change rate by 1 percentage point	60	65	30	55
Increase threshold by £5,000	35	40	20	35
National insurance contributions ³				
<i>Rates</i>				
Change Class 1 employee rate by 1 percentage point	3,000	3,150	3,000	3,150
Change Class 1 employer rate by 1 percentage point	3,750	3,950	3,750	3,950
Change Class 2 rate by £1 per week ⁴	140	145	140	145
Change Class 4 rate by 1 percentage point ⁵	270	285	270	285
<i>Limits</i>				
Change employee entry threshold by £2 per week	220	225	220	225
Change employer threshold by £2 per week	270	280	270	280
Change lower profits limit by £104 per year (£2 per week)	15	15	15	15
Change upper profits limit by £520 per year (£10 per week)	15	15	15	15
Change upper earnings limit by £10 per week	110	120	110	120

1. The estimated revenue effects of the changes on receipts are rounded. The extent of rounding reflects the desire to avoid undue compounding of its effects when numbers are pro-rated, rather than the accuracy of the estimates. Changes are assumed to take effect from April 2002.
2. Estimates assume rate changes apply to profits from 1 April 2002. The effects on receipts of the main rate change take account of the introduction of instalment payments.
3. Includes the consequential effects on WFTC and DPTC.
4. Flat rate contributions payable by the self-employed with earnings above the small earnings exception rate in 2001–02.
5. Profit related contributions payable by the self-employed.
6. Assuming the changes in 2002–03 are carried through to 2003–04.

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

One per cent change	Indicative level of duty on a typical item ²	Typical item	Tax change of a typical item ²	£ million yield ³		
				2002–03 (NAB)	2003–04 (NAB)	2004–05 (NAB)
Beer and cider ⁴	28p	Pint of beer	0.3p	30	30	30
Wine ⁴	£1.16	75cl bottle of table wine	1.4p	15	15	15
Spirits ⁴	£5.48	70cl bottle of whisky	6.4p	5	5	5
Tobacco ^{4,5}	£2.80	20 king size cigarettes	3.6p	65	70	70
Petrol ⁴	45.82p	Litre of unleaded	0.5p	120	120	120
Diesel (ULS) ⁴	45.82p	Litre of ultra low sulphur	0.5p	105	105	110
Vehicle Excise Duty ⁶	£160	Car ⁷	£1.60	45	50	55
Air Passenger Duty ⁸	£5	Economy flight departure to EEA destination	5p	10	10	10
Landfill tax	£2/£12	Tonne of waste	2p/12p	5	5	5
Climate Change Levy ^{4,9}	43p	100 kWh of industrial electricity	0.4p	10	10	10
<i>One percentage point change</i>						
VAT – reduced and standard rates		Current rates are 5%, 17.5%		3,690	3,835	3,990
Insurance Premium Tax – standard and higher rates		Current rates are 5%, 17.5%		295	405	420

1. These are estimated on the assumption that total household expenditure at basic prices (formerly consumers' expenditure at factor cost) does not change. The base assumes tax rates implemented by Finance Act 2001.
2. These figures are illustrative only. They do not equate to the weighted average level of duty on each item.
3. Assuming implementation in April 2002 for all taxes except Insurance Premium Tax (July 2002).
4. The tax change and revenue yield equals the change in duty plus the consequential VAT (at standard rate).
5. Duty on cigarettes has specific and ad valorem elements. The yields shown are for a one per cent change in total duty for cigarettes and in the specific duties for other products.
6. All Vehicle Excise Duty, including HGVs, cars, light vans and motorcycles.
7. Registered before 1 March 2001. Engine size greater than 1549cc.
8. All Air Passenger Duty, including both economy and business rates of travel for Intra-EU and Non-EU flights.
9. All Climate Change Levy, including coal, gas, coke, Liquefied Petroleum Gas (LPG) and electricity.

Table 7: Estimated costs of principal tax expenditures and structural reliefs ¹

		£ million		£ million	
		2000-01	2001-02	2000-01	2001-02
Tax Expenditures					
Income tax					
10	Relief for:				
	Approved pension schemes ^{2, 3*}	13,700	14,400		
	Approved profit sharing schemes ^{4*}	170	150		
	Share incentive plan ^{5, 6*}	80	180		
	Approved discretionary/company share option schemes ^{5, 7*}	50	30		
	Approved savings-related share option schemes ^{5, 7, 8*}	480	450		
	Personal Equity Plans ^{9*}	870	590		
	Individual Savings Accounts [*]	420	680		
	Venture Capital Trusts ^{10*}	160	140		
	Enterprise Investment Scheme ^{11*}	310	280		
Profit related pay ^{12*}	150	-			
Professional subscriptions ^{13*}	45	50			
Exemption of:					
First £30,000 of payments on termination of employment [*]	850	850			
Interest on National Savings Certificates including index-linked certificates [*]	210	170			
Tax Exempt Special Savings Account interest ^{14*}	400	180			
Premium Bond prizes [*]	120	110			
SAYE [*]	60	60			
Income of charities ^{15*}	775	800			
Foreign service allowance paid to Crown servants abroad [*]	80	80			
First £8,000 of reimbursed relocation packages provided by employers [*]	300	300			
Tax credits:					
Life assurance premiums (for contracts made prior to 14 March 1984) ¹⁶	100	90			
Children's Tax Credit	-	2,200			
Working Families' Tax Credit	4,550	5,500			
Disabled Person's Tax Credit	100	120			
Corporation Tax					
Research and Development Tax Credit ^{17*}	60	130			
Relief for clearing contaminated land ^{18*}	-	90			
National Insurance Contributions ¹⁹					
Approved profit sharing schemes [*]					
				120	100
Share incentive plan [*]					
				50	100
Approved savings-related share option schemes [*]					
				330	310
Capital gains tax					
Exemption of gains arising on disposal of only or main residence ²⁰					
				4,800	5,800
Retirement relief [*]					
				190	80
Inheritance tax					
Relief for:					
Agricultural property [*]					
				90	90
Business property [*]					
				110	90
Exemption of transfers to charities on death [*]					
				320	290
Value Added Tax ²¹					
Zero-rating of:					
Food					
				8,400	8,700
Construction of new dwellings (includes refunds to DIY builders) [*]					
				3,050	3,250
Domestic passenger transport					
				1,650	1,700
International passenger transport (UK portion) [*]					
				250	250
Books, newspapers and magazines					
				1,500	1,600
Children's clothing					
				950	950
Water and sewerage services					
				950	950
Drugs and supplies on prescription					
				700	750
Supplies to charities ^{22*}					
				150	150
Ships and aircraft above a certain size					
				500	550
Vehicles and other supplies to disabled people ²²					
				300	300
Lower rate on domestic fuel and power ²³					
				1,650	1,650
Lower rate for certain residential conversions ²⁴					
				-	100

Table 7: Estimated costs of principal tax expenditures and structural reliefs (continued...) ¹

	£ million		£ million	
	2000-01	2001-02	2000-01	2001-02
Structural Reliefs			Reliefs with Tax Expenditure and Structural Components	
Income tax			Income tax	
Personal allowance	32,800	33,300	Age-related allowances ²⁶	1,700 1,600
Income tax and corporation tax			Exemption of:	
Double taxation relief ^{25*}	6,500	6,500	British government securities where owner not ordinarily resident in the United Kingdom ^{27*}	850 850
Corporation tax			Child Benefit (including one parent benefit) ^{28*}	880 880
Reduced rate of corporation tax on policy holders' fraction of profit [*]	800	400	Long-term incapacity benefit ^{29*}	150 140
National insurance contributions			Industrial disablement benefits [*]	90 90
Contracted-out rebate occupational schemes: [*]			Attendance allowance [*]	230 230
Rebates deducted at source by employers	6,550	6,910	Disability living allowance [*]	430 450
Rebates paid by the Contributions Agency direct to the scheme	110	110	War disablement benefits [*]	100 90
Personal pensions	2,400	2,880	War widow's pension [*]	60 50
Value added tax ²¹			Income tax and corporation tax	
Refunds to:			Capital allowances ^{30*}	18,100 17,600
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	250	250	of which:	
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme	4,150	4,350	First year allowances for SMEs [*]	170 220
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	2,250	2,350	First year allowances for small enterprises for information and communication technology	- 90
			Enhanced capital allowances for energy saving technology	70 130
			Corporation tax	
			Small companies' reduced corporation tax rate	1,800 1,900
			Starting rate of corporation tax ³¹	150 160
			Capital gains tax	
			Indexation allowance and rebasing to March 1982 ³²	475 350
			Taper relief [*]	360 580
			Exemption of:	
			Annual exempt amount (half of the individual's exemption for trustees) ^{33*}	1,500 850
			Gains accrued but unrealised at death ^{34*}	900 650

Table 7: Estimated costs of principal tax expenditures and structural reliefs (continued ...)¹

	£ million			£ million	
	2000-01	2001-02		2000-01	2001-02
Petroleum revenue tax ³⁵			National insurance contributions		
Uplift on qualifying expenditure	300	130	Reduced contributions for self-employed not attributable to reduced benefit eligibility (constant cost basis)	2,300	2,500
Relief for exploration and appraisal expenditure	65	65			
Oil allowance	525	650			
Safeguard: a protection for return on capital cost	260	240			
Tariff receipts allowance	90	100			
Exemption for gas sold to British Gas under pre-July 1975 contracts	180	170	Value added tax ²¹		
			Exemption of: ³⁸		
			Rent on domestic dwellings*	3,200	3,400
			Rent on commercial properties ^{39*}	500	500
			Private education	250	250
			Health services*	500	550
			Postal services	400	400
			Burial and cremation	50	50
			Finance and insurance ^{40*}	100	100
			Betting and gaming and lottery	700	700
			Small traders ⁴¹	100	100
Inheritance tax					
Nil rate band for chargeable transfers not exceeding the Threshold*	5,900	6,100			
Exemption of transfers on death to surviving spouses ^{36*}	1,200	1,200			
Stamp duties					
Exemption of transfers of land and property where the consideration does not exceed the £60,000 Threshold ^{37*}	200	160			

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

Notes for Table 7

1. *Costs are on an accruals basis unless otherwise specified and only reliefs with an estimated cost of at least £50 million are included. The costs of the personal income tax allowances do not cover individuals who are not on Inland Revenue records because their income is below the tax threshold.*
2. *The baseline for calculation is unapproved schemes. The figure is the sum of the front-end relief on contributions plus the relief on the investment income of funds, net of the tax paid on current pension payments. Relief on capital gains made by funds is not included, due to lack of information about duration of holdings.*
3. *The cost of tax relief for employers' contributions is included on the basis that under present arrangements employers' contributions are not taxable as a benefit in kind of the employee.*
4. *The costs take into account that tax relief is denied where the participants sell the shares within three years of the date of appropriation.*
5. *Since 6 April 1999 National Insurance has been payable by both employer and employee on the gains arising when share options are exercised outside an Inland Revenue approved scheme (or are cancelled or assigned) and where the shares or the option are readily convertible into cash.*
6. *The Share incentive plan, formally known as the all-employee share ownership plan, was introduced in Finance Act 2000.*
7. *The costs take into account the partial offset provided by liability to capital gains tax arising from disposals of shares acquired under the scheme.*
8. *Excludes the cost of the tax-free bonus or interest received under a SAYE contract.*
9. *Includes the cost of exempting gains within Personal Equity Plans (PEPs) from capital gains tax (CGT). No subscriptions may be made to PEPs after 5 April 1999, but savers holding PEPs will be able to continue holding them under current rules.*
10. *Includes the CGT costs of deferral reliefs and exempting gains from tax.*
11. *The figure includes the CGT cost of deferral relief.*
12. *No relief will be available for profit periods beginning on or after 1 January 2000.*
13. *Allowable under S201 ICTA 1988.*
14. *No new Tax Exempt Special Savings Accounts (TESSAs) may be taken out after 5 April 1999, but TESSAs taken out up to that date are able to run their full five year course.*
15. *These figures comprise:*
 - i *the total sum paid to charities, certain heritage bodies and museums, and scientific research associations in respect of: tax credits on dividends and income tax deducted at source from other investment income; payments under deeds of covenant; and donations under the Gift Aid scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance in the figures is made for this; and*
 - ii *an estimate of the higher rate relief received by the payers of covenanted sums and donations under Gift Aid.*
16. *Including the cost of deductions at source for non-taxpayers.*
17. *Tax credits will be available for spending by small and medium sized enterprises on research and development for accounting periods ending on or after 1 April 2001.*
18. *Companies that acquire land in a contaminated site will be able to claim an accelerated repayable tax credit on any additional site preparation cost for cleaning up the land for accounting periods ending on or after 1 April 2001.*
19. *Since 6 April 1999 National Insurance has been payable by both employer and employee on the gains arising when share options are exercised outside an Inland Revenue approved scheme (or are cancelled or assigned) and where the shares or the options are readily converted into cash.*
20. *Calculated on the assumption that there would be no relief for gains when disposal proceeds were applied to the purchase of another house. The costs quoted do not represent the yield from abolition of the relief. Consequential effects on the housing market would substantially reduce the yield.*
21. *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 following the adoption of the European System of Accounts in autumn 1998. This new accounting system has had a particular effect on the costing for the exemption of rent on commercial properties. Some refinements in both data and methodology have also been included.*
22. *Costs exclude zero-rating of items appearing higher in the list and reduced rate on domestic fuel and power.*
23. *These figures are estimates of the cost of the difference between the standard rate of VAT and the reduced rate (of 5 per cent).*
24. *A lower rate for the conversion and renovation of certain residential properties came into effect on 12 May 2001.*

25. *Based on provisional Corporation Tax assessment data for accounting periods ending in 1999–2000 and the results of the 1999–2000 Survey of Personal Incomes.*
26. *These figures represent the cost of the excess of the age-related personal allowance over the corresponding allowances for non-aged taxpayers. They include £65 million in both 2000–01 and 2001–02 for the cost of the higher age-related allowances for those aged 75 and over.*
27. *Taxed at the lower rate from 1996–97.*
28. *The figures assume that Child Benefit is paid to the mother or lone father.*
29. *Incapacity benefit replaced invalidity benefit and sickness benefit from April 1995. Benefit for new claimants after that date is taxable, except for benefit received in the first twenty-eight weeks of incapacity. Incapacity benefit paid to existing claimants at April 1995 remains exempt.*
30. *The figures for capital allowances are net of balancing charges. They include writing down and other allowances.*
 - i. *First year allowances for expenditure by small and medium sized enterprises (SMEs) on plant and machinery are available for expenditure incurred on or after 2 July 1997.*
 - ii. *100 per cent first year allowances available to small enterprises investing in information and communication from 1 April 2000 to 31 March 2003.*
 - iii. *100 per cent first year allowances available for certain energy saving investments from April 2001.*
31. *The new 10 per cent starting rate of corporation tax applied from 1 April 2000.*
32. *The estimated costs relate to gains of individuals and trustees only. Company gains are not included because of estimation difficulties.*
33. *These estimates allow for windfall gains arising from the disposal of shares issued in connection with building society and insurance company de-mutualisation. The figure shown for 2000–01 is rounded to the nearest £500 million to reflect additional uncertainty due to the exceptional level of de-mutualisation activity in recent years.*
34. *These estimates assume deferral relief on transfer of assets between spouses would be available.*
35. *The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2000 and 2001. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £2,100 million in 2000–01 and £1,800 million in 2001–02. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.*
36. *These costs are in respect only of transfers for which an account is submitted to the Capital Taxes Office.*
37. *The threshold does not apply to transfers of shares.*
38. *The estimates shown are net of any revenue loss that might arise from removing VAT exemption. Where an exempt trader provides goods or services to registered traders whose output is standard rated, there is likely to be some revenue gain to the Exchequer from the exemption. The taxable supply of the registered trader is likely implicitly to include an element in respect of the value added by the exempt trader and this element will be liable to VAT.*
39. *The methodology for calculating this estimate has been reviewed and updated.*
40. *The estimate includes an element for the indirect charges financial institutions make to their customers through charging higher interest rates to borrowers and paying lower rates to lenders; in practice identifying such indirect charges for VAT purposes would be extremely difficult. Because of the large volumes of transactions between these sectors covered in this estimate, the sum of individual estimates for each sector will differ from the joint estimate provided here. The figures are based on previously published estimates and work is ongoing to refine the methodology used to produce them.*
41. *This cost relates to the exemption of traders below the turnover limit for VAT registration, currently £54,000.*