

2006 Pre-Budget Report: tax ready reckoner and tax reliefs

December 2006



HM TREASURY



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ISBN-10: 1-84532-226-6

ISBN-13: 978-1-84532-226-7

Printed by The Stationery Office 12/06

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TAX READY RECKONER AND TAX RELIEFS

1.1 This document provides estimates of the effects of various illustrative tax changes on tax revenues in 2007–08, 2008–09 and 2009–10. Estimates of the costs of the main tax reliefs are also provided for 2005–06 and 2006–07.

1.2 The main tax rates for the current tax year, 2006–07, are shown in Table 1.

1.3 Except where figures have been pre-announced in Financial Statements and Budget Reports or Pre-Budget Reports, Table 2 shows allowances, thresholds and limits for income tax, personal tax credits, inheritance tax and capital gains tax for 2007–08, assuming the standard method of indexation (using the September 2006 RPI increase of 3.6 per cent) and after applying the statutory rounding rules for each of the taxes.

1.4 The costs presented in Tables 3 to 6 are on a **national accounts basis** (NAB). The national accounts basis aims to recognise tax as the tax liability accrues, irrespective of when the tax is received by the Exchequer. However, some taxes are scored on a receipts basis (i.e. when the Exchequer actually receives money), principally reflecting the difficulty in assessing the period to which the tax liability relates. Examples of such taxes are corporation tax, self-assessment income tax, stamp duty land tax, inheritance tax and capital gains tax. This approach is consistent with other Government publications.

Indexations and revaluations

1.5 Table 3 shows estimates of the costs of the indexations and revaluations of the main taxes assuming the standard method of indexation or revaluation and after applying the statutory rounding rules for each of the taxes. Where relevant, direct taxes use the September 2006 RPI increase of 3.6 per cent.

Tax ready reckoner

1.6 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 2006 Pre-Budget Report forecasts and are based on the tax system following the Finance Act 2006.

1.7 The tables show estimates of the direct effects on tax revenues of a variety of tax changes. In practice, these tax changes will themselves affect economic variables and the levels of overall income and spending, which in turn will have further effects on tax revenues and on public sector net borrowing.

1.8 The figures given for 2008-09 and 2009-10 assume that the changes in 2007-08 are carried through to those years. 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.

1.9 The costs presented here in the Tax ready reckoner are not directly comparable to those presented in the Budget and Pre-Budget Reports. This is primarily because, unless otherwise stated, they exclude the effect of behavioural changes and also the impact of any other tax changes. They do, however, provide a general indication to the potential effects on government revenues of changes in taxation. Further information on the costing of Budget measures can be found in Chapter A of the Financial Statement and Budget Report.

1.10 The effects of the illustrative changes can be scaled up or down to give a reasonable guide to the potential revenue effects. However, with large changes the

margins of uncertainty surrounding the effects on revenue become progressively larger, therefore scaled estimates will be less reliable. The extra cost of a marginal change in allowances or, in particular, the income tax 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.

1.11 The total cost of a group of changes can be broadly assessed by adding together the revenue effects of each change. However, if for example income tax allowances are increased substantially and combined with a reduction in the starting, basic or higher rate, the cost of the rate reductions will be reduced. In such cases, the cost or yield obtained by adding components from the ready reckoner should be considered only as a general guide.

1.12 Tables 4 and 5 show estimates of the direct revenue effects of illustrative changes in income tax, personal tax credits, corporation tax, capital gains tax, inheritance tax, and national insurance contributions taking effect from April 2007. Estimates are measured from the relevant standard indexed base.

1.13 Table 6 shows the revenue effects of a one per cent or one percentage point illustrative change in indirect taxes, assuming other duties are unchanged from April 2007.

Tax reliefs **1.14** Table 7 provides the latest estimates of the revenue costs of some of the main reliefs against tax and national insurance contributions in 2005–06 and preliminary estimates for 2006–07. The figures are shown on a full-year accruals basis unless otherwise specified and only reliefs with an estimated annual cost of at least £50 million are included. The costs of minor tax reliefs can be found on the HM Revenue and Customs website.

1.15 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’.

1.16 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 such structural reliefs, the Government has some discretion about the level at which they are set.

1.17 The split between structural reliefs and tax expenditures is inevitably broad-brush and the distinction is not always straightforward. Many reliefs combine both structural and discretionary components. Capital allowances, for example, can provide relief for depreciation at a commercial rate as well as an element of accelerated relief. It is this element that represents additional help provided to business by the Government and is a ‘tax expenditure’.

1.18 The figures should only be regarded as broad estimates. The loss of revenue from a tax relief cannot be directly observed and so the estimates are often based on simplified assumptions. The cost of a relief also depends on the tax base against which it is measured. Largely because of the difficulties of estimation, the published tables are not comprehensive, but do cover the major reliefs and allowances.

1.19 It is important to note that each relief is costed separately. In some cases the combined cost of a number of reliefs will differ significantly from the sum of the figures for the individual reliefs.

1.20 The figures do not allow for any behavioural changes as a result of the reliefs. In practice, if a relief was withdrawn, taxpayers' behaviour would often alter so that the actual yield from ending the relief would be very different from, and often smaller than, that shown. The sizes of behavioural change will depend on the particular 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: 2006-07 main tax rates

	Per cent
Income tax and capital gains tax ¹	
starting rate	10
basic rate ²	22
higher rate ³	40
Inheritance tax	40
Corporation tax	
small companies' rate	19
main rate	30
VAT standard rate	17.5

1. The rate applicable to trusts is 40 per cent.

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

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

Table 2: Allowances and limits

	2006-07	2007-08 ¹
Income tax		
Personal allowance	5,035	5,225 ²
Personal allowance (age 65-74)	7,280	7,550 ²
Personal allowance (age 75 and over)	7,420	7,690 ²
Married couple's allowance (born before 6 April 1935) ³	6,065	6,285 ²
Married couple's allowance (age 75 and over) ³	6,135	6,365 ²
Minimum married couple's allowance	2,350	2,440 ²
Aged income limit ⁴	20,100	20,900 ²
Blind person's allowance	1,660	1,730 ²
Starting rate limit	2,150	2,230
Basic rate limit	33,300	34,600

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

	£	
	2006-07	2007-08 ¹
Tax credits (annual amounts)		
Working Tax Credit		
Basic element	1,665	1,730 ²
Couple and lone parent element	1,640	1,700 ²
30 hour element	680	705 ²
Disabled worker element	2,225	2,310 ²
Severe disability element	945	980 ²
Childcare element		
maximum eligible cost for one child	£175 per week	£175 per week ²
maximum eligible cost for two or more children	£300 per week	£300 per week ²
per cent of eligible costs covered	80%	80% ²
Child Tax Credit		
Family element	545	545 ²
Family element, baby addition	545	545 ²
Child element	1,765	1,845 ²
Disabled child element	2,350	2,440 ²
Severely disabled child element	945	980 ²
Common Features to Working and Child Tax Credit		
First income threshold	5,220	5,220 ²
First withdrawal rate (per cent)	37%	37% ²
Second income threshold	50,000	50,000 ²
Second withdrawal rate (per cent)	6.67%	6.67% ²
First threshold for those entitled to Child Tax Credit only	14,155	14,495 ²
Inheritance tax threshold	285,000	300,000 ²
Capital gains tax		
Annual exempt amount: individuals	8,800	9,200
Annual exempt amount: trustees	4,400	4,600

1. Except where figures have been pre-announced in a Financial Statement and Budget Report or a Pre-Budget Report, figures are calculated by applying 3.6 per cent indexation and statutory rounding rules.
2. These figures have been pre-announced and confirmed in either a Financial Statement and Budget Report or a Pre-Budget Report.
3. Either partner. Includes civil partnerships. Relief is restricted to 10%.
4. Age related allowances are subject to the aged income limit above which these allowances are reduced by one half of the amount over the limit subject to minimums of the basic personal allowance and minimum married couples allowance.

Table 3: Cost of indexation and yield of revalorisation

	2007–08	2008–09	2009–10
Indexation of all income tax allowances, starting and basic rate limits ¹	2,950	3,480	3,090
of which:			
Increases in allowances ¹	1,180	1,410	1,200
Increase in the starting-rate limit ^{1,2}	220	250	210
Increase in the basic-rate limit ^{1,2}	560	830	710
Increase in the Child Tax Credit ^{1,3}	760	770	790
Increase in the Working Tax Credit ¹	230	220	180
Indexation of inheritance tax threshold ¹	90	190	205
Indexation of capital gains tax annual exempt amount ¹	0	20	20
Revalorisation of beer, wine and cider duties ^{4,5}	210	205	225
Revalorisation of spirits duties ^{4,5}	20	20	10
Revalorisation of petrol and diesel duties ^{4,5}	795	785	795
Revalorisation of rebated oil duties ^{4,5}	15	20	20
Revalorisation of air passenger duties ^{4,5,6}	35	40	40
Revalorisation of climate change levy ⁴	25	20	20
Revalorisation of aggregates levy ⁴	10	10	10

1. Figures assume 3.6 per cent indexation for 2007–08, 3.4 per cent in 2008-09 and 2.8 per cent in 2009-10. Costs are based on unrounded indexation.
2. Additional cost after change set out in the line above has been introduced.
3. Figures include all announced changes to rates. Includes increasing child element for those receiving Income Support and income-based Jobseeker's Allowance.
4. Figures assume 3.4 per cent revalorisation for 2007–08, 2.8 per cent in 2008-09 and 2.7 per cent in 2009-10.
5. Revenue effects (from the change in duty plus consequential VAT at standard rate) include behavioural effects.
6. Assumes implementation in April each year.

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

	2007–08	2008–09	2009–10
<i>Rates</i>			
Change starting-rate by 1p ²	550	680	680
Change lower rate on savings income by 1p	100	150	140
Change basic-rate by 1p ³	3,150	3,900	3,950
Change basic-rate in Scotland by 1p ³	270	320	330
Change higher-rate by 1p ⁴	800	1,390	1,360
<i>Allowances and reliefs</i>			
Change personal allowance by £100	520	650	620
Change age-related personal allowances by £100	60	75	75
Change aged income limit by £500	15	30	25
Change all personal allowances by 1 per cent	320	400	410
Change all personal allowances by 10 per cent	3,150	4,000	4,000
<i>Limits</i>			
Change starting-rate limit by £100	280	330	320
Change basic-rate limit by 1 per cent	150	240	240
Change basic-rate limit by 10 per cent:			
Increase (cost)	1,400	2,200	2,150
Decrease (yield)	1,700	2,700	2,700
<i>Allowances, starting and basic-rate limits</i>			
Change all main allowances, starting and basic-rate limits by 1 per cent	540	740	740
Change all main allowances, starting and basic-rate limits by 10 per cent:			
Increase (cost)	5,100	7,000	7,000
Decrease (yield)	5,800	7,900	7,900
<i>Working Tax Credit</i>			
Change basic element by £100	310	320	300
Change 30-hour element by £100	220	230	220
Change additional elements for couples and lone parents by £100	300	290	310
<i>Child Tax Credit</i>			
Change family element by £100 ⁵	620	600	590
Change child element by £100 ⁶	730	740	780
<i>Common Features</i>			
Change first income threshold by £100 ⁷	110	110	100
Change second income threshold by £1,000	30	30	40

1. The figures include consequential effects on the yield of capital gains tax. Changes are assumed to take effect from April 2007.

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

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

4. Excludes dividend income.

5. Excluding family element, baby addition.

6. Includes increasing child element for those receiving Income Support and Jobseeker's Allowance.

7. The methodology for these figures has been revised and updated.

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

	2007–08	2008–09	2009–10
Corporation tax			
Change small companies' rate by 1 percentage point ^{2,3}	10	360	510
Change main rate by 1 percentage point	850	1,450	1,550
Capital gains tax			
Increase annual exempt amount by £500 for individuals and £250 for trustees	0	30	30
Inheritance tax			
Change rate by 1 percentage point	45	100	110
Increase threshold by £5,000	35	75	85
National insurance contributions			
<i>Rates</i>			
Change Class 1 employee main rate by 1 percentage point	3,500	3,650	3,850
Change Class 1 employee additional rate by 1 percentage point	1,150	1,250	1,300
Change Class 1 employer rate by 1 percentage point ⁴	4,800	5,050	5,350
Change Class 2 rate by £1 per week	115	120	125
Change Class 4 main rate by 1 percentage point	315	330	345
Change Class 4 additional rate by 1 percentage point	185	195	210
<i>Limits</i>			
Change employee entry threshold by £2 per week	240	250	260
Change employer threshold by £2 per week	290	300	310
Change lower profits limit by £104 per year (£2 per week)	20	20	20
Change upper profits limit by £520 per year (£10 per week) ⁵	15	15	15
Change upper earnings limit by £10 per week ⁵	150	155	165

1. Changes are assumed to take effect from April 2007.

2. Estimates assume rate changes apply to profits from April 2007.

3. Estimates assume a continued high rate of new incorporations.

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

5. Estimates include employee national insurance contributions and offsetting effects of contracted-out rebates. Consequential long-term effects on State Second Pension expenditure have not been allowed for.

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

		Indicative level of duty on a typical item ¹		
		2007–08	2008–09	2009–10
One per cent change				
Beer and cider duties ³	Pint of beer: 31p	40	40	45
Wine duties ³	75cl bottle of table wine: £1.29	20	20	25
Spirits duties ³	70cl bottle of whisky: £5.48	5	5	5
Tobacco duties ^{3,4}	20 king size cigarettes: £3.25	5	5	5
Petrol ³	Litre of ultra low sulphur: 48.35p	120	115	115
Diesel ³	Litre of ultra low sulphur: 48.35p	125	125	130
Rebated oil ³	Litre of gas oil: 7.69p	5	5	5
Vehicle Excise Duty	Petrol car band E: £150	55	60	60
Air passenger duty ⁵	Economy flight departure: £5	10	10	10
Landfill tax	Tonne of waste: £2/£21	10	10	10
Climate change levy	100kWh of business electricity: 43p	5	5	5
Aggregates levy	Tonne of aggregate: £1.60	5	5	5
VAT				
VAT: change reduced rate by 1 percentage point ⁶		175	185	195
VAT: change standard rate by 1 percentage point		4,530	4,745	4,960
Insurance premium tax				
Change standard rate by 1 percentage point		350	485	510
Change higher rate by 1 percentage point		10	10	10
Stamp duty land tax				
Change 1 per cent rate by 1 percentage point ^{7,8}		950	950	960
Change 3 per cent rate by 1 percentage point ^{7,8}		760	830	890
Change rate on leases by 1 percentage point ⁷		290	320	340
Increase £250,000 threshold by £5,000 ^{7,8}		60	60	70

1. These figures are illustrative as at 6 December 2006 and do not equate to the weighted average level of duty on each item.

2. Assuming implementation in April 2007 for all taxes except insurance premium tax (July 2007).

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

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

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

6. The methodology for this costing has been revised and updated.

7. Estimates include both residential and commercial transactions.

8. The data source for these costings has changed.

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

	£ million	
	2005-06	2006-07
Tax Expenditures		
Income tax		
Relief for:		
Approved pension schemes ^{2*}	14,300	16,300
Share Incentive Plan *	250	270
Approved savings-related share schemes ^{3*}	120	130
Enterprise Management Incentives *	110	120
Approved Company Share Option Plans *	170	190
Personal Equity Plans *	450	480
Individual Savings Accounts *	1,350	1,630
Venture Capital Trusts ^{4*}	325	75
Enterprise Investment Scheme ^{4*}	170	140
Professional subscriptions *	80	85
Rent a room *	100	100
Exemption of:		
First £30,000 of payments on termination of employment *	800	800
Interest on National Savings Certificates including index-linked certificates *	110	150
Premium Bond prizes *	170	200
Income of charities ^{5*}	1,050	1,100
Foreign service allowance paid to Crown servants abroad *	90	95
First £8,000 of reimbursed relocation packages provided by employers *	300	300
Life assurance premiums (for contracts made prior to 14 March 1984) ⁶	55	50
Personal Tax Credits ⁷	4,400	4,600
Corporation tax		
R&D tax credits ^{8*}	530	570
Income tax and corporation tax		
Small budget film tax relief ^{9*}	420	240
Large budget film tax relief ^{9*}	280	240
National insurance contributions		
Relief for:		
Share Incentive Plan *	170	190
Approved savings-related share schemes *	80	90
Approved company share option plans *	50	50
Employer contributions to approved pension schemes ^{10*}	7,900	9,000
Capital gains tax		
Exemption of gains arising on disposal of only or main residence ¹¹	13,000	15,000

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

	£ million	
	2005-06	2006-07
Inheritance tax		
Relief for:		
Agricultural property *	210	230
Business property *	320	350
Exemption of transfers to charities on death *	470	520
Value added tax ¹²		
Zero-rating of:		
Food	10,500	10,800
Construction of new dwellings (includes refunds to DIY builders) *	7,200	7,700
Domestic passenger transport	2,200	2,250
International passenger transport (UK portion) *	100	100
Books, newspapers and magazines	1,600	1,650
Children's clothing	1,200	1,250
Water and sewerage services	1,200	1,200
Drugs and supplies on prescription	1,150	1,200
Supplies to charities ¹³ *	200	200
Ships and aircraft above a certain size	600	650
Vehicles and other supplies to disabled people ¹³	400	450
Reduced rate for: ¹⁴		
Domestic fuel and power	2,200	2,200
Certain residential conversions and renovations	150	150
Energy-saving materials	50	50
Women's sanitary products	50	50
Structural Reliefs		
Income tax		
Personal allowance	38,300	40,000
Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit *	950	1,200
Income tax and corporation tax		
Double taxation relief ¹⁵ *	9,000	9,000
National insurance contributions		
Contracted-out rebate occupational schemes: *		
Rebates deducted at source by employers	7,240	7,480
Rebates paid by the Contributions Agency direct to the scheme	210	200
Personal and stakeholder pensions ¹⁶	2,290	2,130

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

	£ million	
	2005-06	2006-07
Value added tax ¹²		
Refunds to:		
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	300	350
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme (includes national museums and galleries under the Section 33A refund scheme)	7,150	7,450
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	3,900	4,100
Reliefs with Tax Expenditure and Structural Components		
Income tax		
Age-related allowances ¹⁷	2,300	2,400
Reduced rate for savings ¹⁸	210	220
Exemption of:		
British Government securities where owner not ordinarily resident in the UK *	1,230	1,230
Child Benefit (including one parent benefit) ¹⁹ *	1,080	1,130
Long-term incapacity benefit ¹⁶ *	220	220
Industrial disablement benefits *	60	60
Attendance allowance *	110	110
Disability living allowance *	350	360
War disablement benefits *	60	60
War widow's pension *	30	30
Corporation tax		
Small companies' reduced corporation tax rate ^{16, 20}	3,970	4,500
Starting rate of corporation tax	430	0
Exemption for gains on substantial shareholdings	260	260
Income tax and corporation tax		
Capital allowances ²¹ *	18,600	19,330
Of which:		
First year allowances for SMEs *	380	620
Enhanced capital allowances for energy saving technology	170	130
Accelerated capital allowances for Enterprise Zones	90	40
Capital gains tax		
Indexation allowance and rebasing to March 1982 ²²	310	300
Taper relief *	4,780	6,320
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees) *	2,150	2,550
Gains accrued but unrealised at death ²³ *	700	700

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

	£ million	
	2005-06	2006-07
Petroleum revenue tax ²⁴		
Uplift on qualifying expenditure	80	100
Oil allowance	820	990
Safeguard: a protection for return on capital cost	40	60
Tariff receipts allowance	80	40
Exemption for gas sold to British Gas under pre-July 1975 contracts	40	50
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold *	10,500	11,300
Exemption of transfers on death to surviving spouses ²⁵	2,000	2,200
Stamp duty land tax		
Exemption of transfers of land and property where the consideration does not exceed the £120,000 threshold in 2005-06 and the £125,000 threshold in 2006-07 and non-residential land and property where the consideration does not exceed the £150,000 threshold *	520	530
Exemption of all residential transfers in designated disadvantaged wards where the consideration exceeds £120,000 in 2005-06, £125,000 in 2006-07 but does not exceed £150,000. ²⁰	50	50
Transfers to charities	120	110
Group relief	1,510	1,580
Transfers to registered social landlords	60	70
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility (constant cost basis)	1,800	1,900
Value added tax ¹²		
Exemption of: ²⁶		
Rent on domestic dwellings *	3,150	3,350
Supplies of commercial property *	150	150
Private education	300	300
Health services *	850	900
Postal services *	500	500
Burial and cremation	100	100
Finance and insurance *	3,950	4,200
Betting and gaming and lottery duties *	1,250	1,350
Small traders below the turnover limit for VAT registration ^{20*}	900	950
Vehicle Excise Duty		
Exemption for disabled motorists	160	160

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

Notes for Table 7

1. For this table it is important to note the general notes regarding tax reliefs in the introduction. The costs of the personal income tax allowances do not cover individuals who are not on HMRC records because their income is below the tax threshold.
2. The 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. The figure includes the CGT cost of deferral relief and exempting gains from tax.
3. Excludes the cost of the tax-free bonus or interest received under a SAYE contract.
4. These figures include the CGT cost as well as the income tax cost.
5. These figures comprise the total sum paid to charities, certain heritage bodies and museums, and scientific research associations in respect of: tax credits on dividends paid up to 5 April 2004 (in the form of transitional relief on dividends paid from 6 April 1999) and income tax deducted at source from other investment income; basic rate tax relief on payments under deeds of covenant and donations under the Gift Aid scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance in the figures is made for this. The figures also include an estimate of the following reliefs received by donors: higher rate relief on covenanted sums and donations under Gift Aid; basic and higher rate relief for donations of shares and real property; basic and higher rate relief on donations made under the payroll giving scheme.
6. Including the cost of deductions at source for non-taxpayers.
7. These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the tax credit that is less than or equal to the tax liability of the family. Payments exceeding this liability are treated as public expenditure and are not included in these figures.
8. These figures represent only the negative tax element of R&D tax credits. Negative tax is that part of the tax relief due to the enhanced expenditure (i.e. amounts in excess of 100 per cent of the expenditure) which offsets liability to corporation tax. Directly payable tax credits are treated as public expenditure and are not included in these figures. The equivalent figures for the public expenditure element of R&D tax credits are £230 million in 2005-06 and £230 million in 2006-07.
9. The figures provided represent only the estimated cost of the tax relief and are on a receipts basis. These figures include substantial known avoidance that was closed down by anti-avoidance measures announced at the 2004 Pre-Budget Report.
10. The baseline for the calculation is employer contributions to unapproved pension schemes.
11. 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.
12. 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.
13. Costs exclude the zero-rating of items appearing higher in the list and the reduced rate on domestic fuel and power.
14. The figures for all reduced-rate items are estimates of the cost of the difference between the standard rate of VAT and the reduced rate of 5 per cent.
15. This figure is illustrative only, showing the estimated cost to the Exchequer of the current double tax reliefs, it is based on provisional corporation tax assessment data for accounting periods ending in 2004-05 and the results of the 2004-05 Survey of Personal Incomes.
16. The data for these costs have been revised and updated.
17. These figures represent the cost of the excess of the age-related personal allowance over the corresponding allowances for non-aged taxpayers. They include £35 million in 2005-06 and £40 million in 2006-07 for the cost of the higher age-related allowances for those aged 75 and over.
18. These figures represent the difference between the basic rate of 22 per cent and the basic rate on savings income of 20 per cent.
19. The figures assume that Child Benefit is paid to the mother or lone father.
20. The methodology for these figures has been revised and updated.
21. The figures for capital allowances are on an accruals basis, net of balancing charges and reflect the cost in the year investment takes place. Because enhanced capital allowances bring forward tax relief from future years, most of the first year cost will be offset by lower allowances claims in the future.
22. The estimated costs relate to gains of individuals and trustees only. Company gains are not included because of estimation difficulties.
23. These estimates assume deferral relief on transfer of assets between spouses would be available.
24. The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2005 and 2006. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,525 million in 2005-06 and £1,375 million in 2006-07. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.
25. Includes civil partnerships. These costs are only in respect of transfers for which an account is submitted to HMRC.
26. 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.

ISBN 1-84532-226-6



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