

2004 Pre-Budget Report

2 December 2004

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PN 1

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OPPORTUNITY FOR ALL: THE STRENGTH TO TAKE THE LONG-TERM DECISIONS FOR BRITAIN

The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all.

The long-term decisions the Government has taken – giving independence to the Bank of England, new fiscal rules and a reduction in debt – have created a strong platform of economic stability. Over the past four years, many industrialised countries have suffered economic downturns, including the US and much of the euro area. More recently, the international economy has been affected by geopolitical uncertainty, rising oil prices, and large current account imbalances and shifting exchange rates between Europe, Asia and the US. The UK has grown continuously throughout this period of global economic uncertainty and it continues its longest unbroken expansion since quarterly national accounts data began 50 years ago, with GDP now having grown for 49 consecutive quarters.

To continue to prosper in the coming decades the UK must respond to the long-term challenges of the rapidly evolving global economy. The international economy is becoming increasingly integrated through greater cross-border trade and investment, driven in part by rapid advances in technology. Emerging market economies are growing strongly and increasing their shares of global output, trade and investment. Within the next twenty years, half the world's manufactured exports could come from developing countries.

The Government is committed to taking the long-term decisions that will ensure the UK will meet these challenges, by entrenching macroeconomic stability and by building a flexible, enterprising economy with a highly-skilled, high-productivity workforce and a strong science and innovation sector. Flexibility must be combined with fairness, providing security and support for those that need it and ensuring that everyone has the opportunity to fulfil their potential.

MAINTAINING MACROECONOMIC STABILITY

The Government's long-term economic goal is to maintain macroeconomic stability, ensuring the fiscal rules are met at all times and that inflation remains low. The domestic stability delivered by the Government's macroeconomic framework has enabled the UK economy to grow steadily through a challenging period for the global economy. Sound macroeconomic fundamentals, recent strong growth rates and continued growth in the world economy point to a further period of relatively strong growth. UK GDP is expected to grow by 3¼ per cent in 2004, in line with the Budget 2004 forecast and up from 2.2 per cent last year. Growth is forecast to remain within the 3 to 3½ per cent range for 2005 as a whole. By early 2006, the output gap is forecast to have closed and GDP growth is expected to be back to trend rates.

The interim forecast update of the projections for the public finances published in this Pre-Budget Report show that the Government is meeting its strict fiscal rules:

- the current budget since the start of the current economic cycle in 1999-2000 shows an average annual surplus up to 2005-06 of 0.1 per cent of GDP and the Government is therefore meeting the golden rule on the basis of cautious assumptions. There is a margin against the golden rule of £8 billion in this cycle, including the Annually Managed Expenditure (AME) margin. The current budget returns to balance by 2006-07, and the cyclically-adjusted current budget in the cautious case moves into surplus by the end of the projection period; and
- public sector net debt is projected to remain low and stable over the forecast period, stabilising at around 37 per cent of GDP in 2009-10, below the 40 per cent ceiling set in the sustainable investment rule in 2005-06.

MEETING THE PRODUCTIVITY CHALLENGE

Productivity growth, alongside high and stable levels of employment, is central to long-term economic performance in the global economy. The Government's long-term goal is for the UK to achieve a faster rate of growth than its main competitors. The Pre-Budget Report announcements include:

- giving employers the opportunity to access free and flexibly delivered training for their low-skilled employees through a **National Employer Training Programme**;
- **establishing an independent review to examine the future skills needs** of the UK economy, to be led by Sandy Leitch, (Chairman of the National Employment Panel and formerly a Chief Executive of Zurich Financial Services);

- **reforms to reduce the regulatory burden on business**, including the extension of Common Commencement Dates to other areas of legislation, and progress on the Panel for Regulatory Accountability;
- **publication of the interim report of the Hampton Review** consulting on improvements to the current system of regulatory inspection and enforcement to reduce the administrative burden on business;
- **setting out the vision of how significant reductions in compliance burdens for small businesses** will be delivered through the integration of HM Customs and Excise and the Inland Revenue;
- **implementation of the changes recommended by the Graham Review** of the Small Firms' Loan Guarantee by end 2005; and
- **implementation of the ten-year Science and Innovation Investment Framework**, through strengthening the partnership with business on raising investment in UK R&D, and taking forward the recommendations of the Lambert Review on business-university collaboration including through the Northern Science and Industry initiative.

Further details of these and other measures to encourage enterprise, productivity and skills are set out below.

Workforce development

The National Employer Training Programme will build on the success of Employer Training Pilots, now operating in over one third of the country with over 15,000 employers and 100,000 employees participating. The national programme will be rolled out from 2006-07 and will cover the whole country in 2007-08. The key features of the National Employer Training Programme are:

- brokers who will act for employers and their employees to assess training needs and source high quality training provision that can be delivered flexibly in the workplace;
- fully subsidised costs of training to level 2 (equivalent to 5 GCSEs at grade A*-C) where employers are prepared to offer their low-skilled employees paid time to train;
- financial support – equivalent to that for a level 2 qualification – towards the cost of a level 3 qualification (equivalent to A levels) for those who can jump straight to level 3;
- support from brokers to design and source training packages at level 3 and higher; and

- creation of links with Jobcentre Plus in order to support adults making the transition into work to get training in a way that meets the requirements of their employer.

Review of the future skills needs of the UK economy: the Government has asked Sandy Leitch, Chairman of the National Employment Panel and formerly a Chief Executive of Zurich Financial Services, to lead an independent review of the UK's long-term skills needs and priorities of business and the economy.

The Pre-Budget Report also announces pilots implementing the New Deal for Skills:

Learning allowance: from April 2006, the Government will pilot the approach of allowing longer-term benefit claimants currently on Jobseeker's Allowance, along with those on Income Support and Incapacity Benefit, to take up free, full-time, work-focused training, where this is judged by their Personal Advisor as the best way of helping them into work. The pilots will also test an additional benefit supplement of £10 a week to cover the extra costs of learning. Receipt of this support will be dependent on participants meeting the conditions of a 'learning agreement', covering course attendance and participation, agreed with their Personal Advisor.

Skills Coaches: will be piloted from April 2005 in eight Jobcentre Plus Districts, initially for the unemployed, to provide one-to-one personalised support to identify skill needs and provide guidance on the best training to promote employability.

Regulatory reform

Further initiatives to encourage better regulation and aid enterprise were announced by the Chancellor today. The initiatives are focused on reducing the administrative burdens for business, ensuring that the UK regulates only when necessary and on advancing regulatory reform in Europe.

Common Commencement Dates: following the success of the DTI pilot for employment law, the Government will now extend Common Commencement Dates for new and amended domestic legislation, starting with health and safety, company and consumer legislation in 2005. This will limit the dates when regulatory changes can be made, enabling businesses to plan for new measures and implement them effectively. New regulation in these areas will in future be introduced on two dates each year, 6 April and 1 October, unless there are exceptional reasons for not doing so.

Hampton Review: The interim report of the Hampton Review, *Reducing administrative burdens: effective inspection and enforcement*, is published today. Further details are available in PN 4.

Review of Regulations: The Government will introduce a requirement that Regulatory Impact Assessments will in future specify how and when new regulations

will be monitored and reviewed to ensure they are having the intended effect. The Better Regulation Task Force will be asked to monitor this requirement and to report on each department's compliance in its annual departmental assessments of regulatory performance.

Improving regulation of the financial promotions regime: As part of the Financial Services and Markets Act two-year review, the Chancellor announced today that barriers for individuals who invest in small and growing firms will be removed by enabling self-certification for sophisticated or high net worth investors.

Preventing additions to the requirements of European legislation: the Government does not regulate beyond the minimum requirements of European legislation unless there are exceptional circumstances, justified by cost benefit analysis and extensive consultation with business. The Government is putting in place safeguards to ensure that this approach continues to be followed in the future. Today, the Chancellor and the Foreign Secretary are setting out measures to guarantee that businesses do not face unnecessary burdens from European law, including:

- allowing the Panel for Regulatory Accountability to scrutinise carefully measures for implementing European legislation in the UK;
- comparing transposition practices with other Member states during implementation; and
- the Government taking into account the approaches of other Member States when implementing directives.

Advancing European regulatory reform: The 2004 Four Presidencies initiative sets out a series of joint proposals designed to place regulatory reform at the heart of these EU Presidencies. Significant progress has since been made on: strengthened procedures for competitiveness testing of new EU regulations; new proposals for simplifying existing EU law in 2005; and further action to measure and control the administrative burden associated with new and existing EU laws, which the Commission will implement in a pilot phase starting early in the new year. The Government welcomes these developments and will continue to work with other Member States and the European Commission to advance regulatory reform in Europe.

PROMOTING FLEXIBILITY ACROSS THE REGIONS

The Pre-Budget Report takes new steps to promote greater regional flexibility in order to achieve high levels of regional growth. In a flexible and dynamic economy, regions must be empowered to harness their indigenous strengths, tackle

weaknesses in enterprise, skills and innovation, and to promote growth and full employment in all communities. Steps include:

- publication of a consultation document setting out Government proposals to involve the regions more in decision making on regional transport, economic development and housing. In this document, the Government proposes to provide clearer funding assumptions - including providing regional transport allocations for the first time and planning guidelines for the longer term - to provide a better basis for regions to plan and to give them a stronger voice in the next Spending Review;
- an initial response to the *Northern Way Growth Strategy: final report* published by the three Northern Regional Development Agencies in September, which sets out a strategy to establish the North of England as an area of exceptional opportunity with a world-class economy and a superb quality of life. The Government welcomes this report and will respond in full in January. The Pre-Budget Report builds on Northern Way recommendations in a number of ways:
 - rolling out Employer Training Pilots across the North, as part of a National Employer Training Programme;
 - significantly extending the successful Pathways to Work pilots in the North, meeting the Northern Way's recommendation, as part of a major expansion of the Pathways to Work pilots for incapacity benefits claimants;
 - ensuring the Northern Way regions can take full advantage of support from the national strategy for Enterprise in Education; and
 - welcoming the commitment of the three northern Regional Development Agencies to promote science cities, starting with Manchester, York and Newcastle.

Building on their input into last year's Budget, the Regional Development Agencies have been asked to provide policy advice to feed into Budget 2005, in a number of areas: aligning regional transport, housing and economic development strategies and associated funding; business support; establishing the concept of science cities; the role of the Voluntary and Community Sector in regeneration of deprived communities; embedding a culture of enterprise; sustainable development; strengthening regional partnerships in adult skills provision.

The Pre-Budget Report also announces that Brian Jackson, the new chairman of the East Midlands Development Agency, will work with all Regional Development Agencies to develop a framework to ensure that focused, tailored coaching is available to business in each region.

INCREASING EMPLOYMENT OPPORTUNITY FOR ALL

The Government's long-term goal is employment opportunity for all – the modern definition of full employment. It aims to ensure a higher proportion of people in work than ever before by 2010. The Pre-Budget Report announces:

- **a major expansion of the Pathways to Work pilots for incapacity benefits claimants** to an additional 14 Jobcentre Plus districts covering the thirty Local Authority Districts with the highest concentrations of incapacity benefits claimants, thereby extending this groundbreaking approach to around one-third of the country;
- **a package of measures to further help people on incapacity benefits move into work**, including changes to permitted work rules to improve opportunities to move from benefits to full-time employment, and placing employment adviser support within GPs' surgeries;
- **an extension of the £40 per week In-Work Credit for lone parents to six further pilot areas**, to reinforce the gains to work for lone parents in the areas that need it most;
- **a Housing Benefit Reform Fund worth £180 million during 2006-08** to enable the roll out of flat-rate allowances and to improve the administration and structure of the Housing Benefit system;
- **piloting a Learning Allowance** that will allow benefit claimants to participate in full-time training; and
- **increasing by £3 a week the income threshold above which the Working Tax Credit is tapered, in line with inflation to £5220 in 2005-06**, so that families whose incomes are rising retain more of their tax credits, ensuring gains to work are maintained.

Further details of measures to increase employment opportunity announced today are given below.

Pathways to Work for Incapacity Benefit claimants

The Pathways to Work pilots are testing improved labour market support for incapacity benefits claimants. The pilots include a series of mandatory work focused interviews for most new claimants, delivered by a skilled Jobcentre Plus personal adviser; new rehabilitation services; and improved financial incentives through a £40 a week Return to Work Credit. Early evidence clearly suggests that the pilots are having a positive impact on incapacity benefits claimants' prospects of a return to work. The expansion of the Pathways to Work pilots announced in this Pre-Budget Report will extend this groundbreaking approach to cover the 30 Local Authority

Districts with the highest concentrations of incapacity benefits claimants, taking the coverage of Pathways to Work pilots to around one-third of the country.

In-Work Credit for lone parents

The extension to the In-Work Credit announced in this Pre-Budget Report will extend to a further 84,000 lone parents the offer of an additional £40 a week for the first year after they move into work. The Credit increases the gains to work in the areas where the costs of living are highest, and it is offered to all lone parents within the pilot areas who move into employment having been on benefits for over a year. This extension will bring the total number of lone parents eligible for the In-Work Credit to a quarter of a million, 40 per cent of all lone parents who have been on benefits for a year or more.

BUILDING A FAIRER SOCIETY

The Government is determined to combine flexibility with fairness. Policies that ensure fairness act to minimise the short-term costs that can be associated with the changes that are needed in flexible outward-looking economies. The Pre-Budget Report announces:

- **a ten year strategy for childcare**, setting out the Government's long-term vision of affordable, flexible, high quality childcare for all parents who need it, and providing parents with real choices in balancing their work and family life;
- **an extension of paid maternity leave from 26 to 39 weeks from April 2007**;
- **an increase in the entitlement to free nursery education for all three and four year olds to 15 hours a week for 38 weeks a year**, reaching all children by 2010;
- **improvements to the childcare element of the Working Tax Credit**, with an increase in the maximum eligible costs to £300 a week for families with two or more children and to £175 a week for one child from April 2005, and an increase in the maximum proportion of costs covered from 70 to 80 per cent from April 2006;
- **further steps to encourage saving and asset ownership**, through Individual Savings Accounts, the Saving Gateway and Stakeholder products;
- **consultation on the value of payments at age seven in the Child Trust Fund**;

- **a package of measures to promote financial inclusion**, by increasing access to banking services, affordable credit and face-to-face money advice;
- **a £50 payment to households with someone over age 70 in 2005**, to help meet the cost of council tax and other living expenses;
- **action to protect tax revenues and modernise the tax system**, including measures to combat tax fraud and avoidance; and
- **its development priorities for the Presidencies of the G7/8**, and further steps to tackle global poverty and reduce developing country debt.

Further detail of these measures is set out below.

Ten year strategy for childcare

Choice for parents, the best start for children: a ten year strategy for childcare, published alongside the Pre-Budget Report today, sets out how the Government will modernise the welfare state to support families in balancing work and family life and includes the measures below.

Extension of paid maternity leave: to ensure that parents are in control of the choices they make about their work and family life, the Government is setting a goal of twelve months paid maternity leave, transferable from the mother to the father, by the end of the next Parliament. As a first step this Pre-Budget Report announces £285 million to extend the current entitlement of 26 weeks, to 39 weeks from April 2007.

Children's Centres in every community: 2,500 Children's Centres will be in place by 2008 and 3,500 by 2010, offering information, health, family support, childcare and other services for parents and children.

Affordable, flexible, high quality childcare for all: all families with children aged up to 14 who need it will have an affordable, flexible, high quality childcare place that meets their circumstances. This will include an out of school childcare place for all children aged three to 14 between the hours of 8am and 6pm each weekday by 2010. Free early education will be extended with a goal of 20 hours free high quality care a week for 38 weeks for all three and four year olds, with a first step of 15 hours a week for 38 weeks reaching all children by 2010.

Improvements in quality: a Transformation Fund of £125 million each year will take effect from April 2006 to invest in high quality, sustainable, affordable childcare.

Promoting saving and asset ownership

The Government seeks to provide targeted support and incentives for saving from childhood, through working life and into retirement. This Pre-Budget Report announces action to further promote saving and asset ownership in three areas:

Individual Savings Accounts (ISAs): When ISAs were introduced in 1999 they were guaranteed to run for ten years to 2009 and the overall annual investment limit was set at £5,000, with a maximum of £1,000 in cash. A higher initial annual limit of £7,000, with a maximum of £3,000 in cash, was extended until April 2006. The Government remains committed to ISAs and plans, subject to consultation, to further extend the existing higher ISA limits until 2009.

Matching savings of low-income savers through the Saving Gateway: The interim evaluation of the first Saving Gateway pilot found that the Government matching savings of low-income savers can be an important new dimension in Government support for saving, encouraging genuinely new saving. The Government will launch a larger, £15 million Saving Gateway pilot in 2005. The new pilot, run again with DfES, will investigate alternative rates of matching, measure the impact of matching for a wider range of income groups and will use the support of a wider range of community financial education bodies.

Stakeholder savings and investment products suite: The Stakeholder initiative will be implemented in April 2005, promoting access to a suite of simple, low-cost and risk-controlled savings and investment products. The Government will continue to consult with industry and consumer groups on the most effective way to market these products.

In addition, the Child Trust Fund becomes fully operational in April 2005; all children born since September 2002 will receive an initial £250 and children from low-income families will receive £500. The Government will now consult on a further universal payment of £250 at age seven, with children from low-income families receiving £500.

Promoting financial inclusion

Promoting financial inclusion, published today alongside the Pre-Budget Report, sets out a package of measures to tackle financial exclusion including a £120m Financial Inclusion Fund to support initiatives to tackle financial exclusion over the next three years, and a Financial Inclusion Taskforce chaired by Brian Pomeroy to oversee progress. The package includes measures to address financial exclusion in three specific areas: access to banking; access to affordable credit and access to free face-to-face money advice.

Access to banking: the banks and the government share the aim of reducing financial exclusion. They have agreed to work together towards the goal of halving the number of adults in households without a bank account, and of having made significant progress in that direction within two years. Developments will be reviewed at the end of the two-year period to see if further initiatives are needed;

Access to affordable credit:

- the Government will consider mechanisms whereby in certain circumstances, private and third sector lenders could apply for repayment to be made by deduction from benefit, in order to boost the ability of private, voluntary and community sector partners to offer affordable loans to those on the lowest incomes;
- growth funding will be made available from the Financial Inclusion Fund to boost the coverage, capacity and sustainability of the not-for-profit, or 'third' sector in providing affordable loans to the financially excluded, subject to EC state aids approval;
- the Government will consult on moves to make it easier for credit unions to lend to more vulnerable individuals and those without a saving record;
- the Government will consult on the case for and practicalities of extending the Community Investment Tax Relief scheme to Community Development Finance Institutions specialising in personal lending, any action in this area will be subject to state aids approval; and
- reforms to the Social Fund will be implemented in April 2006, aimed at improving the consistency, transparency and effectiveness of the Fund in helping those people most likely to access high cost credit.

Access to free face-to-face money advice: funding will be made available from the Financial Inclusion Fund to increase capacity in the face-to-face money advice sector and to pilot models of money advice outreach aimed at reaching those who do not normally present themselves to debt advisers.

Modernising the business tax system and protecting tax revenues

The Government is taking forward further proposals to modernise the business tax system. A Technical Note, published today on the Inland Revenue website, covers a range of issues including reform of the schedular system for companies. The Government has also decided to align the tax treatment of leasing with other forms of finance and is consulting on the detail of the new rules.

A package of measures to combat tax fraud and avoidance has been announced by the Chancellor today. Further details are set out in PN3.

DELIVERING HIGH QUALITY PUBLIC SERVICES

The Government's long-term goal is to deliver world class public services through investment and reform, while ensuring efficiency and value for money. The Pre-Budget Report announcements include:

- **a further £520 million assigned to the special reserve** for 2004-05 for military operations in Iraq and the UK's other international obligations, and additional resources for counter-terrorism and resilience;
- **taking action to reduce pressures on council tax in 2005-06 by £1 billion** by releasing an extra £125 million of resources for England alongside a reduction in ring fencing and other obligations and £512 million from Departmental reallocations.
- **progress against the programme of public sector relocation**, and the publication of Sir Michael Lyons' report on asset management in the public sector; and
- **the next steps in the Government's continued public sector reform programme**, focusing on devolving decision-making closer to the front-line and providing greater personalisation of services.

PROTECTING THE ENVIRONMENT

The Government's goal is to deliver sustainable development and a better environment, by addressing the challenges of climate change, poor air quality and environmental degradation in urban and rural areas. The Pre-Budget Report announcements include:

- **the forthcoming launch of the UK climate change programme consultation** and prioritisation of climate change as a key theme for the UK's presidencies of the G8 and EU;
- **the launch of a joint Energy Efficiency Innovation Review with Defra**, supported by a new R&D fund to accelerate energy-efficient technology;
- **continuation of the freeze on the main road fuel duties** in response to the sustained volatility in the oil market;
- **narrowing of the duty differential between rebated oils and main road fuels by one penny per litre** to help tackle oils fraud and a **consultation on vehicles using rebated oils**;

- **a package of measures to support the development of biofuels**, including a consultative process and feasibility study on a Renewable Transport Fuels Obligation;
- **plans to align the VAT fuel scale charge** with the company car benefit charge to provide consistent tax incentives for less polluting cars; and
- **restoration from April 2006 of the company car tax diesel supplement on new diesel cars** registered from January 2006, to reflect the mandatory introduction of new Euro IV emissions standards.

Further details of measures to protect and enhance the environment are set out below.

Climate change and energy efficiency

The Government is taking a number of steps to tackle the global challenge of climate change and is making this issue a key priority for the UK's presidencies of the G8 and EU in 2005. The Government will be launching a consultation on the review of the Climate Change programme on 8 December.

As identified in the Government's Energy White Paper, energy efficiency measures in both business and households are frequently cost-effective, while also improving productivity and reducing bills. Defra and HM Treasury will also be jointly undertaking an Energy Efficiency Innovation Review to examine how technological, policy, financial and organisational innovation, whether by Government, business or consumers, can best contribute to a longer-term step change in energy efficiency. The Government will help focus the growing public and private investment in this area by investing in a £20 million fund to help foster a new partnership to accelerate energy-efficient technology, run by the Carbon Trust.

Delivering a clean and efficient transport system

Road fuel duties: Volatile world oil prices have meant higher UK pump prices than would have otherwise been expected in recent months. Today, the Chancellor, in response to the continued volatility in the oil market announces the continuation of the freeze on main road fuel duties for this year. It remains the Government's policy that in future years fuel duties should rise at least in line with inflation as the Government seeks to meet its targets to reduce polluting emissions and fund public services.

Given the continuation of the freeze on main road fuel duties, the differential for sulphur-free fuel will not be introduced. The Government remains committed to the

introduction of cleaner and more environmentally-friendly fuels and will aim to implement the duty differential for sulphur-free fuels when market conditions allow.

Promoting biofuels: From 1 January, 2005, a duty differential of 20 pence per litre will be introduced for bioethanol. To encourage further the introduction of biofuels, the Government is announcing a consultative process and feasibility study on a possible Renewable Transport Fuel Obligation (RTFO). An RTFO would require a specified proportion of aggregate fuel sales to come from renewable sources and would draw on the experience of the obligation for renewable electricity. The consultative process and feasibility study will commence shortly and will seek to establish the cost-effectiveness, administrative feasibility, regulatory burdens and compatibility of an RTFO with other Government objectives.

A new method of biodiesel production is being developed by oil refiners that would allow biomass to be added to hydrocarbon oils in the refinery process to produce an end product indistinguishable from conventional diesel. Current taxation on oils is products based and therefore could not reward such biomass 'inputs'.

Following discussions with stakeholders on the possibility of extending the duty differential approach to inputs-based production of biodiesel, the Government today announces work towards a pilot project to examine the potential for using duty incentives for inputs-based production and will hold a tendering process after Budget 2005. The pilot project will be launched in 2005 and is expected to start in 2006.

Company car tax: From 6 April 2006, the waiver of the three per cent diesel supplement for diesel cars that meet Euro IV emission standards will cease for cars registered on or after 1 January 2006. The waiver was introduced to encourage early take up of cleaner Euro IV technology and has achieved that purpose. Euro IV emission standards will become mandatory for all new diesel cars registered from 1 January 2006. The waiver will be retained for the life of diesel cars that meet Euro IV emission standards and were registered before 1 January 2006.

NOTES FOR EDITORS

Further details of 2004 Pre-Budget Report announcements can be found on the HM Treasury website: www.hm-treasury.gov.uk.

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Further information and all published documents relating to Budget 2004 may be found on the Internet at the following addresses:

HM Treasury www.hm-treasury.gov.uk

Inland Revenue www.inlandrevenue.gov.uk

HM Customs and Excise www.hmce.gov.uk

2004 Pre-Budget Report

PN 2

2 December 2004

INCOME TAX ALLOWANCES, NATIONAL INSURANCE CONTRIBUTIONS, CHILD AND WORKING TAX CREDIT RATES 2005-06 AND FUEL DUTIES

Rates and allowances for the Working and Child Tax Credits, Child Benefit/Guardian's Allowance, Income Tax, National Insurance Contributions and fuel duties are set out below.

Working and Child Tax Credits rates 2005-06

£ per year (unless stated)	2004-05	Change	2005-06
Working Tax Credit			
Basic element	£1,570	+\$50	£1,620
Couple and lone parent element	£1,545	+\$50	£1,595
30 hour element	£640	+\$20	£660
Disabled worker element	£2,100	+\$65	£2,165
Severe disability element	£890	+\$30	£920
50+ Return to work payment (16-29 hours)	£1,075	+\$35	£1,110
50+ Return to work payment (30+ hours)	£1,610	+\$50	£1,660
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	£135 per week	+\$40 per week	£175 per week
Maximum eligible cost for two or more children	£200 per week	+\$100 per week	£300 per week
Percentage of eligible costs covered	70%	-	70%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£1,625	+\$65	£1,690
Disabled child element	£2,215	+\$70	£2,285
Severely disabled child element	£890	+\$30	£920
Income thresholds and withdrawal rates			
First income threshold	£5,060	+\$160	£5,220
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	£13,480	+\$430	£13,910
Income disregard	£2,500	-	£2,500

Child Benefit/Guardian's Allowance rates 2005-06

£ per week	2004-05	Change	2005-06
Eldest/only child	£16.50	+£0.50	£17.00
Other children	£11.05	+£0.35	£11.40
Eldest/only Child (Lone Parent Rate)	£17.55	-	£17.55
Guardian's Allowance	£11.85	+£0.35	£12.20

Income Tax Personal and Age-related Allowances 2005-06

£ per year (unless stated)	2004-05	Change	2005-06
Personal allowance (age under 65)	£4,745	+£150	£4,895
Personal allowance (age 65-74)	£6,830	+£260	£7,090
Personal allowance (age 75 and over)	£6,950	+£270	£7,220
Blind Person's Allowance	£1,560	+£50	£1,610
Married couple's allowance* (aged less than 75 and born before 6th April 1935)	£5,725	+£180	£5,905
Married couple's allowance* (age 75 and over)	£5,795	+£180	£5,975
Married couple's allowance* - minimum amount	£2,210	+£70	£2,280
Income limit for age-related allowances	£18,900	+£600	£19,500
Pension schemes earnings cap			
Pension schemes earnings cap (1989 cap)	£102,000	+£3,600	£105,600
Occupational Pension Schemes final remuneration cap (1987 cap)	£100,000	+£5,600	£105,600
Occupational Pension Schemes tax free lump sum (1987 cap)	£150,000	+£8,400	£158,400

* Married couple's allowance is given at the rate of 10 per cent.

National Insurance Contributions 2005-06

£ per week (unless stated)	2004-05	Change	2005-06
Lower earnings limit, primary Class 1	£79	+£3	£82
Upper earnings limit, primary Class 1	£610	+£20	£630
Primary threshold	£91	+£3	£94
Secondary threshold	£91	+£3	£94
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	-	11%
Employees' primary Class 1 rate above upper earnings limit	1%	-	1%
Employees' contracted-out rebate	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1%	-	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.5%	-	3.5%

Employers' contracted-out rebate, money-purchase schemes	1%	-	1%
Class 2 rate	£2.05	+£0.05	£2.10
Class 2 small earnings exception	£4,215 per year	+£130 per year	£4,345 per year
Special Class 2 rate for share fishermen	£2.70	+£0.05	£2.75
Special Class 2 rate for volunteer development workers	£3.95	+£0.15	£4.10
Class 3 rate	£7.15	+£0.20	£7.35
Class 4 lower profits limit	£4,745 per year	+£150 per year	£4,895 per year
Class 4 upper profits limit	£31,720 per year	+£1,040 per year	£32,760 per year
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

Fuel duties

Pence per litre (unless stated)	Old duty rate	Change	New duty rate
Ultra-low sulphur petrol/diesel	47.1p	-	47.1p
Sulphur-free petrol/diesel	47.1p	-	47.1p
Biodiesel	27.1p	-	27.1p
Bioethanol	47.1p	-20p	27.1p from 1 January 2005
Liquefied petroleum gas used as road fuel	9p per kg (equivalent to 5.4p per litre)	-	9p per kg
Natural gas used as road fuel	9p per kg (equivalent to 6.1p per litre)	-	9p per kg
Rebated gas oil (red diesel)	4.22p	+1p	5.22p from 3 December 2004

DETAILS

Child and Working Tax Credit rates and Child Benefit

Paymaster General, Dawn Primarolo today set out the Child and Working Tax Credit rates for 2005-06.

In line with the Government's previous undertaking to uprate the child element of Child Tax Credit by earnings for the rest of this Parliament, it will increase by £65 from April 2005. In addition, the disabled child elements of Child Tax Credit for 2005-06 will be uprated with inflation. In line with the Government's commitment, the elements of the Working Tax Credit for 2005-06 will rise in line with inflation. The first income threshold for tax credits will also rise with inflation.

The limits on eligible childcare costs in Working Tax Credit will rise to £175 per week for one child and £300 per week for two or more children from April 2005; the maximum share of eligible costs covered will be 70 per cent in 2005-06, rising to 80 per cent in 2006-07.

The rates of Child Benefit and Guardian's Allowance for 2005-06 will rise in line with inflation.

Draft statutory instruments, accompanied by the report required under Section 41 of the Tax Credits Act 2002 will be laid before Parliament in due course.

Income tax rates and allowances

The personal allowance for those aged 65 and over will increase in line with earnings from April 2005 to £7,090 for those aged 65-74, and for those aged 75 or over to £7,220. This means that no one 65 or over will pay tax unless their income reaches £136 per week. Other allowances, including the personal allowance for those under 65, will be increased in line with inflation.

Pension schemes earnings cap

The main effect of the pension schemes earnings cap is to set a ceiling on the contributions that can be paid to, and the benefits that can be paid by, tax approved pension schemes. It generally applies to people who contribute to a personal pension scheme, joined an occupational scheme set up since 14 March 1989, or joined any occupational scheme from 1 June 1989 that was set up before 14 March 1989. From 6 April 2001 the cap applied to people who contribute to stakeholder pension schemes. For 2005-06 the cap is increased to £105,600. In addition, the cap introduced in 1987 on the final remuneration for calculating pension benefits from Occupational Pension Schemes will be aligned with the earnings cap. This will have the effect of taking the cap on tax-free lump sums to £158,400, which is 1.5 times the pension schemes earnings cap.

Civil Partnership Act

The tax consequences of the Civil Partnership Act will be dealt with in the first available Finance Bill. For tax purposes, registered same-sex couples will be treated the same as married couples.

NATIONAL INSURANCE CONTRIBUTIONS

Employers' and employees' contributions

In line with the Social Security Contributions and Benefits Act 1992, the lower earnings limit for employees' Class 1 contributions is to be raised to £82 a week. It is set at the level of the basic retirement pension for a single person from April 2005, rounded down to the nearest pound. This is the lowest level of earnings that can count towards entitlement to contributory benefits.

The primary and secondary thresholds for Class 1 contributions will increase in line with inflation to £94 a week, the same as the weekly amount of the income tax personal allowance. This means that employees and employers will pay no tax or Class 1 contributions on earnings below this level.

The upper earnings limit for employees' Class 1 contributions will be raised to £630 a week, in line with inflation.

The standard main rate of employees' Class 1 contributions below the upper earnings limit will continue to be 11 per cent, and above the limit will continue to be 1 per cent.

The standard rate of employers' Class 1 contributions will continue to be 12.8 per cent.

The self-employed

The rate of Class 2 contributions will increase in line with inflation to £2.10 a week. Those with earnings below the annual small earnings exception can apply to be exempted from paying Class 2 contributions. This limit will be raised to £4,345.

The annual lower profits limit for Class 4 contributions will increase in line with inflation to £4,895. The self-employed will pay Class 4 contributions on all their profits above the lower profits limit of £4,895. The rate of Class 4 contributions will be 8 per cent on profits below the upper profits limit, and 1 per cent on profits above that limit. The upper profits limit for Class 4 contributions at the main rate of 8 per cent will be raised to £32,760 in line with inflation, to maintain the link with employees' earnings liable to Class 1 contributions at the main rate.

Share fishermen

The special rate of Class 2 contributions for share fisherman, which allows them to build entitlement to contributory Jobseeker's Allowance in addition to the other

contributory benefits available to the self-employed, will be increased in line with inflation to £2.75 per week.

Volunteer development workers

The special rate of Class 2 contributions for volunteer development workers, that entitles them to the full range of contributory benefits, will be increased by 15 pence to £4.10 in line with the statutory formula of 5 per cent of the primary Class 1 lower earnings limit.

Paying voluntary contributions

The rate of Class 3 voluntary contributions will be increased by 20 pence to £7.35 a week.

A draft re-rating order, accompanied by a report by the Government Actuary on the effect the order will have on the National Insurance Fund, will be laid before Parliament in due course.

NOTES FOR EDITORS

Section 41 of the Tax Credits Act requires a report to be laid before Parliament each year reviewing the amounts of certain tax credit elements and thresholds. Section 145 of the Social Security Contributions and Benefits Act 1992 requires an annual review of Child Benefit rates. Section 150 of the Social Security Administration Act 1992 requires the weekly rate of Guardian's Allowance to be increased in line with prices.

Income tax allowances are updated each year by indexation unless legislation is passed to override its effects. Statutory indexation for 2005-06 is based on changes to the Retail Prices Index in the year to September 2004 (3.1 per cent). A statutory instrument – the Income Tax (Indexation) (No. 2) Order 2004 - has been laid today, confirming the effect of indexation on the personal allowances, blind person's allowance, the married couples' allowances and the income limit for age related allowances for 2005-06. A measure will be included in the Finance Bill to increase the personal allowances for the over 65s by earnings.

PROTECTING TAX REVENUES

A package of measures aimed at tackling tax fraud and avoidance was announced by the Chancellor today. The reforms will protect revenue for investment in public services and ensure that an unfair burden does not fall on the vast majority of taxpayers who pay their fair share.

A number of the measures have been informed by the disclosure rules introduced in Finance Act 2004. These provide early warning of avoidance schemes, thereby enabling the Government and revenue departments to respond to avoidance in the most effective manner, whether by means of legislation or litigation, without creating unnecessary burdens for compliant taxpayers. The revenue departments will continue to analyse disclosures received and further action will be taken as and when appropriate.

DETAILS

Tax and National Insurance Contributions avoidance: employee remuneration

A number of avoidance schemes that seek to sidestep the rules that deal with rewards paid to employees in the form of shares and other securities are being stopped with effect from today. Employers are using these schemes to avoid paying the proper amount of income tax and National Insurance Contributions, particularly in relation to large bonuses in the City.

The measures will:

- extend the definition of securities to include certain insurance contracts;
- tighten the rules relating to securities that have restrictions or rights of conversion placed on them; and
- expand the provisions relating to benefits from employment-related securities.

A technical note published today gives further details of these measures and is available from the Inland Revenue website.

Further to this announcement, the Paymaster General has today made a written statement to Parliament. This outlines the Government's approach to dealing with any future attempts to frustrate its intention that employers and employees should pay the proper amount of tax and National Insurance Contributions on rewards from employment. Where the Government becomes aware of arrangements that attempt to frustrate this intention it will introduce legislation to close them down, where necessary from today.

This will have no effect on the vast majority of employers and employees who organise their affairs in a straightforward and ordinary way. In particular, genuine employee share schemes and share option plans will not be affected.

This written statement is available on the Inland Revenue and Treasury websites.

Financial Avoidance

A number of financial avoidance schemes that have come to light as a result of the new disclosure rules are being closed with effect from today. The measures will:

- block schemes used by companies to avoid tax on debt securities by manipulating "repo" and stock lending arrangements; and
- close down a scheme to avoid income tax involving corporate bonds which have had their interest payments removed ("stripped corporate bonds").

Details of the proposed legislation are available on the Inland Revenue website.

Controlled Foreign Company rules

The Controlled Foreign Company (CFC) rules provide an important defence against those seeking to avoid tax by the artificial diversion of profits from the UK. Genuine overseas business is protected from the effect of the rules by a number of exemptions (including the Excluded Countries Exemption). Measures are being introduced to stop a number of avoidance schemes with effect from today and to provide protection against possible future avoidance. These will:

- ensure that profits are identified in a way consistent with UK taxation principles;

- prevent the artificial reduction of UK tax due by the use of the rules providing relief from double taxation where income passes through a CFC;
- prevent groups with several subsidiaries manipulating profits between them by using the Excluded Countries Exemption; and
- deny the benefit of the Excluded Countries Exemption where this is being exploited as part of a scheme for tax avoidance.

Further details are available on the Inland Revenue website.

Double Taxation Relief

Avoidance schemes that have been identified using the new disclosure rules are being closed with effect from today. These schemes seek to exploit the double taxation relief and annual payment rules to increase the amount of relief due. The Government continues to keep this area under review.

A technical note published today sets out legislative proposals to clarify the way credit is given for foreign taxes paid against trade receipts. The purpose of the note is to encourage dialogue on practical approaches to determine the correct measure of profit against which credit is due.

Details of the proposed changes are available on the Inland Revenue website.

Tax avoidance using film and partnership reliefs

Measures are being introduced with effect from today to end abuse of tax reliefs for UK film production and ensure that the reliefs operate as intended. These will:

- prevent the accelerated relief for qualifying British films being claimed more than once on any film ('double dipping');
- stop structures which use the film reliefs to defer tax beyond 15 years;
- prevent companies from converting a tax deferral into an outright tax gain by exiting from a film tax deferral arrangement; and
- prevent partnerships from getting loss relief for money not really at risk.

Details of these measures including the commencement provisions are on the Inland Revenue website.

In addition, the Government will introduce legislation to make the accelerated deductions claimed under the film tax reliefs clearer and easier to enforce.

In light of the steps taken against film tax avoidance both today and in recent years, and of the development of the new tax credit for low budget British films, the Government will consult with the UK Film Council and the industry in a review of the tax relief that is used by large budget British films. The Government appreciates the need for certainty, given the long lead times for film production. The review will therefore be taken forward on a short time-scale to the end of January 2005, and the Government invites comments from relevant parties on that basis. The need for certainty will also be taken into account in any changes that may arise as the result of this review.

Capital Gains: uncommercial use of options to avoid tax

Draft legislation published today counters certain tax avoidance schemes involving options to acquire or dispose of assets. The options are exercised at uncommercial prices to avoid tax on capital gains or to create or augment capital losses. The new rules will apply in relation to options exercised on or after today.

Further details, including draft legislation, are available on the Inland Revenue website.

Life insurance companies

A number of loopholes being exploited by life insurance companies are being closed. New measures will:

- from today, ensure that the rules on certain transfers of business from one life insurance company to another cannot be used to reduce taxable trading profits artificially;
- for accounting periods ending on or after today, clarify the circumstances in which companies can treat amounts as 'notional' and therefore exclude them from their computations of taxable trading profits;
- for periods of account beginning on or after 1 January 2005, clarify the circumstances in which companies can use additional revenue accounts to obtain a more favourable tax apportionment of their investment return; and
- update the tax treatment of income and gains attributable to assets not needed to pay policyholder benefits.

Draft legislation is on the Inland Revenue website.

Preventing VAT avoidance through off-shore insurance schemes

Legislation is being introduced to block from tomorrow an offshore scheme that seeks to avoid VAT incurred in settling UK insurance claims. This change will only affect certain non-EU businesses in the finance and insurance sectors that incur UK VAT in the course of making exempt financial and insurance supplies to customers that are also outside the EU. Under EU VAT law, there is no right to reclaim this VAT. This change puts the UK legislation on this point beyond doubt.

A copy of the statutory instrument implementing this change is on the HM Customs and Excise website.

Ensuring fair input VAT recovery on supplying shares

Legislation is being introduced today to ensure fair VAT recovery on supplying shares.

With effect from tomorrow, businesses will be prevented from unfairly recovering VAT on the cost of services used to make an incidental financial supply (such as an issue or other supply of shares) to a customer in the EU by mixing these costs with costs related to supplies for which VAT is recoverable. Businesses will now be required in all cases to apportion the VAT based on the use to which the costs are put. The costs covered include professional fees (legal fees, accountants' fees etc), and the costs of an associate listing on the Stock Exchange.

Further information can be found in the information sheet 09/04 on the HM Customs and Excise website today.

Alcohol strategy

Further details are announced today of the Government's alcohol fraud strategy, including an update on plans for the implementation of duty stamps for spirits. Building on detailed work with the spirits industry, and in light of encouraging signs that HM Customs and Excise are making progress in tackling spirits fraud, the Government is proposing measures, including the adoption of proposals made by the industry, to ensure that duty stamps are an effective and proportionate response to spirits fraud.

Further information is available in a business brief published by HM Customs and Excise today and available on the Customs website.

2 December 2004

HAMPTON REVIEW

Philip Hampton today published his interim report, *Reducing administrative burdens: effective inspection and enforcement*. Mr Hampton and his team have spent the last eight months consulting with over 200 businesses and stakeholders in every region of the UK on how 59 national regulators and 468 local authorities enforce regulations on business.

His report found that although Government reforms in recent years have increased the efficiency of regulatory enforcement, there is still room for improvement in a number of areas. Activity in the regulatory system has been skewed towards inspection rather than advice and compliance; regulations have been applied inconsistently both between different regulators and between individual inspectors; the cumulative burden of paperwork has been disproportionately burdensome on small business; different regulators have had difficulty joining their systems and operations; and the penalty regime has been cumbersome with few positive incentives for compliance.

To address these issues, reduce the administrative burden on business, and raise the efficiency of regulatory enforcement, Philip Hampton has proposed the following areas for consultation: the general use of robust risk assessment; more and better tailored advice; fewer and more simplified forms for business; more compliance and a strengthened penalty regime; improved joint working between regulators; and the potential for reform of regulators.

Introducing the report, **Philip Hampton said**: "The UK's reform programme is well respected abroad and significant initiatives have been taken by the BRTF and others to improve it in recent years. That said, I was concerned by the complexity and inconsistencies I found in the inspection and enforcement system, and the number of different interactions that a typical business has with its regulators. Our consultation is an opportunity for businesses, regulators and consumers to have their say on our wide range of ideas, and I would encourage all stakeholders to contribute."

The **Better Regulation Task Force** has welcomed today's publication of the interim report of the Hampton Review. **David Arculus**, Chairman of the Task Force said,

“Our 2003 report on independent regulators argued that inconsistent enforcement and poorly targeted inspection programmes impose unnecessary burdens on compliant businesses. We fully support the aims of the Hampton Review to make regulatory inspection and enforcement more efficient. Philip Hampton’s report sets out a clear vision of the way regulators should operate in the future and poses some key questions about the best way forward. I would encourage stakeholders to respond to this important consultation exercise”.

The **Chancellor of the Exchequer** said, "Britain has to take tough decisions to achieve American levels of business creation. Philip Hampton’s report will contribute towards that aim".

DETAIL

Topics for consultation

In response to his discussions with businessmen and women across the UK, Philip Hampton has presented some possible policy solutions for consultation including proposals to:

- ensure that in future no inspections take place without a good reason;
- concentrate more on advice than inspection outside high risk areas;
- make advice more focussed by simply explaining sector by sector what business need to know, and how they can remain compliant;
- reduce the number of complex and overlapping forms that businesses need to fill in with moves towards pre-populated ‘check and sign’ forms in the long term;
- use more incentives for compliance such as awards for high performers while reforming the penalty regime to make penalties meaningful and more proportionate; and
- introduce greater joint working with more communication between regulators to ensure that the regulatory burden on business is minimised.

The report also identifies four areas for detailed further work in the next phase: form filling, the scope for structural reform of national regulators, local consistency, and the penalty regime.

NOTES FOR EDITORS

1. The full report, as well as a list of consultation questions, can be downloaded on the Review's website at: <http://www.hm-treasury.gov.uk/hampton>. All consultation responses should be sent to hamptonreview@hm-treasury.gov.uk, or by post to Sowdamini Kadambari, Hampton Review, 1 Horse Guards Road, London. SW1A 2HQ, by 4 February 2005. Responses received after this date will not be considered.
2. The Hampton Review was commissioned in Budget 2004, Chapter 3, Paragraph 57. It will produce its final report in spring 2005.
3. The Review covers the inspection and enforcement work of 59 national regulators, as well as the 203 trading standards offices and 408 environmental health offices in English, Scottish and Welsh local authorities. It is not covering the tax authorities, which have recently been reviewed by Gus O'Donnell, economic regulators like Ofwat and Ofgem, or those bodies covered by the work of the Office of Public Service Reform.
4. The Review's remit extends to England and the operations of English-based regulators in other parts of the United Kingdom
5. Philip Hampton is a former finance director of LloydsTSB, BT and British Gas. On 19 July he was appointed chairman of J. Sainsbury plc.

2 December 2004

CHILD TRUST FUND CONSULTATION ON AGE 7 TOP-UP PAYMENTS

The Child Trust Fund, announced in Budget 2003, is a new savings and investment account for children. Its aim is to ensure that all children have a financial asset behind them when they reach the age of 18. It will help encourage a savings culture for both families and children.

All children born since 1 September 2002, who live in the UK and have Child Benefit claimed for them, will receive at least £250 as an initial endowment; children from lower income families will initially receive £500. Family and friends can contribute up to £1,200 per year to each account. There will be no tax on any money earned in the account. Child Trust Fund accounts will become fully operational on 6 April 2005.

Following extensive consultation¹, the Government published its detailed proposals for the Child Trust Fund in October 2003². This included an announcement that the Government will make a further top-up payment to every Child Trust Fund account when the child reaches the age of seven, based on the principle of progressive universalism – a flat rate payment to all children and an additional payment to children in families on lower incomes.

As well as helping the accounts to grow, the top-up payment at age seven will encourage additional saving by family and friends and reinforce and support the delivery of financial education in schools by providing a relevant and practical example of saving.

In its detailed proposals document in 2003, the Government confirmed that:

- eligibility for the age seven payment would be the same as that for the initial endowment and based on the child living in the UK and being subject of a child benefit award at their seventh birthday;
- there will be no need for a child's parent or guardian to make a separate claim for the top-up at age seven. The top-up payments will be made directly into the child's Child Trust Fund account;

¹ In *Saving and Assets for All*, HM Treasury, April 2001 and *Delivering Saving & Assets*, HM Treasury, November 2001

² *Detailed proposals for the Child Trust Fund*, HM Treasury and Inland Revenue, October 2003

- the Inland Revenue will make special arrangements with local authorities to ensure that looked after children do not miss out on the age seven payment.

In today's Pre-Budget Report, the Chancellor announced that the Government will now consult on the following issues:

1. Value of the universal age seven payment into Child Trust Fund accounts.

When the Child Trust Fund was announced in Budget 2003, the value of the initial endowment to all children was set at £250. The Government would welcome views on whether £250 is also the correct value for the universal top-up payment at age seven.

2. Value of the additional payment to children lower income families at age seven.

In Budget 2003, the Government announced that the value of the higher initial endowment to children in lower income families would be £500. Around 40% of all children will receive this higher payment - those children in families eligible for the full Child Tax Credit (with household income at or below £13,480 - the limit in 2004-05).

Additionally, the Government has said that children in low income families who qualify for full Child Tax Credit at the child's seventh birthday will qualify for the higher payment at age seven. The Government would welcome views on whether £500 is the correct value for the higher payment to children in lower income families at age seven.

3. Ratio of progressivity.

Based on initial endowments of £250 for every child and £500 for poorer children, the ratio of progressivity for the initial endowment into Child Trust Fund accounts is 1:2. The amounts the Government is consulting on for the age seven payment would imply a ratio of progressivity of 1:2. The Government would welcome views on whether 1:2 is the correct ratio of progressivity for the top-up payments at age seven.

HM Treasury invites views from industry, consumer organisations, charities and other stakeholders on these issues.

The value of the age seven top-up payments that will be announced will take into account the responses to this consultation.

Respondents are asked to reply by e-mail to:

CTFage7payments@hm-treasury.gov.uk

or in writing to:

CTF Age 7 payments consultation
Assets, Savings and Wealth team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Please direct all media enquiries to HM Treasury Press Office on 020 7270 5238.

For general information on the Child Trust Fund please visit:

www.childtrustfund.gov.uk

or call the Child Trust Fund Helpline on 0845 302 1470 open 8am to 8pm, 7 days a week, excluding 25th December and 26th December and 1st January.
