

Financial Statement and Budget Report

A

BUDGET POLICY DECISIONS

A.1 The Economic and Fiscal Strategy Report (EFSR) explains how the measures and other decisions announced in Budget 2009 build on those already introduced to advance the Government's long-term goals. This chapter of the Financial Statement and Budget Report (FSBR) brings together in summary form all the measures and decisions that affect the Budget arithmetic that have been announced since Budget 2008 and gives their estimated effect on government revenues and spending to 2011-12. The chapter also includes a summary of the changes to the main rates and allowances for the personal tax and benefit system, the business tax system, value added tax (VAT), environmental taxes, and other indirect taxes.

A.2 The appendices to this chapter provide additional information on Budget measures:

- Appendix A1 provides details of tax changes and other policy decisions which were announced in Budget 2008 or earlier, but which take effect from or after April 2009;
- Appendix A2 explains in detail how the effects of the Budget measures on Government revenues are calculated; and
- Appendix A3 provides estimates of the costs to the Government of some of the main tax allowances and reliefs.

A.3 In the text of this chapter, the number or letter in brackets after each measure refers to the line in Tables A1 and A2 where its costs or yield is shown. The symbol '-' indicates that the proposal has no Exchequer effect until at least 2012-13. The symbol '*' indicates that the effect is negligible, amounting to less than £3 million a year.

BUDGET POLICY DECISIONS

A.4 Table A1 summarises the Budget 2009 measures that affect Government revenues and spending. These include tax measures, National Insurance contributions (NICs) measures, measures that affect Annually Managed Expenditure (AME), and additions to Departmental Expenditure Limits (DEL). Measures that are financed from existing DEL provisions are not included.

Table A1: Budget 2009 policy decisions

		(+ve is an Exchequer yield)			£ million
		2009-10	2010-11	2011-12	2009-10
		indexed	indexed	indexed	non-indexed
Supporting Business					
1	Business rates: deferral of payments	-700	+335	+320	600
2	First-year capital allowances: one year increase to 40%	-1,640	-190	+380	-1,640
3	Loss carry back: further temporary extension	-55	-195	-45	-55
4	Car scrappage	-300	0	0	-300
5	Strategic Investment Fund	-400	-350	0	-400
6	Lloyd's UK dividend exemption	-10	-10	-10	-10
7	Loan relationships: late paid interest to connected companies	-5	-15	-5	-5
8	North Sea fiscal regime: incentives for investment	0	-5	-10	0
9	Residence and domicile: consequential changes	-5	-5	-5	-5
10	VAT Package: refund scheme	*	-5	-5	*
11	Agricultural property and woodlands relief: extension	-5	-5	-5	-5
12	Building Colleges for the Future	-200	0	0	-200
Helping People Fairly					
13	DWP additional employment funding	-590	-1,080	0	-590
14	Employment: guarantee for young people ¹	-300	-900	-	-300
15	Increase in Statutory Redundancy Pay	-15	-25	-	-15
16	Age related payments to pensioner households	-600	0	0	-600
17	Increase ISA limits	-5	-20	-60	-5
18	Increase Pension Credit capital disregards	-60	-130	-	-60
19	Working Tax Credit run-ons: extension	-5	-10	-	-5
20	Child Trust Fund: extra payments for disabled children	0	-15	-	0
21	Increase Child Element of Child Tax Credit	0	-140	-	0
22	Housing Benefit/Council Tax Benefit overpayments: remove double subsidy provision	0	+10	-	0
23	Housing Benefit/Council Tax Benefit: earnings disregard	0	-5	-	0
24	Housing Benefit: managing gains from Local Housing Allowance	0	+145	-	0
25	Increase Social Fund	-125	-145	0	-125
26	Support for Mortgage Interest	-135	0	0	-135
27	SDLT holiday for residential homes: extension to 31 December 2009	-90	0	0	-90
28	Support for housing supply	-420	-180	0	-420
29	Local Authority guideline rent increases in 2009-10	-10	-10	0	-10
30	Repeal furnished holiday lettings rules	0	-15	+20	0
31	Reduced VAT rate for children's car seat bases	*	-5	-5	*
32	Financial assistance for charities	-20	0	0	-20
33	Armed forces accommodation	-50	+25	-	-50
Preparing for a green recovery					
34	Support for low carbon technologies	-160	-65	0	-160
35	Support for energy and resource efficiency	-220	-55	0	-220
36	Landfill tax reform	+30	+70	+70	+30
37	Landfill tax rates	-5	-25	+80	-5
38	Enhanced capital allowances	+10	+15	+15	+10
39	Company car tax rates	0	0	+85	0
40	Vehicle excise duty	0	-5	-5	0
41	VAT: Revalorisation of fuel scale charges	0	0	0	-10

Table A1: Budget 2009 policy decisions (continued)

	(+ve is an Exchequer yield)			£ million
	2009-10 indexed	2010-11 indexed	2011-12 indexed	2009-10 non-indexed
Ensuring sustainability of the public finances				
42 Fuel duty: increases	+600	+1,250	+1,750	+1,575
43 Income Tax: full withdrawal of personal allowance from £100,000 ²	0	+100	+180	0
44 Income Tax: increase additional rate to 50% from £150,000 and increase trust rate to 50% from 2010-11 ³	0	+1,130	+1,810	0
45 Pensions Tax: restrict tax relief to 20% above £150,000 ⁴	0	0	+200	0
46 Tobacco: 2% increase in specific duty	+60	+60	+60	+60
47 Gambling participation fees: removal of VAT	-50	-55	-60	-50
48 Gaming duty on casino card rooms	+5	+5	+5	+5
49 Bingo duty: increase rate to 22%	+35	+35	+35	+35
50 Amusement machine licence duty: increase rates	+20	+15	+15	+20
Protecting Revenue				
51 Foreign exchange: targeted anti-avoidance rule	+20	+20	+20	+20
52 Corporate intangible assets regime: countering abuse	+70	+130	+110	+70
53 Review of Alcohol Fraud Strategy	+20	+10	+10	+70
54 Manufactured overseas dividends: avoidance	0	0	+50	0
55 Double tax relief: avoidance	+100	+100	+200	+100
56 Living accommodation benefit charge: avoidance	+45	+45	+55	+45
57 Publishing names of serious tax defaulters	0	+20	+60	0
58 Accountability of senior accounting officers	0	+40	+50	0
59 Review of powers: debt management	+5	+5	-135	+5
TOTAL POLICY DECISIONS:	-5,160	-100	+5,230	-2,845
ADDITIONAL ITEMS				
60 Reserve: support for military operations	-1,900	0	0	-1,900
61 Reprofile addition to 2008-09 DEL reserve	-500	-500	0	-500
Memo: reset AME margin	-1,000	-2,000	-	

- Included within the current spending growth assumption for 2011-12 onwards.

* Negligible

¹ Gross costs are £1.4 billion over 2009-10 and 2010-11. The figures in the table are net of associated savings.

² This modifies the yield published at PBR 2008 for the staged restriction of the personal allowance. The total yield in 2012-13 from the removal of the personal allowance will be £1.5 billion.

³ This measure is in addition to the yield published at PBR 2008 for the 45% additional rate commencing from 2011-12. The total yield in 2012-13 from the 50% additional rate will be £2.4 billion.

⁴ Yield increases due to lagged effect of self-assessment. For 2012-13, the yield is £3.1 billion.

A.5 Table A2 summarises the impact on government revenues and spending of other measures introduced since Budget 2008, including those measures announced at the 2008 Pre-Budget Report.

Table A2: Other measures announced since Budget 2008

	(+ve is an Exchequer yield)			£ million
	2009-10 indexed	2010-11 indexed	2011-12 indexed	2009-10 non-indexed
Supporting the economy and ensuring sustainability of public finances				
a + VAT rate reduction	-7,800	0	0	-7,800
b + Alcohol duties: increase in rates	+575	+570	+610	+715
c + Tobacco duties: increase in rates	+350	+360	+365	+350
d + Capital spending brought forward	-2,545	+2,910	0	-2,545
e + Indexation of income tax rates, allowances and thresholds and PBR changes to personal allowance and basic rate limit	-3,740	-3,870	-3,370	-6,000
f + Freeze basic rate limit in 2011-12	0	0	+90	0
g + Restrict personal allowance by half from £100,000 and to zero from £140,000 from 2010-11	0	+790	+1,220	0
h + Additional higher income tax rate of 45% above £150,000 and raise trust rate to 45% from 2011-12	0	0	+710	0
i + Align the NICs primary threshold with personal allowance in 2011-12	0	0	-1,690	0
j + Increase main employee NICs rate by 0.5% from 2011-12	0	0	+1,960	0
k + Increase additional employee NICs rate by 0.5% from 2011-12	0	0	+400	0
l + Increase employer NICs rate by 0.5% from 2011-12	0	0	+2,460	0
m + Increase main self-employed rate of NICs by 0.5% from 2011-12	0	0	+160	0
n + Increase additional self-employed NICs rate by 0.5% from 2011-12	0	0	+60	0
o + September housing package: spending measures	-665	+865	0	-665
p + SDLT holiday for residential homes	-130	0	0	-130
q + Public spending: additional value for money savings	0	+5,000	+5,000	0
Supporting business				
r + Foreign profits	-150	-150	-350	-150
s + Loss carry back: temporary extension	-175	-20	+15	-175
t + Small Companies Rate of corporation tax: defer increase to April 2010	-10	-310	-90	0
u + Rates on empty property: temporary exemption	-185	+10	0	-185
v + Backdated business rates bills	-85	+20	+20	-85
w + Income shifting: defer action	-25	-260	-200	-25
x + Insurance claims equalisation reserves	-35	-35	-35	-35
Helping people fairly				
y + Child benefit: bring forward uprating from April 2009 to January 2009	0	0	0	-460
z + Standard uprating of Tax Credit rates and thresholds and bringing forward CTC increase from April 2010 to April 2009	-200	0	0	-1,800
aa + Uprating of Child Benefit and Guardian's allowance	0	0	0	-560
ab + Welfare reform White Paper	+15	-50		+15
ac + Employment summit: benefit savings	+30	+30		+30
ad + DWP JobCentre Plus funding	-400	-400	0	-400
ae + Uprating of pension credit above indexation	-260	-300	-310	-560
af + Freeze pension lifetime and annual allowance from 2011-12 for 5 years	+100	+200	+400	+100
ag + Local Housing Allowance: cap benefit at 5 bedroom rate	+5	+15	+15	+5
ah + Index housing benefit disregard in tax credits	-5	-5	-5	-5
ai + Support for mortgage interest	-15	0	0	-15
aj + Class 3 NICs: Pensions Bill amendment	+230	+10	+10	+260
ak + Uprating of NICs rates and thresholds	0	0	0	-1,360
al + Further support for debt advice	-10	-5	0	-10
Protecting revenues				
am + Change of Accounting Practice Regulations	+10	+15	+15	+10
an + Interest Relief Exploitation	+50	0	0	+50
ao + Enhance tax avoidance disclosure regime	+10	+15	+10	+10
Delivering on environmental goals				
ap + Air passenger duty ²	-70	-190	-120	+100
aq + Vehicle excise duty ³	-475	-495	-520	+140
ar + Additional spending on Warm Front	-50	0	0	-50
as + Capital allowances: business cars	+5	+5	0	-5
TOTAL POLICY DECISIONS				
	-15,650	+4,725	+6,830	-21,235
Memo: Resetting AME margin				
	-2,000	-2,000		-2,000
at + Memo: Support for PFI projects ⁴	-1,000	-1,000	0	-1,000

¹ Announced in the 2008 Pre-Budget Report

² Yield increases due to lagged effects of self-assessment. For 2012-13 onwards, yield is £1630 million / £1580 million.

³ The APD costings are measured against a baseline that assumes the introduction of aviation duty as announced in Budget 2008. As the Budget 2009 air passenger duty rates result in a lower exchequer yield, the resulting costings are negative.

⁴ The VED costings are measured against a baseline that assumes the rates announced in Budget 2008. As the Budget 2009 rates result in a lower exchequer yield, the resulting costings are negative.

⁵ Costings for PFI over 2009-10 and 2010-11 are estimates of the anticipated net PSND impact from the expected drawdown of loan facilities over these years from transactions reaching financial close over 2009-10. These figures may be revised at subsequent fiscal events to reflect changes in expected market conditions for the financing of PFI projects

PERSONAL TAX, SUPPORT AND BENEFITS

Income Tax

Bands, rates and personal allowances A.6 As announced on 13 May 2008, the personal allowance was increased by £600 to £6,035 in 2008-09. As part of this, the basic rate limit was reduced by £1,200. The increase to the personal allowance has been made permanent in 2009-10, with a further increase of £130 above indexation. This extra support will be maintained for 2010-11. (e)

A.7 As announced at the 2008 Pre-Budget Report, the basic rate limit will be held at its 2010-11 value in 2011-12. (f)

A.8 In 2010-11, the income tax personal allowance will be restricted for those with incomes over £100,000 at a rate of £1 of allowance lost for every £2 of income over that level until completely withdrawn. This replaces the two-stage withdrawal at the 2008 Pre-Budget Report. (43)(g)

A.9 A new additional rate of income tax of 50 per cent (and 42.5 per cent for dividend income) will be introduced in 2010-11 for those with incomes above £150,000. The tax rate applicable to trusts will also rise to 50 per cent. This replaces the 45 per cent additional rate announced at the 2008 Pre-Budget Report. (44)(h)

Table A3: Bands of taxable income

2008-09	£ a year	2009-10	£ a year
Basic ^{1,2} rate (20 per cent)	0 - 34,800	Basic ^{1,2} rate (20 per cent)	0-37,400
Higher ² rate (40 per cent)	over 34,800	Higher ² rate (40 per cent)	over 37,400

¹ From 2008-09 the general rule is that all income above personal allowances is taxable at the main rates of tax: the basic rate and the higher rate. There is a 10p starting rate for savings income only. The starting rate limit for savings is £2,320 for 2008-9 and will be £2,440 for 2009-10. If an individual's non-savings taxable income exceeds the starting rate limit, then the 10p starting rate for savings will not be available for savings income.

² The rates applicable to dividends are 10 per cent for dividend income up to the basic rate limit and 32.5 per cent above that.

Table A4: Income tax allowances

	£ per year		
	2008-09	2009-10	Increase
Personal allowance			
age under 65	6,035	6,475	440
age 65-74	9,030	9,490	460
age 75 and over	9,180	9,640	460
Married couple's allowance ¹			
aged less than 75 and born before 6 April 1935	6,535	- ³	- ³
age 75 and over	6,625	6,965	340
minimum amount ²	2,540	2,670	130
Income limit for age-related allowances	21,800	22,900	1,100
Blind person's allowance	1,800	1,890	90

¹ Tax relief for this allowance is restricted to 10 per cent.

² This is also the maximum relief for maintenance payments where at least one of the parties is born before 6 April 1935.

³ All claimants to married couple's allowance (MCA) or if their claim is based on the age of their spouse or civil partner will be at least 75 years of age at some point during the tax year and therefore entitled to the highest level of MCA.

Effects on the Scottish Parliament's tax varying powers – statement regarding Section 76 of the Scotland Act 1998

A.10 A 1 penny change in the Scottish variable rate could be worth approximately plus or minus £350 million in 2009-10 and plus or minus £360 in 2010-11. These figures do not include an estimate of the behavioural impacts of invoking the Scottish variable rate. In HM Treasury's view, an amendment to the Scottish Parliament's tax varying powers is not required as a result of these changes.

National Insurance contributions

NICs rates A.11 As announced at the 2008 Pre-Budget Report, the National Insurance contributions thresholds, limits and flat rates were increased in line with indexation for 2009-10, except for the Class 1 Upper Earnings Limit, Class 4 Upper Profits Limit and the weekly rate of Class 3 National Insurance contributions. (ak)

A.12 As announced at the 2008 Pre-Budget Report, from 6 April 2011, the employee, employer and self-employed rates, including the additional rates, of National Insurance contributions will increase by 0.5 per cent. (j)(k)(l)(m)(n)

Primary NICs threshold A.13 As announced at the 2008 Pre-Budget Report, from 6 April 2011, the primary threshold for National Insurance contributions will be aligned with the weekly equivalent of the income tax personal allowance. (i)

Class 3 NICs A.14 As announced at the 2008 Pre-Budget Report, the Class 3 National Insurance contributions rate is £12.05 a week from 6 April 2009. (aj)

Table A5: Class 1 National Insurance contribution rates 2009-10

Earnings ¹ £ per week	Employee (primary)	Employer (secondary)
	NIC rate ² per cent	NIC rate ³ per cent
Below £95 (LEL)	0	0
£95 to £110 (PT/ST) ⁴	0	0
£110 to £844 (UEL)	11	12.8
Above £844	1	12.8

¹ The limits are defined as LEL - lower earnings limit; PT - primary threshold; ST - secondary threshold; and UEL - upper earnings limit.

² The contracted-out rebate for primary contributions in 2009-10 is 1.6 per cent of earnings between the LEL and the upper accrual point (UAP) of £770 for contracted-out salary-related schemes (COSRS) and contracted-out money purchase schemes (COMPS).

³ The contracted-out rebate for secondary contributions is 3.7 per cent of earnings between the LEL and UAP for COSRS and 1.4 per cent for COMPS. For COMPS, an additional age-related rebate is paid direct to the scheme following the end of the tax year. For appropriate personal pensions, the employee and employer pay NICs at the standard, not contracted-out rate. An age and earnings related rebate is paid direct to the personal pension provider following the end of the tax year.

⁴ No NICs are actually payable but a notional Class 1 NIC will be deemed to have been paid in respect of earnings between LEL and PT to protect benefit entitlement.

Table A6: Self-employed National Insurance contribution rates 2009-10

Annual profits ¹ £ per year	Self-employed NICs	
	Class 2 £ per week	Class 4 per cent
Below £5,075 (SEE) ²	£0.00	0
£5,075 to £5,715 (LPL)	£2.40	0
£5,715 to £43,875 (UPL)	£2.40	8
Above £43,875	£2.40	1

¹ The limits are defined as SEE - small earnings exception; LPL - lower profits limit and UPL - upper profits limit.

² The self-employed may apply for exception from paying Class 2 contributions if their earnings are less than, or expected to be less than, the level of the small earnings exception.

Tax Credits, benefits and personal taxes

Working Tax Credit A.15 As announced at the 2008 Pre-Budget Report, from 6 April 2009, all elements of the Working Tax Credit (WTC), with the exception of the childcare element, were increased in line with indexation. The disregard for WTC in Housing Benefit was also increased in line with indexation. (z)(ah)

Working Tax Credit run-on A.16 From 31 July 2009, the current 4-week run-on of entitlement to WTC when people become unemployed will be extended to cover households which would lose their entitlement to WTC because of a move to part-time working. (19)

A.17 The Government will amend the law to make clear that from 31 July 2009 the current 4-week run-on of entitlement to WTC also covers the childcare element, including for couples when only one partner stops working. (19)

Child Tax Credit A.18 As announced at the 2008 Pre-Budget Report, from 6 April 2009, the child element of the Child Tax Credit was increased by £75 above earnings. All other elements of the Child Tax Credit, except the family and baby elements, were increased in line with indexation. From April 2010, the child element of the Child Tax Credit will increase by an additional £20 above indexation. (z)(21)

Table A7: Working and Child Tax Credit rates and thresholds

	£ per year		
	2008-09	2009-10	Increase
Working Tax Credit			
Basic Element	1,800	1,890	90
Couple and lone parent element	1,770	1,860	90
30 hour element	735	775	40
Disabled worker element	2,405	2,530	125
Severe disability element	1,020	1,075	55
50 plus element, 16–29 hours	1,235	1,300	65
50 plus element, 30+ hours	1,840	1,935	95
Childcare element			
maximum eligible cost for one child	£175 per week	£175 per week	-
maximum eligible cost for two or more children	£300 per week	£300 per week	-
<i>per cent of eligible costs covered</i>	80%	80%	-
Child Tax Credit			
Family element	545	545	-
Family element, baby addition	545	545	-
Child element	2,085	2,235	150
Disabled child element	2,540	2,670	130
Severely disabled child element	1,020	1,075	55
Income thresholds and withdrawal rates			
First income threshold	6,420	6,420	-
<i>First withdrawal rate (per cent)</i>	39%	39%	-
Second income threshold	50,000	50,000	-
<i>Second withdrawal rate (per cent)</i>	6.67%	6.67%	-
First threshold for those entitled to Child Tax Credit only	15,575	16,040	465
Income disregard	25,000	25,000	-

Child benefit A.19 As announced at the 2008 Pre-Budget Report, from 5 January 2009, Child Benefit increased to £20 per week for the first child and to £13.20 per week for subsequent children, bringing forward the commitment in Budget 2008 to make these increases from 6 April 2009. (y)

Guardian's Allowance A.20 As announced at the 2008 Pre-Budget Report, from 6 April 2009, Guardian's Allowance was increased in line with indexation. (aa)

National Insurance credits for families A.21 From April 2011, grandparents and other family members will be able to gain National Insurance credits toward the basic State Pension for caring for their grandchildren or members of their family aged 12 or younger, for 20 hours a week or more. (-)

Pension Credit A.22 As announced at the 2008 Pre-Budget Report, from 6 April 2009, the standard minimum income guarantee in Pension Credit increased above indexation to £130 a week for a single pensioner and to £198.45 a week for a pensioner couple. (ae)

A.23 The Government will launch a campaign that includes contacting all Pension Credit recipients to help pensioners to claim back tax they have overpaid from the last six years.

Capital disregard for pension credit A.24 From November 2009 the capital disregard for pension credit and pensioner related Housing and Council Tax Benefit will increase from £6,000 to £10,000. (18)

- Pension tax relief** **A.25** Higher rate pension tax relief will be tapered down to 20 per cent for those with incomes £150,000 and over from 2011-12. Anti-forestalling provisions will be introduced with effect from 22 April 2009. (45)
- Pension lifetime and annual allowances** **A.26** As announced at the 2008 Pre-Budget Report, the lifetime allowance will be maintained at the 2010-11 level of £1.8 million for a further five years, up to and including 2015-16. The annual allowance will also be held constant at £255,000 over the same period. (af)
- Additional payment to pensioner households** **A.27** As announced at the 2008 Pre-Budget Report, a £60 payment was paid to each pensioner, and other recipients of the Christmas Bonus, between January and March 2009. An additional £100 will be paid to households with someone aged over 80 and an additional £50 to households with someone aged over 60 alongside the Winter Fuel Payment in winter 2009-10. (16)
- Local Housing Allowance** **A.28** As announced at the 2008 Pre-Budget Report, from 6 April 2009 the maximum amount of Local Housing Allowance that a household can receive is at the 5 bedroom rate. From April 2010 there will no longer be scope for anyone to receive more in the Local Housing Allowance than they have to pay in rent. (24) (ag)
- Support for Mortgage Interest** **A.29** As announced on 2 September 2008, as a temporary measure, the waiting period for Support for Mortgage Interest (SMI) has been reduced for new working age claimants from 39 to 13 weeks from 5 January 2009. A two-year time limit to SMI support for Jobseeker's Allowance (JSA) claimants has also been introduced. (ai)
- A.30** As announced at the 2008 Pre-Budget Report, from 5 January 2009, the eligibility for SMI has been increased by raising the Capital Limit to £200,000 for new claimants of working age. (ai)
- A.31** The 2008 Pre-Budget Report announced that the Standard Interest Rate (SIR) used to calculate SMI would be maintained at the existing 6.08 per cent for six months from December 2008. The SIR will now be maintained at 6.08 per cent for an additional six months, until 31 December 2009. (26) (ai)
- Treatment of Housing Benefit and Council Tax Benefit overpayments** **A.32** From April 2010, the rules on how Housing Benefit and Council Tax Benefit overpayments that result from customers changing address within the same local authority area will be treated for Housing Benefit and Council Tax Benefit subsidy purposes, will be rationalised so there is no longer double payment. (22)
- A.33** From 2010-11, the Government will change the earnings limit in Housing Benefit and Council Tax Benefit for those undertaking permitted work on Incapacity Benefit and Severe Disablement Allowance, so that these are the same as for those on income-related Employment Support Allowance. (23)
- Guideline rents** **A.34** As announced on 6 March 2009, the average Local Authority guideline rent increase for 2009-10 will be halved from 6.2 per cent to 3.1 per cent. (29)
- ISA limits** **A.35** With effect from 6 October 2009, Individual Savings Accounts (ISA) limits will rise to £10,200, up to £5,100 of which can be saved in cash, for those aged 50 and over. The ISA limits will rise to these levels for all individuals with effect from 6 April 2010. (17)
- Saving Gateway** **A.36** As announced at Budget 2008, the Saving Gateway will be introduced nationally in 2010. As announced at the 2008 Pre-Budget Report the Government will contribute 50 pence for each pound saved in the scheme. The Saving Gateway Accounts Bill, which is currently before Parliament, has been amended to extend eligibility to recipients of Carer's Allowance. (-)

- The Child Trust Fund** **A.37** The Government will contribute £100 per year to the Child Trust Fund account of disabled children, with severely disabled children receiving £200. Children who receive Disability Living Allowance at any point in a tax year will receive these contributions. Payments will commence from April 2010 onwards. (20)
- Financial Services Compensation Scheme** **A.38** Legislation will be introduced, with effect from 6 October 2008, to ensure that people compensated under the Financial Services Compensation Scheme receive the tax treatment they would have received under normal circumstances. (*)
- Residence and domicile** **A.39** Following consultation, the Government will legislate a number of minor changes to the tax rules for non-domiciled UK residents to reduce their administrative complexity. The changes will include some anti-avoidance provisions. This will not change the underlying reforms made in Finance Act 2008. (9)
- Personal dividend taxation** **A.40** As announced in Budget 2008, from 22 April 2009 the non-payable dividend tax credit will be extended to investors with a 10 per cent or greater shareholding in a non-UK resident company, except where the source country does not levy a tax on corporate profits similar to corporation tax. It will now also be extended to dividends from offshore funds, except those with more than 60 per cent of their investments in interest bearing assets. Distributions from these funds will instead be taxed as interest. (-)
- Furnished holiday lettings** **A.41** From 6 April 2010, the furnished holiday lettings (FHL) rules will be repealed. Until the repeal takes effect, the FHL rules will be regarded as extending to those with qualifying furnished holiday lettings elsewhere in the European Economic Area. (30)
- Additional funding for Jobcentre Plus and Flexible New Deal Programmes** **A.42** An additional £1.7 billion is provided over 2009-10 and 2010-11 to ensure Jobcentre Plus continues to deliver the Jobseekers Allowance (JSA) regime to a larger volume of claimants and to implement the Flexible New Deal, as described in the EFSR. This is in addition to the £1.3 billion¹ provided to DWP at the 2008 Pre-Budget Report. (13)(ad)
- Supporting youth employment** **A.43** There will be a new guarantee of 6 months of work or training for everyone under the age of 25 who has been on JSA for 12 months, with an additional £1.2 billion of Government funding to support new places, with jobs coming online from October 2009. (14)
- Six month offer** **A.44** As announced on 12 January 2009, from 6 April 2009, £150 million was made available for 2009-10 and 2010-11 for measures to support those unemployed for between 6 and 12 months. (ac)
- Statutory redundancy pay** **A.45** Subject to an affirmative order being approved by Parliament, statutory redundancy pay will increase to £380 per week. (15)
- Welfare Reform White Paper** **A.46** The December 2008 Welfare Reform White Paper, *“Raising expectations and increasing support: reforming welfare for the future”*, announced reforms that will require more benefit claimants to take up the employment support available to them. (ab)
- Support for debt advice** **A.47** As announced at the 2008 Pre-Budget Report, £15.85 million was committed to expand access to free and impartial debt advice. (al)
- Increasing the social fund** **A.48** There will be additional investment in the Social Fund of £125 million in 2009-10 and £145 million in 2010-11. (25)

¹ £800 million was funded via 2008 Pre-Budget Report additions, with the remainder from Department of Work and Pension (DWP) End Year Flexibility (EYF).

Housing supply **A.49** An additional £600 million² is provided in 2009-10 and 2010-11 for housing supply, as described in more detail in the EFSR. This is in addition to resources announced in September 2008 and at the 2008 Pre-Budget Report (see Box 5.4 in Chapter 5) to support the housing market. (28)(o)

TAXES ON CHARGEABLE GAINS, INHERITANCE TAX, ASSETS AND PROPERTY

Capital gains tax **A.50** From 6 April 2009 the capital gains tax annual exempt amount increased in line with statutory indexation to £10,100. (-)

Stamp duty land tax **A.51** Following an announcement on 2 September 2008 that stamp duty land tax (SDLT) would not apply on residential property of £175,000 or less for a period of one year, the SDLT holiday will now be extended to 31 December 2009. (27)(p)

A.52 With effect from Royal Assent to Finance Bill 2009, there will be an extension to the favourable SDLT treatment for land acquisitions by, and purchases made through shared ownership schemes to profit-making Registered Providers of social housing, where the schemes are assisted by public subsidy. (-)

A.53 With effect from 22 April 2009 changes will be made to legislation enabling the SDLT relief for leasehold enfranchisement to operate as intended to ensure that a purchase of a freehold by multiple leaseholders is not charged at a higher rate of SDLT than each leaseholder would pay if individually purchasing part of the freehold. (*)

Real Estate Investment Trusts **A.54** With effect from 22 April 2009, minor amendments to UK-REITs legislation will ensure that it works as intended. (-)

Inheritance tax reliefs **A.55** The inheritance tax agricultural property and woodlands reliefs will be extended to the European Economic Area from 22 April 2009. Property qualifying for these extended inheritance tax reliefs will also qualify for capital gains tax hold over relief. (11)

BUSINESS, FINANCIAL SERVICES AND CHARITIES

Corporation tax rate **A.56** The main rate of corporation tax will remain unchanged for financial year 2010-11 at 28 per cent on profits of companies other than ring fence profits, and 30 per cent on ring fence profits. (-)

First-year allowance **A.57** A first-year capital allowance of 40 per cent for one year, with effect April 2009, will be introduced. Firms investing over £50,000 in qualifying plant and machinery in 2009-10 will benefit from a higher rate of tax relief on investment. (2)

Small companies' rate **A.58** As announced at the 2008 Pre-Budget Report, the planned increase in the small companies' rate of corporation tax is being deferred for one year; and the rate will remain at 21 per cent for the financial year 2009-10. (t)

Business rates **A.59** As announced on 31 March 2009, businesses will be able to spread the payment of the 2009-10 inflation up-rating of business rates over three years. This will include measures to allow those affected by the end of the 2005 transitional relief scheme also to spread the increase in their bills over 3 years. (1)

A.60 As announced at the 2008 Pre-Budget Report, certain businesses facing significant backdated business rates bills issued before 31 March 2010 can pay over 8 years interest-free. (v)

²This includes all Barnett consequentials.

- Empty property rate relief** **A.61** As announced at the 2008 Pre-Budget Report, from 1 April 2009, the threshold at which business rates is charged on empty property in England has been temporarily increased from £2,200 to £15,000 until 31 March 2010. (u)
- Loss carry-back** **A.62** Trading loss carry-back for businesses will be extended from one to three years for losses up to £50,000, for two years from 24 November 2008 for companies and tax years 2008-09 and 2009-10 for unincorporated businesses, extending the 2008 Pre-Budget Report announcement. (3)(s)
- Foreign profits** **A.63** The 2008 Pre-Budget Report announced reforms to the taxation of foreign profits. From 1 July 2009 an exemption from tax for foreign dividends received by all companies will be introduced along with a limited restriction to the interest deduction rules for accounting periods beginning on or after 1 January 2010. Consequential changes to the controlled foreign companies (CFC) rules and replacement of the Treasury Consent rules with a post-transaction reporting requirement will be introduced from 1 July 2009. (r)
- Foreign currency share proceeds hedging** **A.64** As announced on 10 March 2009, any gains or losses on derivative contracts entered into on or after 10 March 2009 and, subject to a transitional rule, derivative contracts entered into on or after 1 January 2009 and still operating on 10 March 2009 for the purpose of hedging the exchange exposure on share proceeds from a rights issue, are to be disregarded for tax purposes. (-)
- Foreign denominated losses** **A.65** As announced on 18 December 2008 losses incurred in a foreign currency will be allowed to be carried forward or back in that currency, effective for accounting periods beginning on or after 29 December 2007, but with an election to opt for the change to apply to future losses only in accounting periods beginning on or after Royal Assent to Finance Bill 2009. (*)
- Offshore funds** **A.66** Legislation will be introduced in Finance Bill 2009 to provide a new definition of an offshore fund effective from 1 December 2009. (*)
- A.67** Legislation will also be introduced, effective from 1 December 2009, to align the capital gains tax (CGT) treatment of investors in contract based off-shore funds with that of overseas unit trusts. (-)
- Double taxation rules** **A.68** Corporation tax double taxation relief rules have been amended retrospectively, from 1 April 2008, to ensure that the rules apply as intended. (-)
- Income shifting** **A.69** At the 2008 Pre-Budget Report action on income shifting was deferred and, consequently, no legislation will be brought forward in the Finance Bill. The Government will keep this issue under review. (w)
- Mutual societies** **A.70** A measure will be introduced to enable the removal of tax barriers to transfers of business between mutual societies with effect to transfers on or after 22 April 2009. (-)
- Asset Protection Scheme** **A.71** A measure will be introduced to ensure arrangements under the Asset Protection Scheme, and any other arrangements designated as similar by HM Treasury, are effective in tax law and do not in themselves give rise to a new tax relief entitlement. The legislation will apply to arrangements entered into on or after 22 April 2009. (-)
- Islamic finance** **A.72** As announced at the 2008 Pre-Budget Report, with effect from Royal Assent to Finance Bill 2009, relief from stamp duty land tax for land transactions forming part of arrangements for issuing alternative finance investment bonds will be introduced, with the aim of achieving consistency with their conventional equivalents. (*)

- A.73** With effect from Royal Assent to Finance Bill 2009, relief from tax on capital gains for land transactions forming part of arrangements for issuing alternative finance investment bonds will be introduced, with the aim of achieving consistency with their conventional equivalents. (-)
- Lloyd's claims equalisation reserves** **A.74** As announced at the 2008 Pre-Budget Report, investors in the Lloyd's insurance market will be able to benefit from relief for claims equalisation, in a broadly similar way to general insurance companies. Commencement will apply retrospectively for results treated as declared in 2008 (originating in Lloyd's year of account 2005). (x)
- Lloyd's UK Dividend exemption** **A.75** Dividends and other distributions received from UK companies on or after 1 July 2009 by corporate members of the Lloyd's insurance market will be exempt from tax, to align the tax treatment with that of general insurance companies. (6)
- Life insurance** **A.76** Following consultation, measures dealing with additions to the long-term insurance fund and value shifting attributable to the transfer of business will be introduced with effect from 22 April 2009. Clarification of the rules applying to financing-arrangement-funded transfers to shareholders will apply retrospectively from 1 January 2008; and will also apply to foreign business assets for accounting periods beginning on or after 1 January 2009 and ending on or after 22 April 2009. (-)
- Tax Elected Funds** **A.77** From 1 September 2009, a new tax regime for UK Authorised Investment Funds will be introduced to enable them to market themselves more competitively. (*)
- Property Authorised Investment Funds** **A.78** As announced at the 2008 Pre-Budget Report, amendments were made to legislation for Property Authorised Investment Funds, effective from 1 January 2009. (-)
- Qualified Investor Scheme** **A.79** As announced at the 2008 Pre-Budget Report, the rules for the Qualified Investor Scheme were replaced from 1 January 2009. (*)
- Investment Trust Companies** **A.80** From 1 September 2009, Investment Trust Companies will be able to invest tax-efficiently into interest bearing assets. (*)
- Tax charges on stock lending** **A.81** As announced at the 2008 Pre-Budget Report, measures will be introduced effective from 1 September 2008, to limit capital gains and stamp tax charges where stock lending arrangements terminate due to insolvency. (-)
- Group tax rules** **A.82** On 18 December 2008, a change to the tax treatment of certain preference shares was announced. The change is effective for accounting periods beginning on or after 1 January 2008. Companies can elect for the changes to apply only to new share issues. (-)
- Corporate gains rules** **A.83** From 22 April 2009, the corporate gains rules for notional transfers within a group of companies will be simplified. (-)
- Sale of lessors** **A.84** Sale of lessors legislation will be changed to prevent it having a negative effect on otherwise innocent transactions where transaction takes place on or after 22 April 2009. (-)
- Enterprise Investment Schemes** **A.85** Four changes are being introduced to simplify and improve the rules for the Enterprise Investment Scheme. A change governing carry back of relief will apply from 6 April 2009. Other changes will apply from 22 April 2009. (*)
- Loan relationships** **A.86** With effect for company accounting periods beginning on or after 1 April 2009, the corporation tax rules on the late payment of interest between connected companies are being changed. In future, interest will be deductible under normal corporation tax rules as it accrues, unless the creditor company is located in a tax haven. If this relaxation of the rule is abused, anti avoidance legislation will be introduced. (7)

Change of Accounting Practice Regulations **A.87** As announced at the 2008 Pre Budget Report, with effect from 1 January 2009 an anomaly in the Change of Accounting Practice Regulations has been corrected, to prevent companies suffering double taxation or obtaining double relief as a consequence of a change of accounting practice relating to financial instruments. (am)

North Sea oil taxation **A.88** With effect from 22 April 2009, a new 'Field Allowance', which will act to reduce the initial tax paid by qualifying new developments, will be introduced. (8)

A.89 With effect from 22 April 2009, chargeable gains will be removed from North Sea asset swaps and disposals where gains are reinvested in the North Sea. (8)

A.90 With effect from 30 June 2009, reforms will be made to the petroleum revenue tax (PRT) regime to ensure companies are still able to receive decommissioning relief even where licences have expired. (8)

Strategic Investment Fund **A.91** An additional £750 million is provided over 2009-10 and 2010-11 for a Strategic Investment Fund (SIF). This includes £50 million additional funding for the Technology Strategy Board (TSB) and, £10 million additional funding for UK Trade and Investment, both over 2009-10 and 2010-11. £250 million of the SIF will be earmarked for low carbon projects. (5)

Support for PFI **A.92** As announced on 3 March 2009, the Government will lend to those Private Finance Initiative projects that cannot raise sufficient debt finance. Budget 2009 sets aside £1 billion in 2009-10 and £1 billion in 2010-11 for this measure.³ (at)

Car scrappage **A.93** An additional £300 million is provided in 2009-10 for a car scrappage scheme. This is in addition to the £400 million announced on 27 January 2009 to support the automotive industry. (4)

Capital funding for FE colleges **A.94** An additional £300 million of capital funding has been allocated to fund investment in further education colleges.⁴ (12)

Financial assistance for charities **A.95** A new one-off £20 million Hardship Fund will be introduced in 2009-10 to provide grant support to front-line third sector organisations in England adversely affected by the recession, with demonstrable resource constraints due to cash flow difficulties or increased demand. (32)

VALUE ADDED TAX

Temporary reduction of VAT rate **A.96** As announced at the 2008 Pre-Budget Report, on 1 December 2008 the standard rate of VAT was reduced temporarily to 15 per cent. The rate will return to 17.5 per cent on 1 January 2010. Legislation will be introduced in the Finance Bill to ensure that VAT is paid at the correct rate on supplies made on or after that date. The scope of the legislation was set out in announcements made alongside the 2008 Pre-Budget Report and on 31 March 2009. (a)

A.97 The Finance Bill will clarify the scope of the economic regulator powers that were used to reduce the standard rate of VAT temporarily.

VAT registration threshold **A.98** From 1 May 2009, the VAT registration threshold will be increased from £67,000 to £68,000 and the deregistration threshold from £65,000 to £66,000. (-)

³ Costings for PFI over 2009-10 and 2010-11 are estimates of the anticipated net PSND impact from the expected drawdown of loan facilities over these years from transactions reaching financial close over 2009-10. These figures may be revised at subsequent fiscal events to reflect changes in expected market conditions for the financing of PFI projects

⁴ The £300m figure includes £200m from the scorecard and £100m funded through EYF.

- VAT retail schemes** **A.99** As announced at the 2008 Pre-Budget Report, from 1 April 2009 the turnover threshold, above which large retailers are required to agree a bespoke VAT accounting scheme, was increased to £130 million. (*)
- VAT flat rate scheme** **A.100** As announced at the 2008 Pre-Budget Report, from 1 April 2009 the eligibility tests for the VAT flat rate scheme were simplified, making it easier for businesses to join and leave the scheme. In addition, the sectoral rates used in the scheme were amended on 1 December 2008, to take account of the reduction in the standard rate of VAT. (*)
- VAT partial exemption** **A.101** From 1 April 2009, the standard method used by partly exempt businesses to calculate their VAT recovery has been simplified. (*)
- VAT option to tax simplification** **A.102** As announced at the 2008 Pre-Budget Report, from 1 May 2009, a new Automatic Permission Condition will be introduced to make it easier for taxpayers to opt to tax otherwise exempt supplies of land and property. Furthermore, from 1 May 2010, two related extra-statutory concessions will be withdrawn. (*)
- Cross border VAT** **A.103** From 1 January 2010, the VAT treatment of cross border trade will be changed by introducing:
- new place and time of supply rules for certain cross-border supplies of services;
 - new reporting requirements for cross-border supplies of both goods and services; and
 - new rules to make it easier for businesses to reclaim VAT paid in other EU countries. (10)
- VAT on agricultural land** **A.104** Following Royal Assent to Finance Bill 2009, changes in the VAT rate or other changes to the VAT status of agricultural land will not be considered rent changes for the purposes of rent review provisions in the Agricultural Holdings Act 1986. (-)
- VAT on car seat bases** **A.105** From 1 July 2009, the current reduced rate of VAT for children's car seats will be extended to cover children's car seat bases. (31)

ENVIRONMENT AND TRANSPORT

- Air passenger duty** **A.106** As announced at the 2008 Pre-Budget Report, air passenger duty will be reformed, rather than proceeding with a per plane tax. (ap)
- Fuel duty** **A.107** On 1 April 2009, the main fuel duty rate increased by 1.84 pence per litre. Also on 1 April 2009, duty on rebated oils rose in proportion to the main fuel duty rate; the duty differential for compressed natural gas was maintained; and the duty differential for liquefied petroleum gas was reduced by 1 penny per litre. On 1 May 2009 the duty rate for light oil other than unleaded petrol will rise by 1.84 pence per litre and the duty rate for aviation gasoline (avgas) will rise by 2.31 pence per litre. (42)

A.I08 On 1 September 2009, main fuel duty rates will increase by 2 pence per litre. On the same date, duty on rebated oils and avgas will rise in proportion to the main fuel duty increase, while duty on leaded petrol and on biofuels will increase by 2 pence per litre. Duty on road fuel gases will also increase on 1 September 2009, such that current duty differentials for both compressed natural gas and liquefied petroleum gas are maintained for the rest of 2009-10. (42)

A.I09 On 1 April 2010, and on the same date in each year to 2013, main road fuel duty will increase by 1 penny per litre above indexation. On the same dates, rebated oils duty rates will rise in proportion to the main fuel duty increases, and road fuel gas duty rates will rise such that the duty differential for compressed natural gas is maintained at its current level, but the differential for liquefied petroleum gas is reduced by 1 penny per litre each year. (42)

Fuel scale charges **A.I10** From 1 May 2009, the VAT fuel scale charges will be revised to reflect updated fuel prices. (41)

Vehicle excise duty for post-2001 cars **A.I11** As announced at the 2008 Pre-Budget Report, with effect from 1 May, vehicle excise duty (VED) for cars registered from 1 March 2001 onwards will be reformed, as set out in table 8a. Cars emitting over 225g CO₂ per km, that were registered between 1 March 2001 and 23 March 2006, will be placed into the new band K and stay there in 2010. With effect from 1 April 2010, differential First-Year Rates of VED will apply to new cars. (aq)

A.I12 From 1 April 2010, other measures will come into effect including: rebates on the unexpired portion of a first vehicle licence for a new car in bands H to M will only be permitted up to the standard rate for cars in those bands, unless the car has been stolen, written off, or become eligible for a nil licence. In addition, it will also not be permitted to take out a six month licence as the first vehicle licence for a new car in bands H to M. (40)

A.I13 From 1 April 2010, cars imported into the UK will only pay the First-Year Rate if they are under six months old or have travelled less than 6,000 km. Wider rules on the licensing of vehicles imported into the UK from 23 March 2006 onwards will also be changed from April 2010. (40)

VED for pre-2001 cars and vans **A.I14** With effect from 1 May 2009, as set out in table 8b, the upper and lower rates of VED for cars and light goods vehicles first registered before 1 March 2001 will increase by £5. From 1 April 2010, the lower rate will be frozen, and the upper rate will increase by £15. (40)

VED for post-2001 vans **A.I15** With effect from 1 May 2009, the standard and discounted VED rates for light goods vehicles registered after 2001 will increase by £5. From 1 April 2010, the standard rate will increase by £15 and the discounted rate will be frozen. (40)

VED for motorbikes and HGVs **A.I16** As announced at 2008 Pre-Budget, Report the VED rates for motorbikes, heavy goods vehicles and all related rates will be frozen in 2009. (aq)

Table A8a: VED bands and rates for cars registered on or after 1 March 2001 (graduated VED)

VED band	CO ₂ emissions (g/km)	2009-10	2010-11	
		standard rate (£) ¹	standard rate (£) ¹	first year rate (£) ¹
A	Up to 100	0	0	0
B	101 - 110	35	20	0
C	111 - 120	35	30	0
D	121 - 130	120	90	0
E	131 - 140	120	110	110
F	141 - 150	125	125	125
G	151 - 165	150	155	155
H	166 - 175	175	180	250
I	176 - 185	175	200	300
J	186 - 200	215	235	425
K ²	201-225	215	245	550
L	226-255	405	425	750
M	Over 255	405	435	950

¹ Alternative fuel discount: 2009-10, A-I £20, J-M £15; 2010-11 onwards £10 all cars

² Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006

Table A8b: VED bands and rates for private and light goods vehicles registered before 1 March 2001 (pre-graduated VED)

Engine size	2009-10 (£)	2010-11 (£)
1549cc and below	125	125
Above 1549cc	190	205

Vehicle registration certificate destruction **A.II7** The granting of regulation-making powers in relation to destruction of the vehicle registration certificate will be legislated in this year's Finance Bill. (-)

Tax relief for business expenditure on cars **A.II8** As announced on 1 April 2009, new rules for tax relief for business expenditure on cars will apply from 1 April 2009 for corporation tax, or 6 April 2009 for Income Tax. The rate of tax relief for such expenditure will depend on a car's CO₂ emissions. (as)

Company car tax **A.II9** With effect from 6 April 2011, the threshold for the 15 per cent band of company car tax (CCT) will be reduced by 5g CO₂ per km, so that it applies to cars emitting between 121 and 129g CO₂ per km. The proportion of a company car's list price that is subject to tax will increase by 1 percentage point with each 5g per km that its CO₂ emissions exceed this threshold, to a maximum of 35 per cent for company cars emitting 225g CO₂ per km and above. (*)

A.I20 From 6 April 2011, the £80,000 cap on the list price of company cars will be abolished, and the full list price of all company cars will be used to calculate the level of benefit that is taxable under CCT. (39)

A.I21 Reductions in the proportion of company car list price that is subject to taxation currently available to Euro 4 standard diesel cars registered before 1 January 2006, petrol-electric hybrid cars, road fuel gas-powered cars and E85 biofuel-capable cars will be removed from 6 April 2011. (*)

A.122 As announced at the 2008 Pre-Budget Report, from 6 April 2009, disabled company car drivers will be able to use the list price and CO₂ emissions of an equivalent manual car when calculating their company car benefit charge. (-)

Landfill tax A.123 The standard rate of landfill tax will continue to increase by £8 per tonne each year from 1 April 2010 to 1 April 2013. The lower rate of landfill tax will remain frozen at £2.50 per tonne for 2010-11. (37)

Reform of landfill tax A.124 Uses of waste on a landfill site for specified purposes will be treated as being subject to taxable disposal from 1 September 2009. (36)

Landfill communities fund A.125 The percentage cap for landfill communities fund will remain unchanged at 6 per cent for 2009-10. The fund will be worth £72 million during that year. (*)

Climate change levy A.126 The rates of the climate change levy will be frozen for 2010-11. (-)

A.127 The climate change levy exemption for indirect sales of electricity from combined heat and power (CHP) will be extended to 2023, subject to state aid approval. Other existing levy exemptions for CHP will also continue. (-)

A.128 A restricted entitlement to claim the climate change levy reduced rate, applying to supplies of electricity and liquefied petroleum gas only, will be introduced. The new provision will have effect on and after Royal Assent to Finance Bill 2009. (-)

A.129 A mechanism will be introduced to enable recovery of climate change levy from facilities that fail to meet their target under the climate change agreement scheme. It will apply to certification periods starting on or after 1 April 2009. (-)

A.130 Supplies of solid fuel valued at £15 per tonne or less and made on or after 1 January 2010 will become subject to climate change levy. (*)

Aggregates levy A.131 The rate of aggregates levy will be frozen at £2 per tonne for 2010-11. (-)

Enhanced capital allowances A.132 The list of designated energy saving and water-efficient technologies qualifying for 100 per cent first-year capital allowances will be changed during 2009. (38)

Low-carbon sector support A.133 An additional £500 million⁵ is provided over 2009-10 and 2010-11, as part of an overall £1.4 billion package, to boost Britain's low-carbon sectors and lay the foundations for green growth, as described in more detail in the EFSR. This is in addition to £100m provided for Warm Front at the 2008 Pre-Budget Report. (34)(35)(ar)

OTHER INDIRECT TAXES AND DUTIES

Tobacco duties A.134 As announced at the 2008 Pre-Budget Report, on 24 November 2008, the ad valorem duty rate on cigarettes was increased from 22 per cent to 24 per cent and specific duty rates on all other tobacco products were increased by 4 per cent. (c)

A.135 On 22 April 2009, duties on tobacco will increase by 2 per cent. (46)

⁵This includes all Barnett consequential.

Table A9: Changes to tobacco duties

	Effect of tax ¹ on typical item (increase in pence)	Unit
Cigarettes	7	packet of 20
Cigars	3	packet of 5
Hand-rolling tobacco	7	25g
Pipe tobacco	4	25g

¹ Tax refers to duty plus VAT.

Alcohol duty A.136 As announced at the 2008 Pre-Budget Report, on 1 December 2008, beer, cider and wine duty rates increased by 8 per cent and spirits duty rates increased by 4 per cent. (b)

A.137 On 23 April 2009, alcohol duty rates will increase by 2 per cent.

Table A10: Changes to alcohol duties

	Effect of tax ¹ on typical item (increase in pence)	Unit
Beer	1	Pint of beer @ 4.2% abv
Wine	1	175ml glass typical strength
Wine	4	75cl bottle typical strength
Sparkling Wine	5	75cl bottle typical strength
Spirits	13	70cl bottle @ 37.5% abv
Spirits-based RTDs	1	275ml bottle @ 5.4% abv
Cider	1	Litre bottle typical strength
Sparkling Cider	4	75cl bottle typical strength

¹ Tax refers to duty plus VAT.

Betting and gaming duties A.138 On 27 April 2009 participation fees for bingo and player-to-player gaming in casinos will no longer be subject to VAT. Bingo duty will rise to 22 per cent for accounting periods starting on or after 27 April 2009. (47)(49)

A.139 On 27 April 2009 player-to-player gaming in casinos will be brought into the Gaming duty regime. (48)

A.140 On 1 June 2009 the prize limit for bingo duty exemption that may be offered on small scale amusements provided commercially will increase from £50 to £70. (49)

A.141 Gaming duty bands will increase in line with inflation for accounting periods starting on or after 1 April 2009. (-)

A.142 Amusement machine licence duty categories will be recalibrated on 1 June 2009 to reflect regulatory changes. Rates will increase on all categories from 4pm on 22 April 2009. (50)

PROTECTING TAX REVENUES

- Tax avoidance disclosure regime** **A.143** As announced at the 2008 Pre-Budget Report, regulations have been introduced to simplify and improve the way users of disclosed tax avoidance schemes report a Scheme Reference Number (SRN) to HM Revenue & Customs. These come into effect from 1 April 2009. (ao)
- A.144** As announced on 13 November 2008, with effect from announcement, legislation will be introduced to prevent loss of tax through the leasing of plant machinery. (-)
- A.145** As announced on 13 November 2008, with effect from announcement, legislation will be introduced to prevent a loss of tax on the sale of a company that is an intermediate lessor of plant or machinery. (-)
- A.146** As announced on 13 November 2008, with effect from announcement, legislation will be introduced to prevent avoidance involving businesses leasing films to others under a long funding lease. (-)
- UK REITs** **A.147** As announced at the 2008 Pre-Budget Report, with effect on and after 22 April 2009, the original objectives of the UK-REITs regime will be restored so that companies are prevented from joining the regime unless at least 75 per cent of their gross income comes from the rental of property to tenants. (-)
- Payments of manufactured interest** **A.148** As announced on 27 January 2009, legislation will be introduced to ensure the tax treatment of payments of manufactured interest follows the treatment of the payments in company accounts prepared in accordance with generally accepted accounting practice. (-)
- Financial products** **A.149** With effect from 22 April 2009, legislation will be introduced to prevent avoidance schemes involving use of convertible securities within a group to create accounting asymmetries and creation of artificial losses on loans and derivatives. (-)
- Principles based legislation** **A.150** Principles based legislation will be introduced with effect from 22 April 2009 to counter financial products avoidance, involving disguised interest and sales of income streams, following extensive consultation. (-)
- Interest relief exploitation** **A.151** As announced on 19 March 2009, legislation will be introduced to stop individuals exploiting provisions that give relief for interest payments on loans used to invest in partnerships or small companies. Legislation will be effective from 19 March 2009. (an)
- Personal tax: avoidance** **A.152** As announced on 12 January 2009 and 1 April 2009, with effect from 12 January 2009, measures were introduced to prevent individuals obtaining reliefs available for employment-related liabilities and losses incurred by employees and former employees when the arrangements are designed to avoid tax. (-)
- Corporate intangibles** **A.153** Legislation will be introduced with effect from 22 April 2009 to confirm that for the purposes of the corporate fixed intangible assets regime goodwill is treated as intended. (52)
- Living accommodation benefit charge** **A.154** Where an employee or director pays a lease premium for accommodation provided by their employer they will be taxed according to the full market rent on leases entered into on or after 22 April 2009. (56)
- Double tax relief avoidance** **A.155** Measures will be introduced with effect from 22 April 2009 to stop abuse of the manufactured overseas dividend rules and to clarify the double tax relief rules to counter abusive schemes. (54)(55)

- ForEx matching targeted anti-avoidance** **A.156** A measure will be introduced with effect from 22 April 2009 to prevent tax avoidance schemes that seek to exploit the foreign exchange tax matching provisions. (51)
- Authorised Investment Funds** **A.157** As announced at the 2008 Pre-Budget Report, the Authorised Investment Fund regulations have been amended to provide certainty that Authorised Investment Funds cannot be used by financial traders to reduce corporation tax. (-)
- Life insurance policies** **A.158** As announced on 1 April 2009, legislation will be introduced to close down an avoidance scheme by making it clear that 'income' loss relief cannot be created through the use of certain life insurance policies. (-)
- North Sea accelerated decommissioning relief** **A.159** Legislation will be introduced, with effect from 22 April 2009, to prevent oil and gas companies claiming tax relief for infrastructure decommissioning costs in advance of the actual decommissioning being undertaken. (-)
- Publication of names** **A.160** Legislation will be introduced, to be brought into effect by Treasury Order, enabling HM Revenue & Customs to publish the names and details of individuals and companies who are penalised for deliberate defaults on or after 1 April 2010 leading to a loss of tax of more than £25,000. (57)
- Tax computation certification** **A.161** Legislation will be introduced requiring senior accounting officers of major corporates to certify personally that adequate controls to prepare accurate tax computations are in place. This will have effect on returns due to be made for accounting reference periods beginning on or after Royal Assent to Finance Bill 2009. (58)
- Additional information requirements** **A.162** HM Revenue & Customs will require those who have incurred a penalty for deliberate understatement of over £5,000 of tax to provide more information about their tax affairs for up to five years to ensure they have proper systems to be able to make a correct tax return. (-)
- Offshore disclosure** **A.163** HM Revenue & Customs will be seeking the permission of the First Tier Tribunal to issue notices requiring financial institutions to provide information about offshore account holders. A New Disclosure Opportunity (NDO) will run until March 2010 giving holders of offshore accounts an opportunity to disclose, of their own accord, if they have unpaid tax or duties and to settle debts. (-)
- Alcohol fraud strategy** **A.164** HM Revenue & Customs together with the UK Border Agency are setting out a comprehensive programme of work to target all forms of alcohol fraud and the criminal networks behind it. (53)

Modernising tax administration

- Trade debt releases** **A.165** As announced at the 2008 Pre-Budget Report and with effect from 22 April 2009, the law relating to trade debt releases will be modified to ensure that releases between connected companies are tax-neutral for both debtor and creditor. (-)
- Extra- statutory concessions** **A.166** With effect from 1 April 2010, HM Revenue & Customs will withdraw a number of extra-statutory concessions. (*)
- Error or mistake relief** **A.167** Legislation will be introduced to provide the sole means of reclaiming overpayments of income tax, capital gains tax and corporation tax where there is no other statutory route. The legislation also amends the error or mistake relief rules to provide additional taxpayer safeguards. The measure will have effect for claims made on or after 1 April 2010. (-)

Penalties and interest **A.168** Legislation will be made to allow the introduction of a harmonised interest regime and aligned penalties regimes for late filing, across the taxes and duties administered by HM Revenue & Customs, starting with interest and penalties on late paid PAYE from April 2010. The new provisions will be brought into effect by Treasury Orders from the date specified in the Orders. In all cases where HM Revenue & Customs currently charges and pays out interest, rates across taxes will be harmonised from Royal Assent to Finance Bill 2009. (-)

Compliance checks **A.169** New record keeping requirements, inspection and information powers, and assessing time limits will be introduced to align and simplify the way HM Revenue & Customs checks compliance for the environmental taxes (aggregates levy, climate change levy and landfill tax), insurance premium tax, stamp duty land tax and stamp duty reserve tax, inheritance tax and PRT. Information powers and penalties for failure to comply with these obligations will come into effect on 1 April 2010. New time limits will come into effect on 1 April 2011. (*)

Payment and repayment **A.170** Measures will be introduced, with effect on and after Royal Assent to Finance Bill 2009, to make it easier for taxpayers to pay what they owe on time; and support HM Revenue & Customs in effectively tackling those who pay late. The measures involve payment instalment schemes, powers to trace missing debtors and collection of small debts through PAYE. (59)

OTHER SPENDING MEASURES

Capital spending **A.171** As announced at the 2008 Pre-Budget Report, £3 billion of capital spending from 2010-11 has been brought forward to 2008-09 and 2009-10. (d)

Reprofiling the 2008-09 reserve **A.172** The addition to the 2008-09 reserve announced at the 2008 Pre-Budget Report will be reprofiled into 2009-10 and 2010-11. (61)

Supporting military operations and the Armed Forces **A.173** Additional resources will be provided for military operations in Afghanistan, including additional spending on protected mobility vehicles. £50 million will be brought forward for investment in Armed Forces accommodation providing refurbished or rebuilt accommodation for around 600 service men and women. (33)(60)

2010-11 value for money target **A.174** As announced at the 2008 Pre-Budget Report, the existing cross-Government value for money target for 2010-11 has increased from £30 billion to £35 billion, releasing £5 billion of additional recoverable savings in 2010-11. Budget 2009 sets out how savings will be achieved by individual departments. The Barnett formula will be applied as usual to the devolved administrations' budgets. (q)

APPENDIX AI: MEASURES ANNOUNCED IN BUDGET 2008 OR EARLIER

Table AI I: Measures announced in Budget 2008 or earlier which take effect from April 2009 or later

	(+ve is an exchequer yield)			£ million
	2009-10 indexed	2010-11 indexed	2011-12 indexed	2009-10 non-indexed
Measures announced in Budget 2008 or earlier				
a Land Remediation Relief - extension to derelict land	-10	-20	-30	-10
b Income Tax and NICs: raising the higher rate threshold and upper earnings limit	-290	-270	-290	-360
c Extension of the dividend tax credit	neg	-20	-15	neg
d VAT: staff hire concession	+250	+250	+250	+250
e Review of powers: penalties	0	+10	+10	0
f Tax simplification: increase income tax self assessment payment on account threshold	-90	0	0	-90
g Removal of Enterprise Zone Allowances	-5	-25	+15	-5
h Implementing the state second pension White Paper reforms	+290	+300	+340	+290
i Child Benefit disregard for Housing Benefit and Council Tax Benefit	-180	-350	-360	-180
j Reassessment of work capability of incapacity benefit claimants	0	-10	-10	0
k Inheritance Tax: increase threshold to £325,000 in 2009-10, £350,000 in 2010-11 and indexation thereafter	+10	-45	-120	-30
l Biofuels: removal of the duty differential	0	+525	+500	+40
m Company car tax thresholds	0	+85	+75	0

Land remediation relief **A.175** As announced in Budget 2008, Land Remediation Relief will be available for certain costs incurred in clearing up long-term derelict land from 1 April 2009. (a)

Income tax and NICs **A.176** As announced at Budget 2007, the basic rate limit for income tax was increased by £800 above statutory indexation in 2009-10 to £37,400, and the Class 1 earnings limit and the Upper Profits Limit for National Insurance contributions were aligned with the consequent higher rate income tax threshold of £43,875. (b)

Personal dividend taxation **A.177** As announced in Budget 2008, from 22 April 2009, the non-payable dividend tax credit will be extended to investors with a 10 per cent or greater shareholding in a non-UK resident company, except where the source country does not levy a tax on corporate profits similar to corporation tax. (c)

VAT staff hire concession As announced in Budget 2008, the staff hire concession, which allowed employment businesses to charge VAT only on the margin of their supplies, was withdrawn with effect from 1 April 2009. (d)

Review of powers: penalties **A.178** As announced in Budget 2008, for return periods ending on or after 1 April 2009, where the filing date is after 1 April 2010, the new penalty regime for incorrect returns introduced in 2007 for income tax, capital gains tax, VAT, PAYE and NICs will be extended across all other taxes and duties. From 1 April 2009, the penalty regime for failure to notify HM Revenue & Customs of a new charge was aligned across all taxes and duties. (e)

- Payment on account** **A.179** As announced in the 2007 Pre-Budget Report, the payment on account threshold for income tax self-assessment has been doubled from £500 to £1,000 from 6 April 2009. (f)
- Removal of Enterprise Zone Allowance** **A.180** As announced on 17 December 2007, Enterprise Zone Allowances will be withdrawn from April 2011 as a consequence of the withdrawal of the Industrial Building's Allowance. (g)
- Second State Pension** **A.181** As announced in the 2007 Pre-Budget Report, the introduction of the Upper Accruals Point for the Second State Pension will take effect from 6 April 2009. (h)
- Child Benefit** **A.182** As announced in Budget 2008, from 1 October 2009 Child Benefit will be disregarded in calculating income for Housing and Council Tax Benefits. (i)
- Incapacity Benefits** **A.183** As announced in Budget 2008, starting in April 2010, the eligibility for incapacity benefits (IB) of all existing incapacity benefits will be reassessed using the new Employment Support Allowance Work Capability Assessment. (j)
- Inheritance tax nil-rate band** **A.184** As announced in Budget 2006, the inheritance tax nil-rate band increased on 6 April 2009 to £325,000. (k)
- Biofuels duty differential** **A.185** As announced at Budget 20-08, from 2010-11, the biofuels duty differential will cease, and support for biofuels will be provided wholly by the Renewable Transport Fuel Obligation. (l)
- Company car tax** **A.186** Budget 2008 announced that, with effect from 5 April 2010, the lower threshold for the 15 per cent CCT band will be lowered so that it applies to drivers of company cars emitting between 121g CO₂ per km and 134g CO₂ per km. (m)

APPENDIX A2: EXPLAINING THE COSTING

A.187 This appendix explains how the fiscal impacts of the Budget and Pre-Budget Report policy decisions are calculated. In the context of these calculations, the net revenue effects for the measures may include amounts for taxes, National Insurance contributions, social security benefits and other charges to the Exchequer, including penalties.

Calculating the costings

A.188 The net Exchequer effect of a Budget measure is generally calculated as the difference between applying the pre-Budget and post-Budget tax and benefit regimes to the levels of total income and spending at factor cost expected after the Budget. The estimates do not therefore include any effect the tax changes themselves may have on overall levels of income and spending, even though these effects may be significant for large changes in the tax system.

A.189 They do, however, take account of other effects on behaviour where they are likely to have a significant and quantifiable effect on the cost or yield and any consequential changes in revenue from related taxes and benefits. These may include estimated changes in the composition or timing of income, spending or other economic determinants. For example, the estimated yield from increasing the excise duty on spirits would include the change in the yield of VAT and other excise duties resulting from the new pattern of spending. The calculation of the expected effect of changes in duty rate on consumer demand for excise goods assumes that any change in duty is passed on in full to consumers. Where the effect of one tax change is affected by implementation of others, the measures are normally costed in the order in which they appear in Tables A1, A2 and A1.1.

A.190 Tables A1, A2 and A1.1 show both the indexed and non-indexed costings of the various measures:

- The indexed costings show the exchequer impacts of the measures against a baseline that assumes allowances, thresholds and specific tax rates will be increased in line with either the appropriate price index, or any pre-commitments (measures announced in previous Budgets or Pre-Budget Reports that are or were due to come into effect). As such they give an indicator of the impact of the decisions made in the appropriate Budget or Pre-Budget Report.
- The non-indexed column shows the revenue effects of the policy options against a baseline that assumes allowances; thresholds and tax rates are left unchanged. The non-indexed column therefore includes the revenue impact of indexation or other pre-commitments.

A.191 Unless allowances, thresholds and specific tax rates have been pre-announced, the indexed baseline assumes the following:

- income tax and National Insurance allowances and thresholds, excluding the additional higher rate and threshold for restricting the personal allowance; the child element and disabled and severely disabled child elements of the Child Tax Credit, the single person, couple, lone parent, 30 hour 50 plus, disabled and severely disabled worker elements of the Working Tax Credit; inheritance tax nil-rate band allowance threshold and the capital gains tax annual exempt amount all increase in line with the change in the Retail Price Index (RPI) in the year to the September prior to the respective Budget;
- The climate change and aggregates levy and the vehicle excise duty, amusement machine licence duty, air passenger duty, fuel, tobacco and alcohol duties all rise in line with the projected annual change in the RPI in the year to the third quarter following the respective Budget; and
- VAT thresholds and gaming duty bands rise in line with the change in the RPI in the year to the December prior to the respective Budget.

A.192 With the exception of business rates, when indexation rates are negative, the indexed baseline assumes allowances, thresholds and specific tax rates are held constant.

A.193 The yields of measures that close tax avoidance loopholes or tackle tax fraud represent the estimated direct Exchequer effect of the measures with the existing level of avoidance activity.

A.194 These estimates are shown on a National Accounts basis. The National Accounts basis aims to recognise tax when the tax liability accrues irrespective of when the tax is received by the Exchequer. However, some taxes are accounted for when the Exchequer actually receives the tax, reflecting the difficulty in determining 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.

APPENDIX A3: TAX ALLOWANCES AND RELIEFS

A.195 This appendix provides the latest estimates of the revenue cost of some of the main reliefs against tax and National Insurance contributions in 2007-08 and preliminary estimates for 2008-09. The figures are shown on a full-year accruals basis unless otherwise specified. The appendix covers only reliefs with estimated annual costs of at least £50 million are shown. The costs of minor tax reliefs can be found on the HM Revenue & Customs website. More details on individual tax allowances and reliefs can be found in the HM Treasury publication, *Tax ready reckoner and tax reliefs*.

A.196 The full accrual presentation enables the total revenue effect to be shown in a single year for each measure. This presentation differs from that in the earlier tables in Chapter A which adopt the National Accounts basis used in the presentation of UK public finances.

A.197 Some allowances and reliefs are called 'tax expenditures'. This is because they are designed to help or encourage particular individuals, activities or products. So for example the exemption of the first £30,000 of payments on termination of employment helps people being made redundant; the R&D tax credits promote expenditure on research by businesses and the relief for Individual Savings Accounts promotes savings by individuals. Such reliefs are often an alternative to corresponding public expenditure payments that would generate similar effects – i.e. there could be a choice between giving a tax relief as an allowance or deduction against tax, or by an offsetting cash payment.

A.198 Other allowances and reliefs can reasonably be regarded (or partly regarded) as an integral part of the tax structure and have a universal or at least a more wide-ranging coverage. These are called 'structural reliefs' and 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 the relief is set.

A.199 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, provide relief for depreciation at a commercial rate as well as an element of accelerated relief. It is this latter element that represents additional help provided to business by the Government and is a 'tax expenditure'.

A.200 The figures should only be regarded as broad estimates. The loss of revenue associated with tax reliefs and allowances 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. This means that figures in Table A3.1 are not directly comparable with those of the main Budget measures shown earlier in this chapter.

A.201 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. 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.

Table A3.1 Estimated costs of principal tax expenditures and structural reliefs

	£ million	
	2007-08	2008-09
TAX EXPENDITURES		
Income tax		
Relief for:		
Approved pension schemes	18,900	20,300
Share Incentive Plan	210	150
Approved savings-related share schemes	330	230
Enterprise Management Incentives	190	150
Approved Company Share Option Plans	150	110
Personal Equity Plans	425	N/A
Individual Savings Accounts	2,000	2,000
Venture Capital Trusts	80	60
Enterprise Investment Scheme	180	130
Professional subscriptions	85	80
Rent a room	120	120
Seafarers' Earnings Deduction	110	110
Exemption of:		
First £30,000 of payments on termination of employment	900	900
Interest on National Savings Certificates including index-linked certificates *	170	80
Premium Bond prizes	280	210
Income of charities	1,250	1,350
Foreign service allowance paid to Crown servants abroad	70	70
Personal Tax Credits	4,700	5,500
Employer Supported Childcare exemption	400	500
Student maintenance awards	90	115
Corporation tax		
R&D tax credits	510	580
Income tax and corporation tax		
Discontinued small budget film tax relief	120	neg
Discontinued large budget film tax relief	130	40
National insurance contributions		
Disregard for:		
Share Incentive Plan	140	100
Approved savings-related share schemes	210	160
Enterprise Management Incentives	80	60
Approved company share option plans	70	50
Employer contributions to registered pension schemes	8,200	9,000
Capital gains tax		
Exemption of gains arising on disposal of only or main residence	14,500	5,300
Inheritance tax		
Relief for:		
Agricultural property	215	185
Business property	195	130
Exemption of transfers to charities on death	375	270

Table A3.1 Estimated costs of principal tax expenditures and structural reliefs (continued)

	£ million	
	2007-08	2008-09
TAX EXPENDITURES		
Value added tax		
Zero-rating of:		
Food	12,050	12,000
Construction of new dwellings (includes refunds to DIY builders)	7,350	5,600
Domestic passenger transport	2,600	2,500
International passenger transport (UK portion)	200	200
Books, newspapers and magazines	1,650	1,500
Children's clothing	1,250	1,200
Water and sewerage services	1,350	1,350
Drugs and supplies on prescription	1,350	1,350
Supplies to charities	200	200
Ships and aircraft above a certain size	700	650
Vehicles and other supplies to disabled people	350	350
Reduced rate for:		
Domestic fuel and power	3,050	3,450
Certain residential conversions and renovations	150	150
Energy-saving materials	50	50
Women's sanitary products	50	50
Landfill Tax		
Exemption of waste for contaminated land	55	50
Climate change levy		
Reduced rate for participants in Climate Change agreements	270	280
Exemption of electricity generated from certain renewable resources	80	90
Hydrocarbon oils duty		
Rate differential for biofuels	110	240
STRUCTURAL RELIEFS		
Income tax		
Personal allowance	45,300	49,700
Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit	740	160
Tonnage tax	100	110
Income tax and corporation tax		
Double taxation relief	16,000	16,000
National insurance contributions		
Contracted-out rebate occupational schemes:		
Rebates deducted at source by employers	7,940	8,270
Rebates paid by the National Insurance Contributions office direct to the scheme	220	230
Contracted-out rebate personal and stakeholder pension schemes	2,360	2,330

Table A3.1 Estimated costs of principal tax expenditures and structural reliefs (continued)

	£ million	
	2007-08	2008-09
STRUCTURAL RELIEFS		
Value added tax		
Refunds to:		
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	300	300
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme (includes museums and galleries under the Section 33A refund scheme)	7,850	8,100
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41 (3) refund scheme	4,350	4,600
Hydrocarbon oils duty		
Tied oils scheme (Industrial Relief Scheme)	1,300	1,400
Climate change levy		
Supply of taxable commodities not for burning or consuming in the UK	190	190
RELIEFS WITH TAX EXPENDITURE AND STRUCTURAL COMPONENTS		
Income tax		
Age-related allowances	2,500	3,000
Reduced rate for savings	360	N/A
Exemption of:		
British Government securities where owner not ordinarily resident in UK	1,460	1,460
Child benefit (including one parent benefit)	1,190	1,190
Long-term incapacity benefit	370	390
Attendance allowance	160	150
Disability living allowance	400	410
War disablement benefits	70	70
Corporation tax		
Small companies' reduced corporation tax rate	4,500	4,500
Exemption for gains on substantial shareholdings	260	260
Income tax and corporation tax		
Capital allowances	20,600	21,500
Of which:		
First year allowances for SMEs	640	N/A
Annual Investment Allowance	N/A	1,560
Enhanced capital allowances for energy saving technology	115	95
Accelerated capital allowances for enterprise zones	50	50
Relief for trading losses against capital gains	60	30
Capital gains tax		
Indexation allowance and rebasing to March 1982	250	N/A
Taper relief	6,800	N/A
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees)	3,500	1,700
Gains accrued but unrealised at death	550	260
Petroleum revenue tax		
Oil allowance	580	690
Tariff receipts allowance	60	60
Exemption for gas sold to British Gas under pre-July 1975 contracts	40	50

Table A3.1 Estimated costs of principal tax expenditures and structural reliefs (continued)

	£ million	
	2007-08	2008-09
RELIEFS WITH TAX EXPENDITURE AND STRUCTURAL COMPONENTS		
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold	11,100	11,800
Exemption of transfers on death to surviving spouses and civil partners	2,100	1,800
Stamp duty land tax		
Exemption of transfers of residential land and property where the consideration does not exceed the £125,000 threshold up to 2nd September 2008 (thereafter the threshold is temporarily increased to £175,000 for the period of the SDLT Holiday), and non-residential land and property where the consideration does not exceed £150,000	470	340
Exemption of all transfers of residential land and property in designated disadvantaged wards where the consideration exceeds the £125,000 threshold but does not exceed £150,000 up to 2nd September 2008 (thereafter the threshold is temporarily increased to £175,000 for the period of the SDLT Holiday).	50	15
Transfers to charities	130	200
Group relief	1,410	770
Transfers to registered social landlords	95	120
Alternative property finance	110	25
Transfers involving public bodies	30	150
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility	2,000	1,950
Value added tax		
Exemption of:		
Rent on domestic dwellings	3,750	3,600
Supplies of commercial property	200	200
Private education	50	50
Health services	900	850
Postal services	200	200
Burial and cremation	50	50
Finance and insurance	4,500	4,350
Betting and gaming and lottery duties	1,150	1,100
Small traders below the turnover limit for VAT registration	1,600	1,600
Air Passenger Duty		
Non-passengers (e.g. cabin crew)	110	110
Vehicle Excise Duty		
Exemption for disabled motorists	180	190