

Tax ready reckoner and tax reliefs

December 2005



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CONTENTS

	Page
Introduction	3
Table 1: 2005-06 main tax rates	6
Table 2: Allowances and limits	6
Table 3: Cost of indexation and yield of revalorisation	8
Table 4: Direct effects of illustrative changes in income tax	9
Table 5: Direct effects of illustrative changes in other direct taxes and national insurance contributions	10
Table 6: Direct effects of illustrative changes in indirect tax rates	11
Table 7: Estimated costs of the principal tax expenditures and structural reliefs	12

TAX READY RECKONER AND TAX RELIEFS

1.1 This document provides estimates of the effects of various illustrative tax changes on tax revenues in 2006–07, 2007–08 and 2008–09. Estimates of the costs of the main tax reliefs are also provided for 2004–05 and 2005–06.

1.2 The main tax rates for the current tax year, 2005–06, 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 2006–07, assuming the standard method of indexation (using the September 2005 RPI increase of 2.7 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 2005 RPI increase of 2.7 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 2005 Pre-Budget Report forecasts and are based on the tax system following the Finance Act (No. 2) 2005.

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 2007-08 and 2008-09 assume that the changes in 2006-07 are carried through to those years. The estimates are rounded to the nearest £5 million and, unless otherwise shown, the figures apply to both increases and decreases. The extent of rounding reflects the desire to avoid undue compounding of the estimates 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 2006. 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 2006.

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 2004–05 and preliminary estimates for 2005–06. 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: 2005-06 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	
starting rate	0
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

	£	
	2005-06	2006-07 ¹
Income tax		
Personal allowance	4,895	5,035 ²
Personal allowance (age 65–74)	7,090	7,280 ²
Personal allowance (age 75 and over)	7,220	7,420 ²
Married couple's allowance (born before 6 April 1935)	5,905	6,065 ²
Married couple's allowance (age 75 and over)	5,975	6,135 ²
Blind person's allowance	1,610	1,660 ²
Aged income limit	19,500	20,100 ²
Starting rate limit	2,090	2,150
Basic rate limit	32,400	33,300

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

	£ million	
	2005–06	2006-07 ¹
Tax credits (annual amounts)		
Working Tax Credit		
Basic element	1,620	1,665 ²
Couple and lone parent element	1,595	1,640 ²
30 hour element	660	680 ²
Disabled worker element	2,165	2,225 ²
Severe disability element	920	945 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	70%	80% ²
Child Tax Credit		
Family element	545	545 ²
Family element, baby addition	545	545 ²
Child element	1,690	1,765 ²
Disabled child element	2,285	2,350 ²
Severely disabled child element	920	945 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	13,910	14,155 ²
Inheritance tax threshold	275,000	285,000 ²
Capital gains tax		
Annual exempt amount: individuals	8,500	8,800
Annual exempt amount: trustees	4,250	4,400

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 2.7 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.

Table 3: Cost of indexation and yield of revalorisation

	£ million		
	2006–07	2007–08	2008–09
Indexation of all income tax allowances, starting and basic rate limits ¹	2,380	2,730	2,630
of which:			
Increases in allowances ¹	870	1,150	1,140
Increase in the starting-rate limit ^{1,2}	160	200	220
Increase in the basic-rate limit ^{1,2}	410	580	630
Increase in the Child Tax Credit ^{1,3}	670	655	485
Increase in the Working Tax Credit ¹	270	145	155
Indexation of inheritance tax threshold ^{1,4}	15	95	75
Indexation of capital gains tax annual exempt amount ¹	0	15	15
Revalorisation of beer, wine and cider duties ⁵	155	160	165
Revalorisation of spirits duties ⁵	25	20	20
Revalorisation of petrol and diesel duties ⁵	530	640	645
Revalorisation of air passenger duties ⁵	10	10	15
Revalorisation of climate change levy ⁵	20	25	25
Revalorisation of aggregates levy ⁵	10	10	10

1. Figures assume 2.7 per cent indexation for 2006–07, 2.4 per cent in 2007–08 and 2.8 per cent in 2008–09. 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 are based on the announcement in Budget 2005 for 2006–07 and 2007–08.

5. Figures assume 2.4 per cent revalorisation for 2006–07, 2.9 per cent in 2007–08 and 2.8 per cent in 2008–09.

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

	£ million cost/yield		
	2006–07	2007–08	2008–09
<i>Rates</i>			
Change starting-rate by 1p ²	520	640	640
Change lower rate on savings income by 1p	70	110	120
Change basic-rate by 1p ³	3,000	3,700	3,700
Change basic-rate in Scotland by 1p ³	250	300	310
Change higher-rate by 1p ⁴	750	1,260	1,260
<i>Allowances and reliefs</i>			
Change personal allowance by £100	510	690	680
Change age-related personal allowances by £100	60	70	70
Change aged income limit by £500	15	30	30
Change all personal allowances by 1 per cent	300	380	380
Change all personal allowances by 10 per cent	2,950	3,750	3,750
<i>Limits</i>			
Change starting-rate limit by £100	270	330	320
Change basic-rate limit by 1 per cent	140	230	230
Change basic-rate limit by 10 per cent:			
Increase (cost)	1,300	2,100	2,100
Decrease (yield)	1,650	2,600	2,600
<i>Allowances, starting and basic-rate limits</i>			
Change all main allowances, starting and basic-rate limits by 1 per cent	510	700	700
Change all main allowances, starting and basic-rate limits by 10 per cent:			
Increase (cost)	4,900	6,600	6,600
Decrease (yield)	5,500	7,500	7,500
<i>Working Tax Credit</i>			
Change basic element by £100	285	285	290
Change 30-hour element by £100	205	185	200
Change additional elements for couples and lone parents by £100	270	260	290
<i>Child Tax Credit</i>			
Change family element by £100 ⁵	610	620	580
Change child element by £100 ⁶	705	715	745
<i>Common Features</i>			
Change first income threshold by £100	130	250	200
Change second income threshold by £1,000	30	30	35

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

1. The figures include consequential effects on the yield of capital gains tax. Changes are assumed to take effect from April 2006.
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.

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

	£ million cost/yield		
	2006–07	2007–08	2008–09
Corporation tax			
Change small companies' rate by 1 percentage point ²	0	330	330
Change main rate by 1 percentage point	800	1,500	1,650
Capital gains tax			
Increase annual exempt amount by £500 for individuals and £250 for trustees	0	20	25
Inheritance tax			
Change rate by 1 percentage point	50	100	110
Increase threshold by £5,000	35	75	90
National insurance contributions			
<i>Rates</i>			
Change Class 1 employee main rate by 1 percentage point	3,250	3,450	3,600
Change Class 1 employee additional rate by 1 percentage point	1,100	1,150	1,250
Change Class 1 employer rate by 1 percentage point ³	4,500	4,750	5,050
Change Class 2 rate by £1 per week	130	135	140
Change Class 4 main rate by 1 percentage point	325	335	355
Change Class 4 additional rate by 1 percentage point	190	205	220
<i>Limits</i>			
Change employee entry threshold by £2 per week	235	245	255
Change employer threshold by £2 per week	280	290	305
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) ⁴	15	15	20
Change upper earnings limit by £10 per week ⁴	135	150	160

1. Changes are assumed to take effect from April 2006.
2. Estimates assume rate changes apply to profits from April 2006.
3. Estimates include Class 1A and Class 1B national insurance contributions paid by employers.
4. 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	£ million cost/yield ²		
		2006–07	2007–08	2008–09
One per cent change				
Beer and cider duties ³	Pint of beer: 30p	40	45	45
Wine duties ³	75cl bottle of table wine: £1.26	20	20	25
Spirits duties ³	70cl bottle of whisky: £5.48	10	10	5
Tobacco duties ^{3,4}	20 king size cigarettes: £3.16	5	5	5
Petrol ³	Litre of ultra low sulphur: 47.10p	120	120	120
Diesel ³	Litre of ultra low sulphur: 47.10p	110	115	120
Vehicle Excise Duty	Car: £165	50	55	60
Air passenger duty ^{5,6}	Economy flight departure: £5	5	10	10
Landfill tax	Tonne of waste: £2/£18	10	10	10
Climate change levy	100kWh of business electricity: 43p	10	10	10
Aggregates levy	Tonne of aggregate: £1.60	5	5	5
VAT				
VAT: change reduced rate by 1 percentage point		455	480	505
VAT: change standard rate by 1 percentage point		4,285	4,490	4,715
Insurance premium tax				
Change standard and higher rates by 1 percentage point		385	550	585
Stamp duty land tax				
Change 1 per cent rate by 1 percentage point ⁶		960	990	1,010
Change 3 per cent rate by 1 percentage point ⁶		910	1,010	1,110
Change rate on leases by 1 percentage point ⁶		370	400	440
Increase £250,000 threshold by £5,000 ⁶		70	60	70

1. These figures are illustrative only and do not equate to the weighted average level of duty on each item.

2. Assuming implementation in April 2006 for all taxes except insurance premium tax (July 2006) and air passenger duty (November 2006).

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. Estimates include both residential and commercial transactions.

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

	£ million	
	2004-05	2005-06
Tax Expenditures		
Income tax		
Relief for:		
Approved pension schemes ^{2*}	12,300	13,700
Share Incentive Plan [*]	260	310
Approved savings-related share schemes ^{3*}	110	130
Enterprise Management Incentives	50	60
Approved Company Share Option Plans	100	120
Personal Equity Plans ^{2*}	425	425
Individual Savings Accounts [*]	1,175	1,400
Venture Capital Trusts ^{4*}	220	315
Enterprise Investment Scheme ^{4*}	180	180
Professional subscriptions [*]	75	80
Rent a room [*]	90	90
Exemption of:		
First £30,000 of payments on termination of employment ^{5*}	1,000	1,000
Interest on National Savings Certificates including index-linked certificates [*]	120	100
Premium Bond prizes [*]	150	170
Income of charities ^{6*}	950	1,100
Foreign service allowance paid to Crown servants abroad [*]	95	85
First £8,000 of reimbursed relocation packages provided by employers [*]	300	300
Life assurance premiums (for contracts made prior to 14 March 1984) ⁷	55	45
Tax credits:		
Child Tax Credit ⁸	3,300	3,300
Working Tax Credit ⁸	1,100	1,100
Corporation tax		
R&D tax credits ^{9*}	480	510
Income tax and corporation tax		
Small budget film tax relief ¹⁰	350	340
Large budget film tax relief ¹⁰	170	220
National insurance contributions		
Relief for:		
Share Incentive Plan [*]	180	210
Approved savings-related share schemes [*]	80	90
Employer contributions to approved pension schemes ^{11*}	6,700	7,400
Capital gains tax		
Exemption of gains arising on disposal of only or main residence ¹²	13,000	12,000

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

	£ million	
	2004-05	2005-06
Inheritance tax		
Relief for:		
Agricultural property [*]	215	225
Business property	180	200
Exemption of transfers to charities on death [*]	385	420
Value added tax ¹³		
Zero-rating of:		
Food	10,200	10,600
Construction of new dwellings (includes refunds to DIY builders) [*]	6,400	6,550
Domestic passenger transport	2,150	2,250
International passenger transport (UK portion) [*]	100	100
Books, newspapers and magazines	1,550	1,550
Children's clothing	1,150	1,200
Water and sewerage services	1,050	1,050
Drugs and supplies on prescription	1,300	1,350
Supplies to charities ¹⁴ [*]	200	200
Ships and aircraft above a certain size	600	600
Vehicles and other supplies to disabled people ¹⁴	400	400
Reduced rate for: ¹⁵		
Domestic fuel and power	2,000	2,000
Certain residential conversions and renovations	150	150
Energy-saving materials	50	50
Women's sanitary products	50	50
Structural Reliefs		
Income tax		
Personal allowance	36,600	38,200
Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit [*]	800	1,100
Income tax and corporation tax		
Double taxation relief ¹⁶ [*]	8,000	8,000
National insurance contributions		
Contracted-out rebate occupational schemes: [*]		
Rebates deducted at source by employers	7,500	7,800
Rebates paid by the Contributions Agency direct to the scheme	300	300
Personal and stakeholder pensions	3,200	3,400

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

	£ million	
	2004-05	2005-06
Value added tax ¹³		
Refunds to:		
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	300	250
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)	6,650	7,600
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	3,700	4,000
Reliefs with Tax Expenditure and Structural Components		
Income tax		
Age-related allowances ¹⁷	2,200	2,300
Reduced rate for savings ¹⁸	170	190
Exemption of:		
British Government securities where owner not ordinarily resident in the UK [*]	970	970
Child Benefit (including one parent benefit) ^{19 *}	1,060	1,100
Long-term incapacity benefit [*]	610	610
Industrial disablement benefits [*]	50	50
Attendance allowance [*]	100	100
Disability living allowance [*]	320	330
War disablement benefits [*]	90	100
War widow's pension [*]	70	70
Corporation tax		
Small companies' reduced corporation tax rate	3,110	3,380
Starting rate of corporation tax	420	470
Exemption for gains on substantial shareholdings	260	260
Income tax and corporation tax		
Capital allowances ^{20 *}	17,620	17,820
Of which:		
First year allowances for SMEs [*]	370	390
Enhanced capital allowances for energy saving technology	180	170
Accelerated capital allowances for Enterprise Zones	190	90
Capital gains tax		
Indexation allowance and rebasing to March 1982 ²¹	290	270
Taper relief [*]	3,500	4,500
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees) [*]	1,550	1,850
Gains accrued but unrealised at death ^{22 *}	650	700

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

	£ million	
	2004-05	2005-06
Petroleum revenue tax ²³		
Uplift on qualifying expenditure	170	90
Oil allowance	580	880
Safeguard: a protection for return on capital cost	130	60
Tariff receipts allowance	50	40
Exemption for gas sold to British Gas under pre-July 1975 contracts	60	110
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold [*]	9,400	9,900
Exemption of transfers on death to surviving spouses ²⁴	1,600	1,800
Stamp duty land tax		
Exemption of transfers of land and property where the consideration does not exceed the £60,000 threshold in 2004-05 and the £120,000 threshold in 2005-06 and non-residential land and property where the consideration does not exceed the £150,000 threshold ^{25*}	170	590
Exemption of all residential transfers in designated disadvantaged wards where the consideration exceeds £60,000 in 2004-05, £120,000 in 2005-06 but does not exceed £150,000, and exemption of all non-residential transfers in designated disadvantaged wards in 2004-05 ^{25*}	1,000	220
Transfers to charities	60	100
Group relief	770	1,350
Transfers to registered social landlords	60	50
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility (constant cost basis)	1,800	2,000
Value added tax ¹³		
Exemption of: ²⁶		
Rent on domestic dwellings [*]	2,850	2,950
Supplies of commercial property [*]	150	150
Private education	300	300
Health services [*]	800	800
Postal services [*]	500	500
Burial and cremation	100	100
Finance and insurance ^{27*}	3,650	3,900
Betting and gaming and lottery duties [*]	1,200	1,250
Small traders below the turnover limit for VAT registration [*]	300	300
Vehicle Excise Duty		
Exemption for disabled motorists	140	140

** 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. The costs take into account the partial offset provided by liability to capital gains tax arising from disposals of shares acquired under the scheme.
4. These figures include the CGT cost as well as the income tax cost.
5. The methodology for these figures has been revised and updated.
6. 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 (including transitional relief) and income tax deducted at source from other investment income; payments under deeds of covenant; and donations under the Gift Aid scheme and the cost of the payroll giving scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance in the figures is made for this. The figures include an estimate of the higher rate relief received by the payers of covenanted sums and donations under Gift Aid and higher rate relief for donations of shares and real property.
7. Including the cost of deductions at source for non-taxpayers.
8. These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the credit that is less than or equal to the tax liability of the family. Payments exceeding this liability are treated as public expenditure and are not included in these figures.
9. These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the tax relief due to the enhanced expenditure (i.e. amounts in excess of 100 per cent of the expenditure) which offsets liability to corporation tax. Directly payable tax credits are treated as public expenditure and are not included in these figures.
10. These figures include substantial known avoidance that was closed down by anti-avoidance measures announced at the 2004 Pre-Budget Report.
11. The baseline for the calculation is employer contributions to unapproved pension schemes.
12. 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.
13. 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.
14. Costs exclude the zero-rating of items appearing higher in the list and the reduced rate on domestic fuel and power.
15. 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.
16. 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 2003-04 and the results of the 2003-04 Survey of Personal Incomes.
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 £30 million in 2004-05 and £40 million in 2005-06 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 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.
21. The estimated costs relate to gains of individuals and trustees only. Company gains are not included because of estimation difficulties.

22. *These estimates assume deferral relief on transfer of assets between spouses would be available.*
23. *The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2004 and 2005. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,450 million in 2004-05 and £1,550 million in 2005-06. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.*
24. *These costs are only in respect of transfers for which an account is submitted to the Capital Taxes Office.*
25. *The threshold does not apply to transfers of shares. Increases likely effect of substitution of Disadvantaged Area Relief for other SDLT reliefs (such as Group Relief) and claim of Disadvantaged Area Relief for transactions undertaken in earlier years.*
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.*
27. *The data for these costs have been revised and updated.*

