

Tax ready reckoner and tax reliefs

December 2003



HM TREASURY



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TAX READY RECKONER AND TAX RELIEFS

1 This document provides estimates of the effects of various illustrative tax changes on tax revenues in 2004–05 and 2005–06 (plus 2006–07 for indirect taxes), and estimates of the costs of the main tax reliefs in 2002–03 and 2003–04.

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 the Finance Act 2003.

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 tax year, 2003–04, 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, personal tax credits, inheritance tax and capital gains tax for 2004–05, assuming the standard method of indexation (using the September 2003 RPI increase of 2.8 per cent) and after applying the statutory rounding rules for each of the taxes.

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, stamp duty land 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, personal tax credits, corporation tax, capital gains tax, inheritance tax, stamp duty land tax and national insurance contributions taking effect from April 2004. 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; scaled estimates will therefore 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 2002–03 and preliminary estimates for 2003–04 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.

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Table 1: 2003–04 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	0
small companies' rate	19
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

	£	
	2003–04	2004–05 ¹
Income tax		
Personal allowance	4,615	4,745
Personal allowance (age 65–74)	6,610	6,830
Personal allowance (age 75 and over)	6,720	6,950
Married couple's allowance (born before 6 April 1935) ²	5,565	5,725
Married couple's allowance (age 75 and over) ²	5,635	5,795
Blind person's allowance	1,510	1,560
Aged income limit ³	18,300	18,900
Starting rate limit	1,960	2,020
Basic rate limit ⁴	30,500	31,400

TAX READY RECKONER AND TAX RELIEFS

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

	£	
	2003-04	2004-05 ¹
Income tax (continued...)		
<i>Tax credits (annual amounts)</i>		
<i>Working Tax Credit</i> ⁵		
Basic element	1,525	1,570
Couple and lone parent element	1,500	1,545
30 hour element	620	640
Disabled worker element	2,040	2,100
Enhanced disabled adult element	865	890
Childcare element		
maximum eligible cost for one child	£135 per week	£135 per week
maximum eligible cost for two or more children	£200 per week	£200 per week
per cent of eligible costs covered	70%	70%
<i>Child Tax Credit</i> ⁵		
Family element	545	545
Family element, baby addition ⁶	545	545
Child element	1,445	1,625
Disabled child element	2,155	2,215
Enhanced disabled child element	865	890
<i>Common Features to Working and Child Tax Credit</i> ⁵		
First income threshold	5,060	5,060
First withdrawal rate (per cent)	37%	37%
Second income threshold	50,000	50,000
Second withdrawal rate (per cent)	6.67%	6.67%
First threshold for those entitled to Child Tax Credit only	13,230	13,480
Inheritance tax threshold	255,000	263,000
Capital gains tax		
Annual exempt amount: individuals	7,900	8,200
Annual exempt amount: trustees	3,950	4,100

TAX READY RECKONER AND TAX RELIEFS

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

1. Except where figures have been pre-announced in Financial Statement and Budget Reports and Pre-Budget Reports, figures are calculated by applying 2.8 per cent indexation and statutory rounding rules.
2. Allowance available at a flat rate of 10 per cent.
3. 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 2003–04 and 2004–05 the indexed minimum amount of MCA for older taxpayers who retain the married couple's allowance are £2,150 and £2,210 respectively.
4. 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.
5. The Working Tax Credit (WTC) is available to families with children, disabled workers and to some other working households without children where at least one adult is aged 25 or over. The Child Tax Credit (CTC) is available to families with children. These tax credits are made up of a number of elements, listed in the table, withdrawn at the rates shown for families with pre-tax incomes above the relevant income thresholds. The WTC, including the childcare element, is withdrawn before the CTC. The family element is paid at a flat rate to those families with incomes below the second threshold, and withdrawn at the second withdrawal rate for those whose income is above the second threshold. For a transitional period, families receiving Income Support and income-based Jobseekers' Allowance will receive support for children through these benefits, equivalent to CTC rates. More details on how these tax credits work are published in 'The Child and Working Tax Credits', available from the HM Treasury website.
6. Available for any period in which the family is responsible for a child aged under one year.

Table 3: Cost of indexation for 2004–05 and 2005–06

	£ million			
	2004–05 (accruals)	2005–06 ¹ (accruals)	2004–05 (NAB)	2005–06 ¹ (NAB)
Indexation of income tax allowances, starting and basic rate limits ⁷	2,430	3,730	2,150	3,760
of which:				
Increases in allowances ²	1,020	1,380	890	1,380
Increase in the starting-rate limit ^{2,3,4}	200	280	180	280
Increase in the basic-rate limit ^{2,3,4}	570	730	430	740
Increase in the Child Tax Credit ^{5,6}	390	840	390	840
Increase in the Working Tax Credit ²	250	500	260	520
Indexation of inheritance tax threshold ²	80	130	35	95
Indexation of capital gains tax annual exempt amount ²	5	10	0	5

1. Assuming the changes in 2004–05 are carried through to 2005–06.
2. Figures assume 2.8 per cent indexation for 2004–05 and 3.5 per cent in the following year.
3. Includes the consequential effects on capital gains tax.
4. Additional cost after previous change has been introduced.
5. Figures assume 3.3 per cent indexation for child element of Child Tax Credit for 2004–05 and 4.3 per cent the following year.
6. Includes increasing child element for those receiving Income Support and income-based Jobseekers' Allowance in 2004–05. By 2005–06 these families will have migrated on to the Child Tax Credit.
7. These figures have been amended due to typographical errors in the original.

TAX READY RECKONER AND TAX RELIEFS

Table 4: Direct effects of illustrative changes in income tax ¹

	£ million cost/yield			
	2004-05 (accruals)	2005-06 ² (accruals)	2004-05 (NAB)	2005-06 ² (NAB)
<i>Rates</i>				
Change starting-rate by 1p ³	600	640	530	660
Change lower rate on savings income by 1p ⁴	100	130	70	100
Change basic-rate by 1p ⁵	3,350	3,600	2,950	3,750
Change basic-rate in Scotland by 1p ⁵	270	290	240	300
Change higher-rate by 1p	1,150	1,250	850	1,330
Change higher-rate for dividends by 1p	95	95	0	120
<i>Allowances and reliefs</i>				
Change personal allowance by £100	630	660	540	690
Change age-related personal allowances by £100 ⁶	80	90	75	95
Change age-related married couple's allowances by £100 ⁷	10	10	5	10
Change aged income limit by £500	35	45	20	45
Change all personal allowances by 1 per cent	340	370	300	380
Change all personal allowances by 10 per cent	3,400	3,600	2,950	3,750
<i>Limits</i>				
Change starting-rate limit by £100	330	360	290	370
Change basic-rate limit by 1 per cent	190	200	140	210
Change basic-rate limit by 10 per cent:				
Increase (cost)	1,700	1,850	1,300	1,950
Decrease (yield)	2,100	2,250	1,600	2,400
<i>Allowances, starting and basic-rate limits</i>				
Change all main allowances, starting and basic-rate limits by 1 per cent	610	660	510	690
Change all main allowances, starting and basic-rate limits by 10 per cent:				
Increase (cost)	5,800	6,300	4,800	6,600
Decrease (yield)	6,500	7,000	5,400	7,300

TAX READY RECKONER AND TAX RELIEFS

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

	£ million cost/yield			
	2004-05 (accruals)	2005-06 ² (accruals)	2004-05 (NAB)	2005-06 ² (NAB)
<i>Working Tax Credit</i>				
Change basic element by £100	220	220	230	230
Change 30-hour element by £100	150	150	160	160
Change additional elements for couples and lone parents by £100	210	220	220	230
<i>Child Tax Credit</i>				
Change family element by £100 ⁸	560	560	560	560
Change child element by £100 ⁹	710	720	710	720
<i>Common Features</i>				
Change first income threshold by £100 ¹⁰	70	70	70	70
Change second income threshold by £1,000	10	20	10	20

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. Changes are assumed to take effect from April 2004.
2. Assuming the changes in 2004-05 are carried through to 2005-06.
3. Including savings income taxable at the starting rate, but excluding dividend income.
4. Covering savings income (but not in the starting rate), and 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.
5. Excluding savings income taxed at the lower or starting rates or dividends.
6. Allowances for those aged 65-74 and aged 75 and over.
7. Allowances for those born before 6 April 1935.
8. Excluding family element, baby addition.
9. Includes increasing child elements for those receiving Income Support and income-based Jobseekers' Allowance in 2004-05. By 2005-06 these families will have migrated on to Child Tax Credit.
10. Includes increases to both the first income threshold and the first threshold for those entitled to Child Tax Credit only.

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Table 5: Direct effects of illustrative changes in other direct taxes and national insurance contributions ¹

	£ million cost/yield			
	2004–05 (accruals)	2005–06 ² (accruals)	2004–05 (NAB)	2005–06 ² (NAB)
Corporation tax				
Raise starting rate by 1 percentage point ³	15	15	0	10
Change small companies' rate by 1 percentage point ³	240	250	0	200
Change main rate by 1 percentage point ³	1,050	1,450	650	1,300
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	80	80	35	70
Increase threshold by £5,000	70	65	30	60
Stamp duty land tax				
Change 1 per cent rate by 1 percentage point ⁴	1,110	1,130	1,020	1,130
Change 4 per cent rate by 1 percentage point ⁴	660	730	610	730
Change rate on leases by 1 percentage point ⁴	190	210	170	210
Increase £250,000 threshold by £5,000 ⁴	60	40	50	40
National insurance contributions				
<i>Rates</i>				
Change Class 1 employee main rate by 1 percentage point ⁵	3,200	3,350	3,200	3,350
Change Class 1 employee additional rate by 1 percentage point ⁶	680	735	680	735
Change Class 1 employer rate by 1 percentage point	4,050	4,300	4,050	4,300
Change Class 2 rate by £1 per week ⁷	150	160	150	160
Change Class 4 main rate by 1 percentage point ^{8,9}	310	325	310	325
Change Class 4 additional rate by 1 percentage point ^{8,10}	165	175	165	175
<i>Limits</i>				
Change employee entry threshold by £2 per week	245	255	245	255
Change employer threshold by £2 per week	290	300	290	300
Change lower profits limit by £104 per year (£2 per week)	20	20	20	20
Change upper profits limit by £520 per year (£10 per week)	15	15	15	15
Change upper earnings limit by £10 per week	130	135	130	135

1. The estimated revenue effects of the changes in 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 2004.

2. Assuming the changes in 2004–05 are carried through to 2005–06.

3. Estimates assume rate changes apply to profits from 1 April 2004.

4. Estimates include both residential and commercial transactions.

5. Rate charged between the entry threshold and upper earnings limit.

6. Rate charged above the upper earnings limit.

7. Flat rate contributions payable by the self-employed with earnings above the small earnings exception rate.

8. Profit related contributions payable by the self-employed.

9. Rate between the lower and upper profits limits.

10. Rate charged above the upper profits limits.

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Table 6: Direct effects of illustrative changes 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 cost/yield ³		
				2004-05 (NAB)	2005-06 (NAB)	2006-07 (NAB)
Beer and cider ⁴	29p	Pint of beer	0.3p	40	40	40
Wine ⁴	£1.19	75cl bottle of table wine	1.4p	15	15	15
Spirits ⁴	£5.48	70cl bottle of whisky	6.4p	10	10	10
Tobacco ^{4,5}	£2.88	20 king size cigarettes	3.5p	60	60	60
Petrol ⁴	47.10p	Litre of ultra low sulphur	0.5p	135	135	140
Diesel ⁴	47.10p	Litre of ultra low sulphur	0.5p	105	110	110
Vehicle Excise Duty ⁶	£165	Car ⁷	£1.65	50	55	60
Air passenger duty ⁸	£5	Economy flight departure ⁹	5p	10	10	10
Landfill tax	£2/£14	Tonne of waste	2p/14p	5	5	5
Climate change levy ^{4,10}	43p	100 kWh of industrial electricity	0.4p	5	10	10
Aggregates levy	£1.60	Tonne of aggregate	1.6p	5	5	5
<i>One percentage point change</i>						
VAT – reduced and standard rates		Current rates are 5%, 17.5%		4,140	4,355	4,560
Insurance premium tax – standard and higher rates		Current rates are 5%, 17.5%		310	515	545

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 2003.
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 2004 for all taxes except insurance premium tax (July 2004).
4. The tax change and revenue yield equals the change in duty plus the consequential VAT (at standard rate). Illustrative changes in alcohol are based on published elasticity of demand estimates (GES working paper no. 140 'Econometric Models of Alcohol Demand in the UK', May 2003).
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. All Vehicle Excise Duty, including HGVs, cars, light vans and motorcycles.
7. Registered before 1 March 2001. Engine size greater than 1549cc.
8. Change applies to all air passenger duties, including both economy and business rates of travel for all flights.
9. Economy flight departure to European Economic Area, EU applicant countries and Switzerland.
10. Change applies to all rates of climate change levy, including electricity, gas supplied by a gas utility, any petroleum gas or other gaseous hydrocarbon supplied in a gaseous state, and coke, coal, and lignite.

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

	£ million			£ million	
	2002-03	2003-04		2002-03	2003-04
Tax Expenditures					
Income tax					
Relief for:					
Approved pension schemes ^{2, 3 *}	13,200	13,900	Approved profit sharing schemes ^{19 *}	110	-
Approved profit sharing schemes ^{4 *}	160	-	Share Incentive Plan ^{19 *}	60	110
Share Incentive Plan ^{5, 6 *}	100	180	Approved savings-related share option schemes ^{19 *}	120	110
Approved savings-related share option schemes ^{5, 7, 8 *}	170	160	Employer contributions to approved pension schemes ^{20 *}	5,100	6,300
Personal Equity Plans ^{9 *}	625	550	Capital gains tax		
Individual Savings Accounts [*]	800	925	Exemption of gains arising on disposal of only or		
Enterprise Investment Scheme ^{10 *}	210	210	main residence ²¹		
Professional subscriptions ^{11 *}	60	60		10,000	11,500
Rent a room	90	90	Inheritance tax		
Exemption of:					
First £30,000 of payments on termination of employment [*]	800	800	Relief for:		
Interest on National Savings Certificates including index-linked certificates [*]	160	140	Agricultural property [*]		
Tax Exempt Special Savings Account interest ^{12 *}	100	50	Business property [*]		
Premium Bond prizes [*]	90	100	Exemption of transfers to charities on death [*]		
Income of charities ^{13 *}	900	1,000	140		
Foreign service allowance paid to Crown servants abroad [*]	80	90	90		
First £8,000 of reimbursed relocation packages provided by employers [*]	300	300	350		
Tax credits:			Value added tax ²²		
Life assurance premiums (for contracts made prior to 14 March 1984) ¹⁴	75	65	Zero-rating of:		
Children's Tax Credit ¹⁵	2,300	500	Food		
Working Families' Tax Credit ¹⁵	750	10	9,700		
Disabled Person's Tax Credit ¹⁵	40	neg	Construction of new dwellings (includes refunds to DIY builders) [*]		
Child Tax Credit ¹⁵	-	2,700	4,300		
Working Tax Credit ¹⁵	-	700	1,850		
Income tax and corporation tax			Domestic passenger transport		
Film tax relief ¹⁶	300	140	International passenger transport (UK portion) [*]		
Corporation tax			1,500		
R&D tax credits ^{17, 18 *}	400	430	Books, newspapers and magazines		
			Children's clothing ²³		
			1,100		
			Water and sewerage services		
			1,000		
			950		
			Drugs and supplies on prescription		
			850		
			900		
			Supplies to charities ^{24 *}		
			200		
			200		
			Ships and aircraft above a certain size		
			550		
			600		
			Vehicles and other supplies to disabled people ²⁴		
			350		
			400		
			Lower rate on domestic fuel and power ²⁵		
			1,750		
			1,800		
			Lower rate for certain residential conversions ²⁶		
			100		
			100		

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

	£ million		£ million	
	2002-03	2003-04	2002-03	2003-04
<u>Structural Reliefs</u>			<u>Reliefs with Tax Expenditure and Structural Components</u>	
Income tax			Income tax	
Personal allowance	35,900	37,100	Age-related allowances ²⁸	1,600 2,100
Income tax and corporation tax			Exemption of:	
Double taxation relief ^{27*}	8,000	8,000	British Government securities where owner not ordinarily resident in the United Kingdom ^{29*}	750 750
Corporation tax			Child Benefit (including one parent benefit) ^{30*}	980 1,070
Life companies reduced rate of corporation tax on policy holders' fraction of profit [*]	450	400	Long-term incapacity benefit ^{31*}	630 650
National insurance contributions			Industrial disablement benefits [*]	90 80
Contracted-out rebate occupational schemes: [*]			Attendance allowance [*]	250 310
Rebates deducted at source by employers	7,430	7,600	Disability living allowance [*]	500 570
Rebates paid by the Contributions Agency direct to the scheme	310	300	War disablement benefits [*]	110 110
Personal and stakeholder pensions	3,730	3,880	War widow's pension [*]	70 70
Value added tax ²²			Corporation tax	
Refunds to:			Small companies' reduced corporation tax rate	2,100 2,300
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	250	300	Starting rate of corporation tax ³²	300 350
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme	5,500	6,150	Exemption for gains on substantial shareholdings	260 260
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	2,550	2,650	Income tax and corporation tax	
			Capital allowances ^{33*}	18,200 18,500
			Of which:	
			First year allowances for SMEs ^{34*}	170 180
			First year allowances for small enterprises for information and communication technology ³⁵	170 160
			Enhanced capital allowances for energy saving technology ³⁶	150 150
			Accelerated capital allowances for Enterprise Zones	100 100
			Capital gains tax	
			Indexation allowance and rebasing to March 1982 ³⁷	210 210
			Taper relief [*]	500 800
			Exemption of:	
			Annual exempt amount (half of the individual's exemption for trustees) [*]	700 1,000
			Gains accrued but unrealised at death ^{38*}	650 650

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

	£ million			£ million	
	2002-03	2003-04		2002-03	2003-04
Petroleum revenue tax ³⁹			National insurance contributions		
Uplift on qualifying expenditure	150	210	Reduced contributions for self-employed not attributable to reduced benefit eligibility (constant cost basis) ⁴²	1,300	1,700
Oil allowance	450	500			
Safeguard: a protection for return on capital cost	160	250	Value added tax ²²		
Tariff receipts allowance	50	30	Exemption of: ⁴³		
Exemption for gas sold to British Gas under pre-July 1975 contracts	160	150	Rent on domestic dwellings *	2,750	2,900
			Rent on commercial properties *	450	450
Inheritance tax			Private education	150	150
Nil rate band for chargeable transfers not exceeding the threshold *	8,300	9,000	Health services *	650	700
Exemption of transfers on death to surviving spouses ⁴⁰	1,500	1,700	Postal services	400	400
			Burial and cremation	100	100
Stamp duty			Finance and insurance ⁴⁴ *	2,350	2,500
Exemption of transfers of land and property where the consideration does not exceed the £60,000 threshold and non-residential land and property where the consideration does not exceed the £150,000 threshold ⁴¹ *	140	100	Betting and gaming and lottery	900	950
Exemption of all non-residential transfers in designated disadvantaged wards where the consideration does not exceed £150,000 ⁴¹ *	70	400	Small traders ⁴⁵ *	400	400

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

TAX READY RECKONER AND TAX RELIEFS

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. *Approved profit sharing schemes could no longer appropriate shares to employees after 31 December 2002. The schemes have been phased in favour of the Share Incentive Plan. 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. *Share Incentive Plan, initially 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 have been made to PEPs since 5 April 1999, but savers holding PEPs can continue holding them under current rules.*
10. *The figure includes the CGT cost of deferral relief and exempting gains from tax.*
11. *Allowable under Sections 343 and 344 ITEPA 2003.*
12. *No new Tax Exempt Special Savings Accounts (TESSAs) have been taken out since 5 April 1999, but those taken out up to that date are able to run their full five year course.*
13. *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 (including transitional relief) and income tax deducted at source from other investment income; payments under deeds of covenant; and donations under the Gift Aid scheme and the cost of the payroll giving 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 and higher rate relief for donations of shares and, from 2002-03 onwards, real property.*
14. *Including the cost of deductions at source for non-taxpayers.*
15. *These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the credit that is less than or equal to the tax liability of the family. Payments exceeding this liability are treated as public expenditure and are not included in these figures. Figures in previous editions of this table have included both the negative tax element and the public expenditure element.*
16. *S48 of the Finance Act (No 2) 1997 introduced a tax relief for British qualifying films with total production expenditure not exceeding £15 million.*
17. *These figures represent only the negative tax element of the tax credit payments. 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 offset liability to corporation tax. Directly payable tax credits are treated as public expenditure and are not included in these figures. Figures in previous editions of this table have included both the negative tax element and the public expenditure element.*
18. *R&D tax credits were introduced for SME companies for accounting periods ending on or after 1 April 2000. Credits were introduced for all other companies for accounting periods on or after 1 April 2002.*
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. *The baseline for the calculation is employer contributions to unapproved pension schemes.*

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21. *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.*
22. *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.*
23. *The methodology has been revised and updated.*
24. *Costs exclude zero-rating of items appearing higher in the list and reduced rate on domestic fuel and power.*
25. *These figures are estimates of the cost of the difference between the standard rate of VAT and the reduced rate (of 5 per cent).*
26. *A reduced rate for the conversion and renovation of residential properties came into effect on 11 May 2001.*
27. *Based on provisional corporation tax assessment data for accounting periods ending in 2001-02 and the results of the 2001-02 Survey of Personal Incomes.*
28. *These figures represent the cost of the excess of the age-related personal allowance over the corresponding allowances for non-aged taxpayers. They include £70 million in 2002-03 and £30 million in 2003-04 for the cost of the higher age-related allowances for those aged 75 and over.*
29. *Taxed at the lower rate from 1996-97.*
30. *These figures have been reviewed and updated. The figures assume that Child Benefit is paid to the mother or lone father.*
31. *These figures have been reviewed and updated. 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.*
32. *The new starting rate for corporation tax applied from 1 April 2000.*
33. *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.*
34. *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. The present value of the relief is £20 million, reflecting the revenues that would be received in the future if the current rate structure were maintained.*
35. *100 per cent first year allowances available to small enterprises investing in information and communication from 1 April 2000 to 31 March 2004. The present value of the relief is £20 million, reflecting the revenues that would be receive in the future if the current rate structure were maintained.*
36. *100 per cent first year allowances are available for certain energy saving investments from April 2001.*
37. *The estimated costs relate to gains of individuals and trustees only. Company gains are not included because of estimation difficulties.*
38. *These estimates assume deferral relief on transfer of assets between spouses would be available.*
39. *The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2002 and 2003. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,350 million in 2002-03 and £1,275 million in 2003-04. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.*
40. *These costs are in respect only of transfers for which an account is submitted to the Capital Taxes Office.*
41. *The threshold does not apply to transfers of shares. Stamp duty on land and property is known as Stamp Duty Land Tax from 1 December 2003.*
42. *This estimate has been revised and updated. The effect of not receiving the State Second Pension is now calculated using the age and gender distribution of the self-employed rather than using the distribution of those contracted out of the State Second Pension under a final salary scheme.*
43. *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.*
44. *This 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.*
45. *This cost relates to the exemption of traders below the turnover limit for VAT registration, currently £56,000.*