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# **Tax Ready Reckoner and Tax Reliefs**

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# TAX READY RECKONER AND TAX RELIEFS

1. This booklet provides estimates of the effects of various illustrative tax changes on tax revenues in 2001–02 and 2002–03 (plus 2003–04 for indirect taxes), and estimates of the costs of the main tax reliefs in 1999–2000 and 2000–01.

## Tax Ready Reckoner

2. The effects of tax changes on tax revenues depend on a number of economic variables such as prices, earnings and consumers' expenditure. The estimates shown here are in line with the Pre-Budget Report forecast and are based on the tax system following Finance Act 2000.
3. The tables show estimates of the direct effects of tax changes on tax revenues. In practice, tax changes will themselves affect economic variables and benefit payments, which in turn will have further effects on tax revenues and on Public Sector Net Borrowing (PSNB). Estimated direct effects are not, therefore, the same as the effects on the PSNB.
4. The main tax rates for the current year, 2000–01, are shown in Table 1.

## Direct taxes

5. Except where figures have been pre-announced in Financial Statement and Budget Reports and Pre-Budget Reports, Table 2 shows allowances, thresholds and limits for income tax, inheritance tax and capital gains tax for 2001–02, assuming the standard method of indexation (using the September 2000 RPI increase of 3.3 per cent) and after applying the statutory rounding rules for each of the taxes. Income tax credits for 2001–02 are shown indexed using the Rossi index.
6. Estimates of the costs of this indexation are shown in Table 3 on a **national accounts basis** (NAB). The national accounts basis aims to recognise tax as the tax liability accrues, irrespective of when the tax is received by the Exchequer. However, some taxes are scored on a receipts basis, principally reflecting the difficulty in assessing the period to which the tax liability relates. Examples of such taxes are corporation tax, self-assessment income tax, inheritance tax and capital gains tax. This approach is consistent with other Government publications. Figures are also given on a full-year **accruals basis**, as provided in previous versions.
7. Tables 4 and 5 show estimates of the direct revenue effects of illustrative changes in income tax, corporation tax, capital gains tax, inheritance tax and national insurance contributions taking effect from April 2001. Estimates are measured from the relevant standard indexed base.

8. The effects of the illustrative changes can be scaled up or down over a reasonably wide range. However, the extra cost of a marginal change in allowances or, in particular, the basic rate limit tends to fall as the allowances or limits rise. For this reason the tables show the effects of different percentage changes for both increases and reductions.
9. The total cost of a group of changes can be broadly assessed by adding together the revenue effects of each change. However, if allowances are increased substantially and combined with a reduction in the starting, basic or higher rate, the cost of the rate reductions will be reduced. In such cases, the cost or yield obtained by adding components from the ready reckoner should be considered only as a general guide.

### *Indirect taxes*

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

### **Tax reliefs**

12. There are a number of different types of tax relief. The effect of some reliefs is to help or encourage particular types of individuals, activities or products. Such reliefs are often alternatives to public expenditure and have similar effects. They are hence called “tax expenditures”.
13. Many allowances and reliefs can reasonably be regarded (or partly regarded) as an integral part of the tax structure – called ‘structural reliefs’. Some do no more than recognise the expense incurred in obtaining income. Others reflect a more general concept of “taxable capacity” – the personal allowances are a good example. To the extent that income tax is based on ability to pay, it does not seek to collect tax from those with the smallest incomes. But even with structural reliefs of the latter kind, the Government has some discretion about the level at which they are set.
14. Many other reliefs combine both structural and discretionary components. Capital allowances, for example, can provide relief for depreciation at a commercial rate as well as an element of accelerated relief. It is the latter element which represents additional help provided to business by the Government and is a “tax expenditure”.
15. Table 7 provides the latest estimates of the revenue costs of some of the main reliefs against tax and national insurance contributions in 1999–2000 and preliminary estimates for 2000–01 broken down into the three categories identified above. The figures are on a full-year accruals basis. The split is inevitably broad-brush: the distinction between structural reliefs and tax expenditures is not always straightforward.

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

- they should only be regarded as broad estimates. As the loss of revenue from reliefs cannot be directly observed, the estimates are often based on simplifying assumptions. The cost of a relief also depends on the tax base against which it is measured;
- each relief is costed separately. In some cases the combined cost of a number of reliefs will differ significantly from the sum of the figures for the individual reliefs; and
- the figures do not allow for any behavioural changes as a result of the reliefs. In practice, if a relief was withdrawn, taxpayers' behaviour would often alter so that the actual yield from ending the relief would be different from, and often smaller than, that shown. The sizes of behavioural change will obviously depend on the measure examined and possible alternative behaviours. For example, removing the tax privileges of one form of saving may just lead people to switch to another tax-privileged form of saving.

**Table 1: 2000–01 tax rates**

	<b>Per cent</b>
<b>Income tax and capital gains tax</b>	
starting rate	10
basic rate <sup>1</sup>	22
higher rate <sup>2</sup>	40
<b>Inheritance tax</b>	40
<b>Corporation tax</b>	
starting rate	10
small companies' rate	20
main rate	30
<b>VAT standard rate</b>	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**

	<b>£</b>	
	2000–01	2001–02 <sup>9</sup>
<b>Income tax</b>		
Personal allowance	4,385	4,535
Personal allowance (age 65–74)	5,790	5,990
Personal allowance (age 75 and over)	6,050	6,260
Children's Tax Credit <sup>1,2</sup>	–	4,420
Married couple's allowance (born before 6 April 1935) <sup>1</sup>	5,185	5,365
Married couple's allowance (age 75 and over) <sup>1</sup>	5,255	5,435
Widow's bereavement allowance <sup>1,3</sup>	2,000	–
Blind person's allowance	1,400	1,450
Aged income limit <sup>4</sup>	17,000	17,600
Starting rate limit	1,520	1,580
Basic rate limit <sup>5</sup>	28,400	29,400

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

	£	
	2000–01	2001–02 <sup>9</sup>
<b>Income tax (continued ...)</b>		
<i>Tax credits (weekly amounts)<sup>6</sup></i>		
Working Families' Tax Credit (WFTC) – basic credit	53.15	54.00
Disabled Person's Tax Credit (DPTC) – single	55.15	56.05
Disabled Person's Tax Credit (DPTC) – lone parent /couple	84.90	86.25
30-hour credit (for both WFTC and DPTC)	11.25	11.45
Child credits (for both WFTC and DPTC)		
Up to 16 <sup>7</sup>	25.60	26.00
16–18	26.35	26.75
Disabled child credit (for both WFTC <sup>8</sup> and DPTC)	22.25	22.60
WFTC income threshold	91.45	92.90
DPTC income threshold – single	71.10	72.25
DPTC income threshold – lone parent/couple	91.45	92.90
<b>Inheritance tax threshold</b>	234,000	242,000
<b>Capital gains tax</b>		
Annual exempt amount: individuals	7,200	7,500
Annual exempt amount: trustees	3,600	3,750

1. Allowance available at a flat rate of 10 per cent.

2. The credit will be tapered away from families where one or both partners is a higher rate taxpayer.

3. Available only in respect of deaths occurring before 5 April 2000.

4. If the total income, less allowable deductions, of a taxpayer aged 65 or over exceeds this limit, the age-related allowances are reduced by £1 for each £2 of income over the aged income limit until the basic levels of the personal and married couple's allowances (MCA) are reached. In 2000–01 and 2001–02 the indexed minimum amount of MCA for older taxpayers who retain the married couple's allowance are £2,000 and £2,070 respectively.

5. Higher rate income tax (or the Schedule F upper rate if appropriate) is payable on income (less those allowances given as deductions from income) in excess of the basic rate limit.

6. Applies only to WFTC and DPTC. Low and middle income families with a child may qualify for WFTC if one adult is working 16 or more hours a week, they are resident and entitled to work in the UK and their savings are less than £8,000. The entitlement is calculated by totalling the appropriate credits for the family and deducting any income in excess of the income threshold at the rate of 55 pence in the pound. Savings in excess of £3,000 also reduce entitlement by £1 for each £250 of excess. The credits could also include a childcare credit of up to 70 per cent of eligible childcare costs subject to a maximum of £100 per week for one child with childcare and £150 for two or more children. Entitlement rules for DPTC are the same as for WFTC except that: it can be paid only to persons whose disability puts them at a disadvantage in getting a job; people with no children are eligible; and the savings limit is £16,000.

7. £21.25 for awards starting before June 2000. The 16–18 child credits apply from the September following the 16th birthday.

8. The disabled child credit in the WFTC was introduced in October 2000.

9. Except where figures have been pre-announced in Financial Statement and Budget Reports and Pre-Budget Reports, figures are calculated by applying 3.3 per cent indexation and statutory rounding rules (1.6 per cent indexation for the Rossi index and rounding to the nearest 5 pence for WFTC and DPTC).

**Table 3: Cost of indexation for 2001–02 and 2002–03**

	£ million			
	2001–02 (accruals)	2002–03 <sup>5</sup> (accruals)	2001–02 (NAB)	2002–03 <sup>5</sup> (NAB)
Indexation of income tax allowances, starting and basic rate limits	1,900	1,700	1,550	1,850
of which:				
Increases in allowances <sup>1,2</sup>	1,040	890	890	970
Increase in the starting rate limit <sup>1,2,3</sup>	180	150	160	160
Increase in the basic rate limit <sup>1,2,3</sup>	540	460	410	520
Increase in Working Families' and Disabled Person's Tax Credits <sup>3,4</sup>	150	220	110	200
Indexation of inheritance tax threshold <sup>1</sup>	75	80	40	70
Indexation of capital gains tax annual exempt amount <sup>1</sup>	10	15	0	10

1. Figures assume 3.3 per cent indexation for 2001–02 and 2.6 per cent in the following year.
2. Includes the consequential effects on capital gains tax and the effects of WFTC/DPTC offsets.
3. Additional cost after previous change has been introduced.
4. These figures assume 1.6 per cent indexation for 2001–02 and 2.2 per cent for the following year.
5. Assuming the changes in 2001–02 are carried through to 2002–03.

**Table 4: Direct effects of illustrative changes in income tax<sup>1</sup>**

	£ million cost/yield			
	2001–02 (accruals)	2002–03 <sup>8</sup> (accruals)	2001–02 (NAB)	2002–03 <sup>8</sup> (NAB)
<i>Rates</i>				
Change starting rate by 1p <sup>2</sup>	410	420	360	440
Change lower rate on savings income by 1p <sup>3</sup>	60	50	190	30
Change basic rate by 1p <sup>2</sup>	2,800	2,950	2,500	3,050
Change basic rate in Scotland by 1p <sup>2</sup>	230	240	210	250
Change higher rate by 1p	810	870	570	930
Change higher rate for dividends by 1p	75	80	0	95
<i>Allowances and reliefs</i>				
Change personal allowance by £100	560	580	490	610
Change Children's Tax Credit by £100 <sup>4</sup>	40	40	35	45
Change age-related personal allowances by £100 <sup>5</sup>	55	60	45	65
Change age-related married couple's allowances by £100 <sup>6</sup>	10	10	10	10
Change aged income limit by £500	20	20	10	20
Change all personal allowances by 1 per cent <sup>7</sup>	280	290	240	300
Change all personal allowances by 10 per cent <sup>7</sup>	2,750	2,850	2,350	2,950
<i>Limits</i>				
Change starting rate limit by £100	290	300	260	320
Change basic rate limit by 1 per cent <sup>7</sup>	150	160	110	170
Change basic rate limit by 10 per cent: <sup>7</sup>				
Increase (cost)	1,350	1,450	1,000	1,550
Decrease (yield)	1,650	1,800	1,250	1,900

**Table 4: Direct effects of illustrative changes in income tax <sup>1</sup> (continued ...)**

	£ million cost/yield			
	2001-02 (accruals)	2002-03 <sup>8</sup> (accruals)	2001-02 (NAB)	2002-03 <sup>8</sup> (NAB)
<i>Allowances, starting and basic rate limits</i>				
Change all main allowances, starting and basic rate limits by 1 per cent <sup>7</sup>	500	530	410	550
Change all main allowances, starting and basic rate limits by 10 per cent: <sup>7</sup>				
Increase (cost)	4,700	5,000	3,900	5,200
Decrease (yield)	5,300	5,600	4,400	5,900
<i>Working Families' Tax Credit</i>				
Change basic credit by £1	70	70	50	70
Change child credits by £1	130	130	100	130
Change 30-hour credit by £1	40	40	30	40
Change income threshold by £1	30	30	20	30
Change income taper rate by 5 per cent: <sup>7</sup>				
Increase (yield)	190	200	140	200
Decrease (cost)	240	250	180	250

1. *The estimates are rounded and, unless otherwise shown, the figures apply to both increases and decreases. The extent of rounding reflects the desire to avoid undue compounding of its effects when numbers are pro-rated, rather than the accuracy of the estimates. The figures include consequential effects on the yield of capital gains tax and the effects of WFTC/DPTC offsets but exclude the effects on social security benefit expenditure. Changes are assumed to take effect from April 2001.*
2. *Including savings income taxable at the starting rate.*
3. *Covering savings income, but excluding dividends. This includes the consequential effects on the liability of higher rate taxpayers. The lower rate of tax on savings applies to income between the starting rate limit and the basic rate limit.*
4. *Children's Tax Credit is due to be introduced with effect from April 2001, at £4,420 per year (at a rate of 10 per cent), tapered away from families where one or both partners is a higher rate taxpayer.*
5. *Allowances for those aged 65-74 and aged 75 and over.*
6. *Allowances for those born before 6 April 1935.*
7. *Percentage changes are calculated with reference to 2000-01 levels except for the Children's Tax Credit where the changes are a percentage of £4,420 per year.*
8. *Assuming the changes in 2001-02 are carried through to 2002-03.*

**Table 5: Direct effects of illustrative changes in other direct taxes and national insurance contributions <sup>1</sup>**

	£ million cost/yield			
	2001–02 (accruals)	2002–03 <sup>6</sup> (accruals)	2001–02 (NAB)	2002–03 <sup>6</sup> (NAB)
<b>Corporation tax</b>				
Change starting rate by 1 percentage point <sup>2</sup>	10	10	0	10
Change small companies' rate by 1 percentage point <sup>2</sup>	180	190	0	140
Change main rate by 1 percentage point <sup>2</sup>	1,250	1,310	690	1,280
<b>Capital gains tax</b>				
Increase annual exempt amount by £500 for individuals and £250 for trustees	15	25	0	15
<b>Inheritance tax</b>				
Change rate by 1 percentage point	60	65	30	55
Increase threshold by £5,000	45	45	20	40
<b>National insurance contributions <sup>3</sup></b>				
<i>Rates</i>				
Change Class 1 employee rate by 1 percentage point	2,750	2,900	2,750	2,900
Change Class 1 employer rate by 1 percentage point	3,450	3,600	3,450	3,600
Change Class 2 rate by £1 per week <sup>4</sup>	110	115	115	115
Change Class 4 rate by 1 percentage point <sup>5</sup>	260	275	265	275
<i>Limits</i>				
Change employee entry threshold by £2 per week	210	215	210	215
Change employer threshold by £2 per week	260	265	260	265
Change lower profits limit by £104 per year (£2 per week)	15	15	15	15
Change upper profits limit by £520 per year (£10 per week)	15	15	15	15
Change upper earnings limit by £10 per week	110	110	110	110

1. The estimated revenue effects of the changes on receipts are rounded. The extent of rounding reflects the desire to avoid undue compounding of its effects when numbers are pro-rated, rather than the accuracy of the estimates. Changes are assumed to take effect from April 2001.
2. Estimates assume rate changes apply to profits from 1 April 2001. The effects on receipts of the main rate change take account of the introduction of instalment payments.
3. Includes the consequential effects on WFTC and DPTC.
4. Flat rate contributions payable by the self-employed with earnings above the small earnings exception rate in 2000–01.
5. Profit related contributions payable by the self-employed.
6. Assuming the changes in 2001–02 are carried through to 2002–03.

**Table 6: Direct effects of an illustrative change in indirect tax rates <sup>1</sup>**

One per cent change	Indicative level of duty on a typical item <sup>2</sup>	Typical item	Tax change of a typical item <sup>2</sup>	£ million yield <sup>3</sup>		
				2001–02 (NAB)	2002–03 (NAB)	2003–04 (NAB)
Beer and cider <sup>4</sup>	28p	Pint of beer	0.3p	30	30	30
Wine <sup>4</sup>	£1.16	75cl bottle of table wine	1.4p	15	15	15
Spirits <sup>4</sup>	£5.48	70cl bottle of whisky	6.4p	5	5	5
Tobacco <sup>4,5</sup>	£2.74	20 king size cigarettes	3.2p	60	70	70
Petrol <sup>4</sup>	48.82p	Litre of unleaded	0.6p	115	115	115
Diesel <sup>4</sup>	48.82p	Litre of ultra low sulphur	0.6p	100	105	110
Vehicle Excise Duty <sup>6</sup>	£155	Passenger and light goods vehicle	£1.50	50	50	50
Air Passenger Duty <sup>7</sup>	£5	Economy flight departure to EEA destination	5p	10	10	10
Landfill tax	£2/£11	Tonne of waste	2p/11p	5	5	5
<i>One percentage point change</i>						
VAT – Standard & reduced rates		Current rates are 17.5%, 5%		3,345	3,645	3,795
Insurance Premium Tax – standard and higher rates		Current rates are 5%, 17.5%		255	365	385

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 2000.

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 2001 for all taxes except Insurance Premium Tax (July 2001).

4. The tax change and revenue yield equals the change in duty plus the consequential VAT (at standard rate).

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

6. All Vehicle Excise Duty, including HGVs, cars and light vans.

7. All Air Passenger Duty, including budget, domestic and international flights.

**Table 7: Estimated costs of principal tax expenditures and structural reliefs<sup>1</sup>**

		£ million		£ million	
		1999–2000	2000–01	1999–2000	2000–01
<b>Tax Expenditures</b>					
<b>Income tax</b>			<b>Capital gains tax</b>		
Relief for:				Exemption of gains arising on disposal of only or	
Approved pension schemes <sup>2,3*</sup>	11,500	12,400		main residence <sup>17*</sup>	3,000
Approved profit sharing schemes <sup>4*</sup>	190	200		Retirement relief <sup>*</sup>	220
New all-employee share ownership plan <sup>5*</sup>	0	80			
Approved discretionary share option schemes <sup>6*</sup>	100	60			
Approved savings-related share option schemes <sup>7*</sup>	420	410			
Personal Equity Plans <sup>8*</sup>	1,000	900		<b>Inheritance tax</b>	
Individual Savings Accounts <sup>9*</sup>	120	450		Relief for:	
Venture Capital Trusts <sup>10*</sup>	110	120		Agricultural property <sup>*</sup>	100
Enterprise Investment Scheme <sup>11*</sup>	110	130		Business property <sup>*</sup>	120
Profit related pay <sup>*</sup>	900	150		Heritage property <sup>18*</sup>	20
Vocational training <sup>12,13*</sup>	55	30		Exemption of transfers to charities on death <sup>*</sup>	350
					360
Exemption of:				<b>Value Added Tax</b> <sup>19</sup>	
First £30,000 of payments on termination of employment <sup>*</sup>	1,100	1,100		Zero-rating of:	
Interest on National Savings Certificates including index-linked certificates	180	200		Food	8,250
Tax Exempt Special Savings Account interest <sup>14*</sup>	375	400		Construction of new dwellings (includes refunds to DIY builders) <sup>*</sup>	2,700
Premium Bond prizes <sup>*</sup>	90	130		Domestic passenger transport	1,600
SAYE <sup>*</sup>	90	60		International passenger transport (UK portion) <sup>20*</sup>	250
Income of charities <sup>15*</sup>	925	950		Books, newspapers and magazines	1,450
Foreign service allowance paid to Crown servants abroad <sup>*</sup>	100	100		Children's clothing	1,000
First £8,000 of reimbursed relocation packages provided by employers <sup>*</sup>	300	300		Water and sewerage services	1,000
				Drugs and supplies on prescription	600
Tax credits:				Supplies to charities <sup>21*</sup>	150
Life assurance premiums (for contracts made prior to 14 March 1984) <sup>12</sup>	110	100		Ships and aircraft above a certain size	350
Mortgage and life annuities interest <sup>12,16</sup>	1,600	80		Vehicles and other supplies to disabled people <sup>21</sup>	250
Working Families' Tax Credit <sup>*</sup>	1,010	4,600		Lower rate on domestic fuel and power <sup>22</sup>	1,600
Disabled Person's Tax Credit	20	100			1,600

**Table 7: Estimated costs of principal tax expenditures and structural reliefs (continued...)** <sup>1</sup>

	£ million			£ million	
	1999–2000	2000–01		1999–2000	2000–01
<b>Structural Reliefs</b>			<b>Reliefs with Tax Expenditure and Structural Components</b>		
<b>Income tax</b>			<b>Income tax</b>		
Personal allowance	32,900	32,900	Married couple's allowance <sup>25</sup>	1,900	0
			Age-related allowances <sup>26</sup>	1,400	1,700
<b>Income tax and corporation tax</b>			Additional personal allowance <sup>27</sup>	180	0
Double taxation relief <sup>23*</sup>	6,000	6,000	Relief for maintenance payments <sup>*</sup>	90	0
<b>Corporation tax</b>			Exemption of:		
Reduced rate of corporation tax on policy holders' fraction of profit <sup>*</sup>	450	400	British government securities where owner not ordinarily resident in the United Kingdom <sup>28*</sup>	850	850
			Child Benefit (including one parent benefit) <sup>29*</sup>	830	860
<b>National insurance contributions</b>			Long-term incapacity benefit <sup>30*</sup>	210	140
Contracted-out rebate occupational schemes: <sup>*</sup>			Industrial disablement benefits <sup>*</sup>	80	80
Occupational schemes deducted from national insurance contributions received	5,890	6,250	Attendance allowance <sup>*</sup>	220	220
Occupational schemes (COMPS) paid by the Contributions Agency direct to scheme	110	120	Disability living allowance <sup>*</sup>	390	410
Personal pensions	2,390	2,570	War disablement benefits <sup>*</sup>	90	80
			War widow's pension <sup>*</sup>	60	50
<b>Value added tax</b> <sup>19</sup>			<b>Income tax and corporation tax</b>		
Refunds to:			Capital allowances <sup>31*</sup>	17,700	18,800
Local authorities and Northern Ireland government of VAT incurred on non-business purchases	3,700	3,900	of which:		
The BBC and ITN of VAT incurred on non-business purchases	250	250	First year allowances for SMEs <sup>*</sup>	300	170
Central Government, Health Authorities and NHS Trusts on contracted-out services and projects under the Private Finance Initiative <sup>24</sup>	1,850	1,950	<b>Corporation tax</b>		
			Small companies' reduced corporation tax rate <sup>*</sup>	1,700	1,800
			Starting rate of corporation tax <sup>32</sup>	0	150
			<b>Capital gains tax</b>		
			Indexation allowance and rebasing to March 1982 <sup>33*</sup>	550	400
			Taper relief <sup>34*</sup>	130	310
			Exemption of:		
			Annual exempt amount (half of the individual's exemption for trustees) <sup>35*</sup>	2,000	1,500
			Gains accrued but unrealised at death <sup>36*</sup>	1,200	1,100

**Table 7: Estimated costs of principal tax expenditures and structural reliefs (continued ...)**<sup>1</sup>

	£ million			£ million	
	1999–2000	2000–01		1999–2000	2000–01
<b>Petroleum revenue tax</b> <sup>37</sup>			<b>National insurance contributions</b>		
Uplift on qualifying expenditure	210	275	Reduced contributions for self-employed not attributable to reduced benefit eligibility (constant cost basis)	2,400	2,400
Relief for exploration and appraisal expenditure	30	55			
Oil allowance	300	700			
Safeguard: a protection for return on capital cost	300	200			
Tariff receipts allowance	70	120			
Exemption for gas sold to British Gas under pre-July 1975 contracts	150	160	<b>Value added tax</b> <sup>19</sup>		
			Exemption of: <sup>40</sup>		
			Rent on domestic dwellings*	2,850	3,000
			Rent on commercial properties*	1,750	1,850
			Private education	350	350
			Health services*	550	550
			Postal services	400	400
			Burial and cremation	100	100
			Finance and insurance <sup>41</sup>	100	100
			Betting and gaming and lottery	750	750
			Small traders	100	100
<b>Inheritance tax</b>					
Nil rate band for chargeable transfers not exceeding the threshold*	5,900	6,200			
Exemption of transfers on death to surviving spouses <sup>38*</sup>	1,100	1,200			
<b>Stamp duties</b>					
Exemption of transfers of land and property where the consideration does not exceed the threshold <sup>39*</sup>	230	200			

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

## Notes for Table 7

1. *Costs are on an accruals basis unless otherwise specified and only reliefs with an estimated cost of at least £50 million are included. The costs of the personal income tax allowances do not cover individuals who are not on Inland Revenue records because their income is below the tax threshold.*
2. *The baseline for calculation is unapproved schemes. The figure is the sum of the front-end relief on contributions plus the relief on the investment income of funds, net of the tax paid on current pension payments. Relief on capital gains made by funds is not included, due to lack of information about duration of holdings.*
3. *The cost of tax relief for employers' contributions is included on the basis that under present arrangements employers' contributions are not taxable as a benefit in kind of the employee.*
4. *The costs take into account that tax relief is denied where the participants sell the shares within three years of the date of appropriation.*
5. *The new all-employee share ownership plan was introduced in Finance Act 2000.*
6. *The costs take into account the partial offset provided by liability to capital gains tax arising from disposals of shares acquired under the scheme.*
7. *Excludes the cost of the tax-free bonus or interest received under a SAYE contract.*
8. *Includes the cost of exempting gains within Personal Equity Plans (PEPs) from capital gains tax (CGT). No subscriptions may be made to PEPs after 5 April 1999, but savers holding PEPs will be able to continue holding them under current rules.*
9. *Individual savings accounts (ISAs) were introduced with effect from 6 April 1999.*
10. *Includes the CGT costs of deferral reliefs and exempting gains from tax.*
11. *The figure includes the CGT cost of deferral relief.*
12. *Including the cost of deductions at source for non-taxpayers.*
13. *This relief was abolished for payments made after 31 August 2000.*
14. *No new Tax Exempt Special Savings Accounts (TESSAs) may be taken out after 5 April 1999, but TESSAs taken out up to that date are able to run their full five year course.*
15. *These figures comprise:*
  - i *the total sum paid to charities, certain heritage bodies and museums, and scientific research associations in respect of: tax credits on dividends and income tax deducted at source from other investment income; payments under deeds of covenant; and single donations by companies and individuals under the Gift Aid scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance in the figures is made for this; and*
  - ii *an estimate of the higher rate relief received by the payers of covenanted sums and single donations under Gift Aid.*
16. *Relief on mortgage interest repayments was removed from 6 April 2000. Relief for those aged 65 and over who take out loans to buy a life annuity (a home income plan) ended with effect from 9 March 1999, but existing loans will continue to qualify for the remainder of the loan period.*
17. *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.*
18. *This is the cost of claims processed in the year, including cost of conditional exemption, maintenance funds and property transferred by acceptance in lieu and private treaty sale arrangements.*
19. *Some of these tax expenditures and reliefs are mandatory or permitted under the EC 6th VAT Directive and some are derogations from the Directive. These estimates are produced on a national accounts basis following the adoption of the European System of Accounts in autumn 1998. This new accounting system has had a particular effect on the costing for the exemption of rent on commercial properties. Some refinements in both data and methodology have also been included.*
20. *These figures do not include amounts for international transport outside the scope of UK VAT.*
21. *Costs exclude zero-rating of items appearing higher in the list and reduced rate on domestic fuel and power.*
22. *These figures are estimates of the cost of the difference between the standard rate of VAT and the reduced rate (of 5 per cent).*
23. *Based on provisional Corporation Tax Pay and File data for accounting periods ending in 1998–99 and the results of the 1998–99 Survey of Personal Incomes.*
24. *Relates to supplies specified under section 41(3) of the VAT Act 1994, contracted out services and projects under the Private Finance Initiative.*
25. *From 1993–94 the married couple's allowance can be transferred to the wife or split equally between husband and wife regardless of income. The under-65s married couples allowance and the additional personal allowance ceased from 2000–01.*

26. *These figures represent the cost of the excess of the age-related personal and married couple's allowance over the corresponding allowances for non-aged taxpayers. They include £60 million in both 1999–2000 and 2000–01 for the cost of the higher age-related allowances for those aged 75 and over.*
27. *Including small amounts (under £5 million) for the additional personal allowance available to a married person with children whose spouse is totally incapacitated.*
28. *Taxed at the lower rate from 1996–97.*
29. *The figures assume that Child Benefit is paid to the mother or lone father.*
30. *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.*
31. *The figures for capital allowances are net of balancing charges. They include writing down and other allowances. 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.*
32. *The new 10 per cent starting rate of corporation tax applied from 1 April 2000.*
33. *The estimated costs relate to gains of individuals and trustees only. Company gains are not included because of estimation difficulties.*
34. *In 1999–2000 taper relief is only available for those disposing of business assets.*
35. *These estimates allow for windfall gains arising from the disposal of shares issued in connection with building society and insurance company de-mutualisation. The figures shown for 1999–2000 and 2000–01 are rounded to the nearest £500 million to reflect additional uncertainty due to the exceptional level of de-mutualisation activity in recent years.*
36. *These estimates assume deferral relief on transfer of assets between spouses would be available.*
37. *The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 1999 and 2000. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,700 million in 1999–2000 and £2,100 million in 2000–01. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.*
38. *These costs are in respect only of transfers for which an account is submitted to the Capital Taxes Office.*
39. *The threshold does not apply to transfers of shares.*
40. *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.*
41. *The estimate includes an element for the indirect charges financial institutions make to their customers through charging higher interest rates to borrowers and paying lower rates to lenders; in practice identifying such indirect charges for VAT purposes would be extremely difficult. Because of the large volume of transactions between these sectors covered by this estimate, the sum of individual estimates for each sector will differ from the joint estimate provided here. The figures are based on previously published estimates.*