HM Treasury

Autumn Budget and Spending Review 2021

Policy Costings

October 2021

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Introduction

This document sets out the assumptions and methodologies underlying costings for tax and annually managed expenditure (AME) policy decisions announced since Spring Budget 2021, where those policies have a fiscally significant impact on the public finances. These costings are all submitted to the independent Office for Budget Responsibility (OBR) for their certification. This publication is part of the government's wider commitment to increased transparency.

Chapter 2 presents detailed information on the main data and assumptions underpinning the costing of policies in the Budget. Each note sets out a description of the measure, the base, the methodology for the costing (including relevant adjustments for behavioural responses) and highlights main areas of additional uncertainty, beyond those inherent in the OBR's forecast. All costings are presented on a National Accounts basis.

Annex A sets out the indexation assumptions included in the public finances forecast baseline, including all pre-announcements. The OBR sets out the approach they have taken to scrutiny and certification of the costings, and highlights areas of particular uncertainty, in Annex A of the Economic and Fiscal Outlook.

Chapter 2

Policy Costings

The following are included in this chapter:

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Local Authorities: reserves implications of Council Tax referendum principles

Measure description

This measure sets out the assumed Council Tax referendum limits for 2022-23 to 2024-25 for the purposes of the Local Government and Home Office DEL settlements at Spending Review 2021. These consist of a core referendum principle of 2%, a 1% Adult Social Care (ASC) precept, and a £10 Police precept. The Department for Levelling Up, Housing and Communities (DLUHC) will set out full details of the Council Tax referendum principles for local authorities through the Local Government Finance Settlement.

The cost base

The cost base is the net Exchequer impact of two largely offsetting effects:

- The change in Council Tax receipts as a result of the application of the assumed referendum principles.
- The consequent change in local authorities' self-financed expenditure.

Costing

The costing is estimated by comparing the pre- and post-measures regimes, including an assumption on local authorities' take-up of the assumed principles and on the increase in local authorities' reserves as a result of the additional revenue.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+20	+35	+55	+55	+60

Areas of uncertainty

The main uncertainties relate to local decisions by local authorities on whether to use the assumed Council Tax flexibility in full, and the extent to which Council Tax receipts are put into reserves. DLUHC will set out full details of the Council Tax referendum principles for local authorities through the Local Government Finance Settlement.

Business Rates: continuation of retention pilots between 2022-23 and 2024-25

Measure description

In 2017-18, the government set up arrangements to allow local authorities in some areas to retain a greater share of their locally raised business rates than the standard amount. These changes are assumed to continue until 2024-25. Further detail on arrangements beyond the current year will be provided by DLHUC in due course.

The cost base

The cost base is the business rates forecast and the expected grant allocation to local authorities benefiting from additional business rates retention. It is assumed in the baseline that local authorities would revert to 50% business rates retention from the end of 2021-22.

Costing

As a result of the increased business rates retention arrangements, authorities will retain more business rates and therefore spend more, financed by locally generated revenues (AME). This is largely offset by a reduction in central government grant to those local authorities, and therefore a reduction in spending financed by grant income (DEL).

Authorities will gain from any income retained above their business rates baseline due to growth in their business rates base. They will also be eligible for more s31 grant to compensate for new and existing business rates policy decisions due to a higher level of business rates retention.

In line with costings for previous years, it is assumed that 75% of additional income received by authorities with increased business rates retention arrangements is placed into local authorities' reserves at the end of each year from 2022-23 to 2024-25.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-105	-130	-155	-15	0

Areas of uncertainty

The business rates forecast and growth in the business rates base are uncertain. Further details of business rates retention arrangements will be communicated to relevant authorities by DLUHC following the Spending Review.

Health and Social Care Levy introduced from April 2022: gross yield

Measure description

This measure provides for a temporary 1.25 percentage point increase to both the main and additional rates of Class 1, Class 1A, Class 1B and Class 4 National Insurance contributions for the 2022-23 tax year. From April 2023 onwards, National Insurance contributions rates will decrease back to 2021-22 tax year levels and will be replaced by a new 1.25% Health and Social Care Levy. Individuals above State Pension age will not be affected by the temporary increase to National Insurance contributions for the 2022-23 tax year but will be liable to pay the levy from April 2023.

The tax base

The tax base includes all individuals and partnerships who pay employee and self-employed NICs and all employers paying employer NICs from April 2022; and those over State Pension age earning above the primary threshold/lower profits limit from April 2023. The base is estimated using HMRC's Personal Tax Model based on the 2018-19 Survey of Personal Incomes, projected forward using OBR's Autumn Budget 2021 economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, accounting for any knock-on impact on welfare payments. The costing accounts for a number of behavioural responses including individuals reducing their taxable income in response to the rate increase and changes to future incorporations of businesses.

It should be noted that the OBR expect there to be further indirect effects on the economy as the result of this measure. In addition, the government is compensating public sector employers for their additional employer contributions resulting from the tax increase. Both these impacts reduce the net yield which is available to allocate to health and social care spending. Both the gross and net figures accounting for these effects are shown in Table 2.1 of the Budget Document.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+45	+16,505	+16,805	+16,905	+17,290	+17,875

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Increase rates of dividend tax by 1.25% from April 2022

Measure description

This measure increases all rates of dividend tax by 1.25 percentage points from April 2022.

The tax base

The tax base includes all individuals receiving taxable dividend income above the personal and dividend allowances, as well as dividends received by trusts.

The base is estimated using HMRC's Personal Tax Model based on the 2018-19 Survey of Personal Incomes, projected forward using Autumn Budget 2021 economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing accounts for multiple behavioural effects including individuals bringing some of their dividend income forward to before the increase has come into effect, behaviours to reduce taxable dividend income, and a lower incentive for individuals to incorporate.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-15	+1,340	-540	+650	+815	+905

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response.

Universal Credit: reduce taper rate from 63p to 55p and £500 p.a. increase in work allowances from 1 December 2021

Measure description

This measure reduces the Universal Credit (UC) taper rate from 63% to 55%. This means a claimant's award will be reduced by 55p, rather than 63p, for every £1 of net earnings above any work allowance. It also provides a fixed cash increase of £500 per year to UC work allowances. The work allowances are the amount that can be earned before the UC taper rate applies. A household is eligible for a work allowance if either adult has responsibility for a child, or if either adult has limited capability for work.

This measure will be effective by December 2021.

The cost base

The cost base is estimated using the DWP's Policy Simulation Model which is aligned to the Integrated Forecasting Model 2 used to forecast Universal Credit AME.

Costing

The costing is produced by comparing the cost base described above to a pre-measure forecast baseline.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-745	-2,220	-2,385	-2,490	-2,755	-2,980

Areas of uncertainty

The main uncertainty in this costing relates to the size of the behavioural work response from claimants. Another uncertainty relates to the forecast UC caseload.

Fuel Duty: one year freeze in 2022-23

Measure description

This measure freezes rates of fuel duty for 2022-23.

The tax base

The tax base is every litre of taxable fuel that is made available for use in the UK. The projected volumes of taxable fuel are taken directly from the HMRC fuel duty forecasting model.

Costing

The costing is calculated by taking the forecast baseline and applying the difference in the forecast and policy duty rates.

Behavioural responses were included to take into account the increase in consumption in response to lower fuel price increases as a result of the measure.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-24	2024-26	2026-27
Exchequer impact	0	-1,510	-1,550	-1,580	-1,595	-1,615

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Alcohol Duty: reform to alcohol duties

Measure description

This measure will reform the alcohol tax system, with the aim of harmonising and rationalising the duty structure. This includes changes to the rates and structures of the duty categories including those for draught products below 8.5% ABV. These reforms will also mean that all alcohol duties will be charged based on alcoholic strength (ABV – alcohol by volume) as opposed to the volume of finished product, as is currently the case for some duties. The reforms will come into effect in February 2023.

The tax base

The tax base for this measure is alcohol clearances. Alcohol duty is payable on alcohol product at the point at which it is released for consumption onto the UK market, also referred to as alcohol clearances. Alcohol clearances are estimated using the OBR alcohol duty receipts forecast.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

A behavioural adjustment is made to account for a change in quantities of alcohol demanded as a result of a change in prices. The impact depends on the proportion of the alcohol price which is tax and where the alcohol is consumed.

Reformulation and forestalling assumptions are used to allow for producers and consumers responding to new tax incentives.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-20	-115	-125	-140	-155

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response.

Alcohol Duty: one year freeze from February 2022

Measure description

This measure will freeze beer, wine, spirit and cider duties on 1st February 2022, for a year.

The tax base

The tax base for this measure is alcohol clearances. Alcohol duty is payable on alcohol product at the point at which it is released for consumption onto the UK market, also referred to as alcohol clearances. Alcohol clearances are estimated using the OBR alcohol duty receipts forecast.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

A behavioural adjustment is made to account for an estimated change in quantities of alcohol demanded as a result of a change in prices.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-80	-545	-560	-585	-600	-620

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response.

Universal Credit: maintain the surplus earnings de minimis threshold at £2,500 per month in 2022-23

Measure description

In Universal Credit, a claimant's 'surplus earnings' (earnings in excess of the level of earnings that would result in a Universal Credit award of £0) in a given month can be carried forward, reducing the level of their award for up to six further months. Currently, the first £2,500 of surplus earnings per month cannot be carried forward – this is called the de minimis threshold.

This measure will keep the de minimis threshold in Universal Credit at £2,500 for 2022-23 rather than lowering the threshold to £300 as planned. This measure is effective from 1 April 2022 until 31 March 2023.

The cost base

The cost base is estimated using the DWP's Policy Simulation Model which is aligned to the Integrated Forecasting Model 2 used to forecast Universal Credit AME.

Costing

The costing is produced by comparing the cost base described above to a pre-measure forecast baseline.

No behavioural effects have been estimated in this costing as possible effects are judged to be negligible.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-70	0	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the earning patterns of claimants and the number of claimants who may receive two month's pay in one assessment period.

Shared Accommodation Rate (SAR): exemptions for victims of domestic abuse and victims of modern slavery

Measure description

The government will bring forward exemptions to the Shared Accommodation Rate (SAR) for victims of domestic abuse and victims of modern slavery, from October 2023 to October 2022. These vulnerable claimants will be able to claim the higher 1-bedroom self-contained Local Housing Allowance (LHA) rate.

The cost base

The cost base is estimated using DWP benefit expenditure forecasts and economic determinants as forecast by the OBR.

Costing

This costing is estimated based on the number of eligible claimants expected to move from shared accommodation to more expensive 1-bedroom accommodation, due to the higher LHA rate being available.

Exchequer Impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-5	-10	Neg	0	0

Areas of uncertainty

There is limited evidence on the number of claimants who are likely to benefit from this change.

Business Rates: 50% relief for Retail, Hospitality and Leisure sectors in 2022-23, £110,000 cash cap

Measure description

This measure grants a 50% business rates discount to businesses occupying eligible retail, hospitality and leisure properties in England up to a cash cap of £110,000 per business. This discount will apply for 12 months from 1 April 2022.

The tax base

The tax base consists of the total rateable value of all retail, hospitality and leisure properties in England, multiplied by the 2022-23 business rates multipliers.

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above. Adjustments are made to account for the impact of a cash cap and the interaction with Small Business Rates Relief. The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland. The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+35	-1860	+40	-10	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the reduction in the size of the tax base caused by the cash cap.

Business Rates: freezing the multiplier in 2022-23

Measure description

This measure will freeze the business rates multiplier for 12 months from April 2022. This will maintain the small business multiplier at 49.9p and the standard multiplier at 51.2p, rather than uprating them in line with Consumer Price Index (CPI) inflation to 51.4p and 52.7p respectively.

The tax base

The tax base consists of the total rateable value of all non-domestic properties in England, multiplied by the 2022-23 business rates multipliers.

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above.

The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland. The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+15	-845	-900	-965	-965	-970

Areas of uncertainty

The main uncertainties in this costing relate to the rate of future inflation.

Business Rates: relief for property improvements from 2023-24

Measure description

This measure will provide 12 months of 100% business rates relief on qualifying improvements to existing properties from 1 April 2023 until 31 March 2028.

The tax base

The tax base consists of Valuation Office Agency estimates of past rateable value added to non-domestic properties in England due to improvements, multiplied by the relevant business rates multipliers for each year.

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above.

The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland.

The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+5	-145	-140	-145	-150

Areas of uncertainty

The main uncertainties in this costing relate to the rate of future investment and accurate identification of past qualifying improvements.

Business Rates: support for green technology from 2023-24

Measure description

This measure will exempt eligible plant and machinery used in onsite renewable energy generation and storage from business rates, as well as providing a 100% relief for eligible heat networks that have their own business rates bill. This measure will take effect from 1 April 2023 and run until 31 March 2035.

The tax base

The tax base consists of the total rateable value attributable to plant and machinery used in onsite renewable energy generation and stand-alone heat networks in England.

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above.

The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland.

The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	Neg	-40	-40	-45	-50

Areas of uncertainty

The main uncertainties in this costing relate to the rate of future investment in the eligible technologies.

Business Rates: extending the supporting small business and transitional relief schemes 2022-23

Measure description

This measure will extend the transitional relief for small and medium sized businesses and the supporting small business scheme into 2022-23.

Transitional relief is only being extended for properties with a rateable value below £100,000. This measure will restrict bill increases to 15% for small properties (up to a rateable value of £20,000 or £28,000 in greater London) and 25% for medium properties up to £100,000.

The tax base

The tax base consists of the cost of transitional relief and the supporting small business scheme in 2021-22.

Costing

The static costing is produced by assessing past trends in the cost of these reliefs since 2017.

The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland.

The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	Neg	-30	Neg	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to whether trends in costs of these measures continue in 2022-23.

Business Rates: administrative changes to clarify eligibility for the smaller business multiplier

Measure description

This measure will result in all properties with a rateable value of £51,000 using the small business multiplier from 2024-25. Currently, empty properties or properties claiming charity relief are charged using the standard business rates multiplier.

The tax base

The tax base consists of properties in receipt of charity relief and empty properties

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above.

The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland.

The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	0	-5	-5	-5

Areas of uncertainty

The main uncertainty in this costing relates to our estimate of the proportion of empty properties.

Annual Investment Allowance: extension of £1m level until 31 March 2023

Measure description

The Annual Investment Allowance (AIA) provides businesses with 100% tax relief on qualifying investment up to an annual level. This measure extends the Annual Investment Allowance at £1,000,000 from 31 December 2021 until 31 March 2023.

The tax base

The tax base is qualifying expenditure in excess of the baseline AIA level (£200,000) that is not claiming the super-deduction first year allowance.

Costing

The costing is projected across the forecast period using the OBR's private non-financial companies Gross Fixed Capital Formation forecast determinant (ICC), adjusted to exclude North Sea investment.

The OBR have made an adjustment to their investment forecast as a result of this measure.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-65	-240	-165	+115	+60	+50

Areas of uncertainty

The main areas of uncertainty in this costing relate to the size of the tax base.

Museum, Galleries and Exhibition Tax Relief (MGETR) sunset clause: extend to March 2024

Measure description

This measure extends the Museums, Galleries and Exhibition tax relief (MGETR) until 31 March 2024. The relief was due to expire in March 2022 after being introduced in April 2017.

The tax base

The tax base is the total qualifying expenditure by museums and galleries sourced from HMRC administrative data. The tax base is grown over the forecast using OBR economic determinants.

Costing

The costing is calculated by applying the new rates of relief to the qualifying expenditure.

As this measure is continuing an existing tax relief, no behavioural effect is expected.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-5	-10	-5	0

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

Theatre, Orchestra & MGETR Tax Relief: two-year tapered rate increase from April 2022

Measure description

This measure temporarily increases the Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibition Tax Relief (MGETR) rates.

From 27 October 2021, the headline rates for TTR and MGETR will temporarily increase from 20% (for non-touring productions) and 25% (for touring productions) to 45% and 50% respectively.

From 27 October 2021, OTR rates will temporarily increase from 25% to 50%, reducing to 35% from 1 April 2023 and returning to 25% on 1 April 2024.

The tax base

The tax base is the total qualifying expenditure by theatres, orchestras, museums and galleries sourced from HMRC administrative data. The tax base is grown over the forecast using OBR economic determinants.

Costing

The costing is calculated by applying the new rates of relief to the qualifying expenditure.

The costing accounts for a behavioural response whereby an increase in qualifying expenditure on theatre productions, orchestral productions and museum and gallery exhibitions is included.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-5	-40	-115	-70	-15	0

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

HGV Road User Levy: suspend from August 2022 to 31 July 2023

Measure description

This measure will suspend the heavy good vehicle (HGV) Road User Levy for 12 months, from 1 August 2022 to 31 July 2023. It applies to registered keepers of HGVs, registered in the UK, and drivers and owners/operators of HGVs from outside the UK accessing the UK road network.

The tax base

The UK tax base is the stock of UK vehicles liable for the HGV Road User Levy, grown in line with OBR forecast determinants.

The tax base for non-UK registered HGVs is based on the Levy payments made by visiting HGVs according to data provided by the Driver and Vehicle Licensing Agency, grown in line with OBR forecast determinants.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The behavioural impact of this measure is assumed to be negligible.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-145	-80	-10	-10	-10

Areas of uncertainty

The main uncertainties in this costing relate to the size and growth of the tax base.

Vehicle Excise Duty: freeze rates for HGVs in 2022-23

Measure description

This measure freezes heavy goods vehicle (HGV) Vehicle Excise Duty (VED) for 2022-23 at 2021-22 levels. This measure will be effective from 1 April 2022.

The tax base

The tax base for this policy is the stock of vehicles liable for HGV VED and is estimated using the latest stock position from the OBR certified VED forecasting and costing model.

Costing

The costing is calculated by multiplying the baseline stock forecast by the frozen rates for HGV vehicle and then subtracting the expected revenue from the baseline RPI uprating.

The behavioural impact for this measure is assumed to be negligible.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-10	-10	-15	-15	-15

Areas of uncertainty

The main area of uncertainty in this costing relates to the size of the tax base.

Bank Surcharge: set at 3% and raise the surcharge allowance to £100m

Measure description

The measure sets the supplementary charge levied on all banking entities at 3% and changes the allowance available for banking groups from £25m to £100m. The measure will begin on 1 April 2023 for all accounting periods starting on, after or straddling that date.

The tax base

The tax base is based on bank surcharge liabilities estimated using receipts data. The tax base is grown in line with financial sector corporation tax liabilities, which reflect the OBR's forecasts for financial sector profits.

Costing

The costing is calculated by applying the pre- and post-measure tax regimes to the tax base described above. The costing assumes that changing the tax rate will increase the incentive on banking companies to shift profits into the UK.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-220	-830	-975	-995	-1,020

Areas of uncertainty

The main uncertainties are around the behavioural response.

Asset Holding Companies tax regime from April 2022

Measure description

This measure provides a new tax regime for qualifying asset holding companies (QAHCs), used in collective and institutional investment structures to facilitate the flow of capital, income and gains between investors and underlying investments. Taxation in the new regime is based on existing tax rules but with some amendments.

This measure will be effective from 1 April 2022.

The tax base

The tax base is estimated from HMRC tax returns data on subsidiaries of eligible investors that currently perform the function of an asset holding company. The tax base is grown in line with the OBR's economic determinants and projected to build up over the forecast period as more companies elect into the new regime.

Costing

The costing calculates the tax impact of the new rules on the estimated value of income and gains that will fall under the new regime.

The costing takes account of potential behavioural effects, as some groups may restructure to hold more assets in QAHCs in which some income and gains are exempt from tax.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-5	-10	-15	-20

Areas of uncertainty

The main source of uncertainty in this costing relates to the estimation of the tax base.

Air Passenger Duty (APD): introduction of a new reduced domestic band and ultra-long haul distance band

Measure description

This package introduces two new measures.

A new domestic distance band for APD, covering flights within the UK. The domestic rates will be set at £6.50 for reduced rate, £13 for standard rate and higher rate passengers will continue to pay Band A rates.

An increase in the number of APD international distance bands from 2 to 3. A new 'Band C' will be introduced, which applies to flights where the capital city of the final destination is over 5,500 miles from London. The new Band C reduced rate will be £4 greater than Band B and will use the Band B multipliers to determine the standard and higher rates.

These measures will have effect in relation to the carriage of passengers on or after 1 April 2023.

The tax base

The overall tax base is the number of passengers departing from a UK airport who are liable for APD. Total passenger numbers are separated into bands based on the distance from London to the capital city of the final destination, using Civil Aviation Authority (CAA) data. The tax base is grown in line with the passenger numbers assumed in the OBR's overall APF forecast.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing includes a behavioural effect to account for the change in flights taken resulting from the change in the tax rates.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-35	-35	-30	-30

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Capital Gains Tax: increase property disposal payment window from 30 to 60 days

Measure description

This measure extends from 30 days to 60 days the time limit for making Capital Gains Tax (CGT) returns and associated payments on account when disposing of UK land and property.

This measure also clarifies the rules for mixed use properties, which apply to UK residents only.

This measure will have effect for disposals that complete on or after 27 October 2021.

The tax base

The tax base is CGT receipts from UK resident persons disposing of an interest in UK residential property, which results in CGT to pay. This also applies to all direct or indirect disposals of interests in UK land and property by non-residents.

The tax base grows over the forecast period in line with OBR determinants for the indexed house price forecast and property transaction volumes.

Costing

The costing is estimated by applying the pre- and post-measure payment regimes to the tax base described above.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-60	-5	-5	-5	-5	-5

Areas of uncertainty

The main uncertainty in this costing relates to the size of the tax base.

Starting rate for savings tax band: maintain at £5,000 for 2022-23

Measure description

This policy maintains the starting rate of savings band at £5,000 in 2022-23, rising with CPI thereafter.

The tax base

The tax base consists of all individuals with savings income above the Personal Allowance and starting rate of savings from April 2022.

The base is estimated using HMRC's Personal Tax Model based on the 2018-19 Survey of Personal Incomes, projected forward using the OBR's economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing also includes a small behavioural reduction for moving savings into ISAs and non-compliance.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	+5	+5	+5	+5

Areas of uncertainty

The main uncertainties in this costing relate to the forecast of future returns to savings.

Adult ISA subscription limit: maintain at £20,000 for 2022-23

Measure description

This measure retains the adult ISA subscription limit at £20,000 for 2022-23, rising with CPI thereafter.

The tax base

The tax base consists of the latest data available on ISA subscriptions projected in line with OBR forecasts.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The costing is calculated by estimating the increase in tax payable on savings as a result of this change.

The costing does not include an adjustment for a behavioural response.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	+5	+10	+15	+20

Areas of uncertainty

The main uncertainty in this costing relates to the future path of savings returns.

Carbon Price Support rates: maintain in 2023-24

Measure description

The UK has two carbon pricing policies designed to reduce emissions from power generation: the UK Emissions Trading System (UK ETS) and the Carbon Price Support (CPS) rate of Climate Change Levy. This measure will freeze CPS rates in 2023-24.

The CPS rates outlined in this measure relate to the period from 1 April 2023.

The tax base

The tax base for this measure is fossil fuels burned by Major Power Producers (MPP) and Bad Quality Combined Heat and Power (BQ CHP) installations to produce electricity. This tax base is estimated by BEIS's Dynamic Dispatch Model (DDM).

The fiscal impact of the measure is grown over the forecast period using OBR determinants for GDP, inflation, £/€ exchange rates, and oil and gas prices.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-15	-15	-10	-10

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, which is forecasted using the DDM. A minor uncertainty exists in the emissions factors used to translate CPS rates from £/tCO_2 to £/kWh. The amount of energy released by burning a certain quantity of coal, gas or oil is not a fixed physical property of the fuel.

Car fuel benefit charge: uprate by CPI in 2022-23

Measure description

The car fuel benefit charge is imposed when an employer provides an employee with fuel for a company car that is available for private use. This measure will increase the car fuel benefit charge from April 2022 in line with growth in the Consumer Price Index (CPI).

The tax base

The tax base is the projected value of the car fuel benefits from HMRC administrative data.

Costing

The static costing is produced by considering the increase in the value of car fuel benefit given the increase in the charge. No significant behavioural adjustments are made to the static costing.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+5	+5	+5	+5	+5	0

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

Van benefit charge: uprate by CPI in 2022-23

Measure description

The van benefit charge is imposed when an employer provides their employee with a van which is available for private use. This measure will increase the van benefit charge from April 2022 in line with growth in the Consumer Price Index (CPI).

The tax base

The tax base is the projected value of the van benefits from HMRC administrative data.

Costing

The static costing is produced by considering the increase in the value of van benefit given the increase in the charge.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+5	+5	+5	+5	+5

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

Aggregates Levy: freeze in 2022-23

Measure description

This measure freezes the Aggregates Levy (AGL) rate at £2 in 2022-23. The AGL rate outlined in this measure will take effect on 1 April 2022.

The tax base

The tax base is every tonne of taxable aggregates that is commercially exploited in the UK. The projected volumes are taken directly from the HMRC Aggregates Levy forecasting model.

Costing

The costing is calculated by taking the forecast baseline and applying the difference in the baseline and policy rates.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-24	2024-26	2026-27
Exchequer impact	0	-25	-25	-25	-25	-25

Areas of uncertainty

The main uncertainty with the costing is in the forecast of tonnages in aggregates.

Tobacco Duty: increase hand rolling tobacco duty by an additional 4% and minimum excise duty by an additional 1% in 2022-23

Measure description

It was previously announced that tobacco duties would rise by RPI+2% for the duration of the parliament. This measure increases the specific duty on Hand Rolling Tobacco (HRT) by 4 percentage points above the pre-announced duty rate increase. The measure also increases the Minimum Excise Tax (MET) by an additional 1 percentage point.

This measure will be effective from 6pm on 27 October 2021.

The tax base

The tax base is composed of tobacco cleared into the UK market. The tax base is grown in line with the OBR's forecast for tobacco duty revenues. It includes announced policy (RPI+2% increases through to the end of the Parliament).

Costing

The costing is determined by applying the new duty rates to the tax base.

The costing includes a behavioural effect to account for the reduction in consumption resulting from higher prices.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+15	+25	+25	+25	+25	+25

Areas of uncertainty

The main area of uncertainty in this costing relates to the size of the behavioural response.

Moving back the Pension Credit to Housing Benefit merger date from October 2023 to April 2025

Measure description

The government plans to create a new housing element of Pension Credit (PC), replacing pensioner Housing Benefit (HB), in 2025, to align with the full rollout of working-age Housing Benefit into Universal Credit.

The cost base

The cost base is estimated using DWP benefit expenditure forecasts and economic determinants as forecast by the OBR.

Costing

The pre-measure base is the level of PC and pensioner HB expenditure that would have occurred if rent support was moved from HB to PC in October 2023. Following the merger, it is assumed that there will be an increase in pensioner HB take-up from PC claimants who are entitled to HB but not currently claiming it, and vice versa, incurring an additional cost. Delaying the merger therefore reduces outlay compared to the counterfactual.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	+5	+50	+95	+125

Areas of uncertainty

There is uncertainty around the behavioural response in take-up once HB is part of PC.

Net Pay pension schemes: 20% top-up for eligible individuals on contributions from April 2024

Measure description

This measure will provide a 20% end-of-year top-up to low-earning individuals who save into their pension via Net Pay Arrangements (NPA). This measure will affect contributions made from the 2024-25 tax year onwards.

The tax base

The tax base for this measure consists of contributions to NPA schemes made by individuals whose taxable income, net of pension contributions, sits below the Personal Allowance.

The base is estimated using HMRC's Personal Tax Model based on the 2018-19 Survey of Personal Incomes, projected forward using Autumn Budget 2021 economic determinants.

Costing

There is no static cost as the cost will depend on take-up.

The post-behavioural costing applies take-up assumptions which are based on historical examples of policies targeting a similar tax base, and applies the 20% top-up to the tax base described above.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	0	0	-10	-15

Areas of uncertainty

The main uncertainty in this costing relates to the level of take-up in the eligible population.

BBC commercial arm borrowing limit: stepped increase from £350m to £750m

Measure description

The government sets a borrowing limit to cap the amount of debt that the BBC's commercial arm (BBC Commercial Holdings) can hold from commercial lenders. The government will increase this borrowing limit to £750m, more than double the current limit of £350m, in phases between 22/23 and 26/27.

The cost base

The BBC is a public corporation of the Department for Digital, Culture, Media and Sport (DCMS). Spending by BBC Commercial Holdings which is financed by borrowing may impact Public Sector Net Borrowing (PSNB).

Costing

The fiscal cost is determined by the estimated effect the additional borrowing will have on the operating surplus of BBC Studios and their capital spend.

It excludes expenditure on financial transactions (e.g., equity purchases).

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-15	-45	-40	+20	+95

Areas of uncertainty

This costing is based on an initial investment plan provided by BBC Commercial Holdings. The BBC is an independent body and investments will be determined by the commercial opportunities at the time, operating within the revised borrowing limit, and therefore the profile may vary from the forecast provided.

HM Land Registry: increase caseworker capacity

Measure description

As part of the Spending Review, Her Majesty's Land Registry (HMLR) is investing in additional caseworker capacity and automation in the short term to address a backlog of cases for updating or changing the Land Register. This measure covers the additional exchequer revenue from processing these outstanding registrations.

The revenue base

The total number of outstanding registrations and the money owed by landowners.

Costing

The costing is calculated by establishing the difference between a pre-measure income forecast and post-measure income forecast. To provide income projections, the modelling pulls together assumptions about future caseworker demand (based on the size of the current backlog plus future intake forecasting) and supply (based on historical data about caseworker availability and efficiency) to estimate output in future months.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-5	+65	+50	+35	+35	+40

Areas of uncertainty

The assumptions within the income modelling that have the largest impact are the level of intakes and the efficiency of caseworkers.

Removing cross-border group relief

Measure description

This measure will repeal the rules that allow EEA-resident companies to surrender foreign losses as UK group relief in certain circumstances. It will also align the rules for all non-resident companies surrendering losses of a UK permanent establishment (PE) for group relief.

The policy will take effect from 27 October 2021.

The tax base

The tax base for this measure is the total value of losses surrendered for group relief by EEA-resident companies, from HMRC's CT600C (group relief) returns. The forecast profile grows with the growth in relevant components of HMRC's Corporation Tax forecast.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	Neg	+5	+5	+5	+5	+5

Areas of uncertainty

The main uncertainties in this costing relate to the proportion of total losses that are foreign losses and those that are derived from UK losses of a permanent establishment.

Residential Property Developer Tax: 4% rate

Measure description

This measure levies an additional 4% supplementary charge on an adjusted corporation tax (CT) base of residential property developer companies, above a threshold of £25 million group profits.

This measure will be effective from April 2022.

The tax base

The tax base is derived from HMRC data on historic tax liabilities up to 2019-20 from property groups expected to fall into the scope of this measure, as well as information from published company reports. The tax base is grown in line with consensus forecasts for the industry in the near-term and nominal GDP thereafter.

Costing

The costing is calculated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing assumes a small behavioural response for reduced revenues, as the companies in scope find ways to mitigate the impact of a higher effective tax rate on their profits as a result of this measure.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+200	+215	+225	+235	+250

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

State Pension and Pension Credit: uprate with Double Lock in 2022-23

Measure description

Due to the distortions to reported average wage growth this year – caused by the economic effects of the pandemic, related government labour market interventions and the unique speed of the recession and recovery - for 2022-23 only, the government is legislating to suspend the earnings uprating of the 'Triple Lock'. Instead, the basic and new State Pensions, the Standard Minimum Guarantee (SMG) in Pension Credit, and Survivor's Benefits in Industrial Death Benefit, will be uprated by at least the higher of CPI or 2.5%.

The cost base

To establish the level of spend before the implementation of the uprating policy, the cost base across both elements of the measure is estimated using Autumn Budget 20201 economic determinants.

Costing

To estimate the static (pre-behavioural) costing, the Annually Managed Expenditure (AME) savings of uprating the basic State Pension, the new State Pension, the SMG in Pension Credit, and the Survivor's Benefit in Industrial Death Benefit in 2022-23 are estimated using CPI for the year to September (3.1%). The AME impacts include those for the pension-age Housing Benefit (HB) associated with HB personal allowance matching the equivalent SMG rates in Pension Credit. No behavioural impacts are expected.

Exchequer impact (£m)

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Exchequer Impact	0	+5,415	+5,780	+6,115	+6,455	+6,730

Areas of uncertainty

The main uncertainty is the baseline State Pension expenditure forecasts.

Economic Crime (Anti-Money Laundering) Levy

Measure description

The levy will fund new and uplifted anti-money laundering (AML) capabilities. It will be a fixed fee paid by entities subject to the Money Laundering Regulations (MLRs) based on their size as determined by their UK revenue.

The levy will first be charged on entities that are AML regulated during the financial year 1 April 2022 to 31 March 2023.

The tax base

The tax base is formed of entities which are part of the Anti-Money Laundering (AML) regulated sector, and which have a total UK revenue of at least £10.2 million.

Costing

The static costing is estimated by using 2018-19 data on turnover, which is the latest currently available. This is then projected forward in line with OBR's forecasts.

The final costing also accounts for behavioural responses to the measure.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+95	+100	+100	+105	+105

Areas of uncertainty

The main areas of uncertainty in this costing relate to estimating the tax base's UK revenue for organisations where this is unknown, and the behavioural response.

Freeports (reliefs on Stamp Duty, Enhanced Capital Allowances, Structures and Buildings Allowance, NICs and Business Rates)

Measure description

This measure provides several tax and customs reliefs for English Freeports within specified Freeport tax or customs sites.

In Freeport tax sites this will include an enhanced capital allowance (ECA), Structures and Buildings Allowance (SBA), Business Rates relief and a Stamp Duty Land Tax (SDLT) relief between tax site designation and 30 September 2026. From April 2022 there will also be an Employer National Insurance Contributions relief that will run until at least April 2026. These reliefs will all be subject to their own eligibility criteria and some have additional time limits.

In Freeport customs sites there will be customs duty benefits for eligible businesses including duty suspension, as well as favourable duty treatment for goods leaving them. Businesses will also be able to benefit from VAT and excise duty suspension whilst goods are retained within these sites.

The tax base

The tax base consists of the revenue and customs receipts within the postcodes associated with chosen Freeport tax and customs sites.

Costing

The static costing applies the change in tax and customs treatment assuming no behaviour change.

The costing takes account of behavioural responses to the introduction of these reliefs.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-5	-25	-40	-60	-75	-65

Areas of uncertainty

The main uncertainties in this costing relate to the behavioural responses to this measure.

Self-Employment Income Support Scheme fifth grant: design choices relating to financial impact declaration

Measure description

The Spring Budget 2021 announcement for a fifth Self-Employment Income Support Scheme (SEISS) grant included a Financial Impact Declaration (FID) that determined whether applicants were eligible for either a higher or lower grant amount based on how much their turnover had reduced.

Since this announcement, two design choices were made which impacted on cost:

- Claimants were able to use an alternative 'reference year' for the FID (2018-19) if they believed that tax year more accurately reflected the usual turnover of their trade than 2019-20.
- Claimants who started trading in 2019-20 and did not trade in all of 2018-19, 2017-18 and 2016-17 automatically received the 80 per cent grant.

The fifth SEISS grant period covered May 2021 to September 2021.

The cost base

The cost base is made up of individuals with income from self-employment, including individuals with income from partnerships, who meet the SEISS eligibility criteria. The cost base has been calculated using available outturn SEISS grant data.

Costing

The costing is estimated by assessing the value of claims impacted by the policy design decisions using outturn data. Impacts on Income Tax and self-employed National Insurance Contributions are accounted for in the costing.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-170	+20	0	0	0	0

Areas of uncertainty

Due to the availability of outturn data estimates are reasonably certain.

Business Rates: Covid-19 additional relief fund

Measure description

This measure, which was announced on 25 March 2021, provides £1.5 billion of additional support to businesses that have experienced adverse economic effects as a result of the COVID-19 pandemic, but have been unable to benefit from the existing support linked to business rates. The fund will be awarded through local authorities, taking into account the economic impact COVID-19 has had on specific sectors, and the local stock of property.

The cost base

The tax base is derived of businesses that have not previously received COVID-19 support linked to business rates. Local authorities will determine the beneficiaries of the relief.

Costing

The static costing is a result of the policy decision to award £1.5 billion. The static cost is adjusted to reflect the fact that business rates are deductible for Corporation Tax for companies and Income Tax for the self-employed, and that business rates are devolved to Scotland, Wales and Northern Ireland. The costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-1,555	+35	-10	0	0	0

Areas of uncertainty

The main uncertainty in this costing relates to how much of the additional funding is spent by local authorities.

Business Rates: ruling out Covid-19 as a Material Change in Circumstance

Measure description

This measure captures the impact of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill which removes COVID-19 restrictions as grounds for a Material Change of Circumstance (MCC) appeal on rateable value for business rates. This will reverse the reduction in business rates yield previously forecast as a result of MCC appeals on COVID-19 restrictions grounds.

The tax base

The tax base consists of the estimated reduction in rateable value of non-domestic properties in England that was expected to be lost to MCC appeals in 2020-21 and 2021-22, multiplied by the business rates multipliers for those years.

Costing

The static costing is produced by applying the pre- and post-measures tax regime to the tax base above. The costing includes no adjustments for behavioural effects, changes in other business tax revenues or Barnett consequentials.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-485	0	0	0	0	0

Areas of uncertainty

There is uncertainty around the original cost of MCC appeals that was reflected in the March 2021 forecast.

Right to Buy: changes to rules under which Local Authorities can retain and spend receipts from Right to Buy sales

Measure description

This measure changes the rules for how local authorities can re-invest Right to Buy receipts (money raised from Right to Buy sales).

The changes being made include:

- Extending the timeframe local authorities have to spend new and existing Right to Buy receipts from 3 years to 5 years.
- Increasing the percentage cost of a new home that local authorities can fund using Right to Buy receipts from 30% to 40%.
- Introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from 1 April 2022, and phased in over 2022-23 to 2024-25.
- Allowing receipts to be used for shared ownership and First Homes, as well as housing at affordable and social rent.

These changes took effect from 1 April 2021, with the exception of the acquisition cap, which will be introduced from 1 April 2022, on a phased basis.

The cost base

The cost base consists of the OBR forecasts for local authority Right to Buy receipts and expenditure and Housing Revenue Account income and expenditure.

Costing

The costing estimates the change in local authority spending on Right to Buy replacements as a result of the policy changes. This includes both static and behavioural impacts with static impacts arising due to the cap on acquisitions.

The policy changes are expected to initially lead to a reduction in spending on Right to Buy replacements; this is due to the acquisition cap, which will encourage local authorities to delay spending as they establish a pipeline of new build projects. Once the reforms have bedded in, spending is estimated to increase as local authorities respond to the increased flexibility in how they can spend their receipts.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+245	+250	+195	+90	0	-30

Areas of uncertainty

There are uncertainties around local authority behavioural impacts.

Super-deduction: extension to background plant and machinery

Measure description

This measure allows companies to claim a 130% first year allowance on main rate expenditure and a 50% first year allowance on special rate expenditure on plant or machinery provided for leasing under an excluded lease of background plant or machinery for a building.

These allowances are available for expenditure incurred between 1 April 2021 and 31 March 2023.

The tax base

The tax base is estimated using Corporation Tax returns for the amount of qualifying main rate and special rate expenditure claimed by companies in the property sector. The data used is 2019-20 outturn data, which is the latest currently available. This is then projected forward in line with OBR projections for capital expenditure.

Costing

The main behavioural response included relates to companies increasing their levels of investment as a result of the new rates of relief. An allowance has also been made for avoidance activity or boundary pushing which may occur.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-115	-120	-35	+5	+15	+20

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

Real Estate Investment Trusts: amendments

Measure description

This measure makes amendments to the tax rules applying to Real Estate Investment Trusts (REITs), including some of the conditions that determine whether a company qualifies to be a UK REIT. The changes: relax the listing requirement where the company is substantially owned by large institutional investors; amend the overseas institutional investor rules so that these apply to the overseas entity rather than the law in the overseas jurisdiction; relax the Holders of Excessive Rights rule, so it only applies to entities where Withholding Tax is required; and simplify the balance of business test,and amend the list of items excluded from that test. The policy will be effective from 1 April 2022.

The tax base

The tax base is the income which would be ringfenced under the REIT regime for companies potentially affected by the measure.

Costing

For companies converting to REITs once the measure has taken effect, the relevant income would no longer be charged to Corporation Tax at company level but instead charged to the relevant taxes at investor level. The costing is the difference between the estimated tax charged on this income before and after the changes.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-5	-5	-5	-5	-5

Areas of uncertainty

The main uncertainty relates to the estimation of the tax base.

Extension of eligibility for bereavement benefits to cohabitees with children

Measure description

The Government announced in July 2021 that it will extend eligibility for both Bereavement Support Payments and Widowed Parents Allowance for people with children who were cohabiting with a partner but who were not married or in a civil partnership. This will likely come into effect in summer 2022 once the Remedial Order is approved by Parliament.

The tax base

The cost base is estimated using DWP benefit expenditure forecasts and Autumn Budget 2021 economic determinants.

Costing

The costing is based on the expected increase in bereavement benefit claims following the extension of eligibility to cohabitees. The higher costs in 2022-23 reflect the backdated payments that will be owed from 30 August 2018.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-120	-30	-25	-25	-20

Areas of uncertainty

Payments will go out from the date of the Remedial Order coming into force, which is assumed to be September 2022 for the purposes of this costing. However, this date may shift depending on Parliamentary timing.

It is assumed that there will be a similar take up of bereavement benefits among cohabitees as for married couples or those in a civil partnership, but this may not be the case.

Health and Disability Green Paper

Measure description

This consists of two measures announced in the Health and Disability Green Paper. The first expands the Special Rules for Terminal Illness (SRTI) so that people are eligible if they are reasonably expected to be in their final 12 months of life, rather than six months as currently. SRTI allows these individuals to make fast-tracked claims to a number of disability and incapacity benefits. The second measure is no longer going ahead with the proposed 18-month minimum award period for those receiving Personal Independence Payment (PIP).

The cost base

The cost base consists of the pre-measures forecast for total expenditure on a number of disability benefits.

Costing

This costing is estimated by applying to the cost base the cumulative effects of the two measures.

The SRTI measure increases disability benefits expenditure through removing waiting periods for new claims and giving the expanded eligible population a higher average award than other claimants.

No longer going ahead with the proposed 18-month minimum PIP award period decreases PIP expenditure. This is because some individuals affected will have their award review sooner and the average change at award reviews is a reduction in the award amount.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	+15	+40	+15	-15	-5

Areas of uncertainty

The main uncertainties in the SRTI costing relate to the volumes of eligible claimants who will be newly brought into scope for SRTI and the length of their claims. The main uncertainties in the costing for the removal of the proposed PIP 18-month minimum award period relate to the volume of award reviews and how much award amounts change at award reviews.

Universal Credit: reintroduce Minimum Income Floor from 1 August 2021

Measure description

The Minimum Income Floor (MIF) in Universal Credit is used to calculate self-employed claimants' monthly awards by assuming a minimum level of earnings. The government temporarily suspended the MIF in March 2020 to provide additional support for self-employed people on low incomes during the Covid-19 pandemic.

The MIF is being reintroduced gradually from 1st August 2021. This measure extends the reintroduction period to 12 months, enables work coaches to disapply the MIF for up to six months where claimants' earnings continue to be affected by the Covid-19 pandemic, and provides a one-month notice period to claimants before the MIF is applied.

The cost base

The cost base is estimated using the DWP's Policy Simulation Model which is aligned to the Integrated Forecasting Model 2 used to forecast Universal Credit AME.

Costing

The costing is produced by comparing the cost base described above to a pre-measure forecast baseline.

No significant behavioural effects are expected or included in the costing.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-10	-15	-20	0	0	0

Areas of uncertainty

The main source of uncertainty in this costing relates to the economic recovery from the Covid-19 pandemic and how this will affect claimants' self-employed earnings.

Reform of penalties for late submission and late payment of tax for Income Tax Self Assessment: change to implementation date

Measure description

This measure changes the implementation date for the Spring Budget 2021 measure to reform penalties for late submission and late payment of tax for Income Tax Self Assessment (ITSA) to:

- April 2024, for taxpayers mandated for Making Tax Digital ITSA beginning on or after 6 April 2024.
- April 2025, for all other taxpayers in ITSA.

The tax base

The tax base is the projected value of penalties and interest collected under the existing regime. This is estimated using historic data on penalties and interest paid.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above and taking the difference between the two and adjusting for the new start date.

Behavioural responses are included to account for a change in behaviour to avoid paying penalties.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	0	-15	+30	+80

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and behavioural response.

Making Tax Digital for Income Tax Self Assessment: change to implementation date and digital prompts

Measure description

This measure changes the implementation date for the mandation of Making Tax Digital ITSA customers with business and / or property incomes over £10,000 from April 2023 to:

- April 2024, for ITSA customers who are sole traders or landlords
- April 2025, for ITSA customers who are classed as general partnerships

The measure also allows for some voluntary sign ups of ITSA customers in pilot phases before 2024, and voluntary sign ups of ITSA customers with income under £10,000 in years from 2024.

The measure also introduces a new risking tool as part of the Making Tax Digital Software from April 2024.

The tax base

The tax base is the revenue lost due to error and failure to take reasonable care by businesses and landlords in the additional year to prepare. The forecast profile rises in line with the growth in receipts and take-up.

Costing

The costing takes account of increasing compliance as a result of an increase in the use of software; keeping accurate, up to date and detailed records; and enhanced risking capabilities.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-25	-195	-205	-15

Areas of uncertainty

The main uncertainties in this costing relate to the take-up rates and the behavioural response.

Income Tax: basis periods reform for the self-employed from April 2024 with transition year in 2023-24

Measure description

Basis periods are a set of tax rules that govern the timing of when income is assessed. This measure will align all basis periods for self-employed individuals and partners with the standard tax year.

This measure will be effective from April 2024, with a transition tax year in 2023-24. During the transition tax year, overlap relief can be used, and any profit generated during the realignment of the basis period with the tax year can be spread over a five-year period for tax purposes, starting with the transition year.

The tax base

The tax base reflects profit and losses from sole traders and partners with a basis period end date that does not align with the end of the tax year, and accounts for deductions for overlap relief. The data is taken from 2019-20 tax returns held by HMRC. The tax base is grown over the forecast period using the OBR's forecast for self-employment income.

Costing

The costing has two main components:

- The yield associated with the additional profit generated during the transitional period (spread over five years); and
- The loss in revenue generated by taxpayers deducting overlap relief during the transitional period.

These Exchequer impacts are largely a timing effect as the additional tax liabilities in the transitional tax year would have been due in future years if the sole traders and partners changed their basis period or ceased trading. The measure is broadly revenue neutral over the long term.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	+25	+820	+510	+360

Areas of uncertainty

The main uncertainties in this costing relates to the total value of historic overlap relief available to taxpayers during the transition period.

Notification of uncertain tax treatment: changes to scope

Measure description

At Budget 2020 the government announced the uncertain tax treatment (UTT) measure, which introduced a requirement for businesses with a UK turnover above £200 million per year, or a UK balance sheet total of more than £2 billion, to notify HMRC where they adopt a tax treatment relying on an uncertain legal interpretation.

This measure increases the threshold condition for the tax advantage associated with an uncertain amount under the existing notification of uncertain tax treatment (UTT) from £1m to £5m. It also removes one legislative criterion ("trigger") that businesses would have considered before notifying HMRC of the uncertain tax treatment. The trigger being removed would have required businesses to make a notification where there is a substantial possibility that a court or tribunal would find the treatment adopted to be incorrect.

This measure will be effective from 1 April 2022.

The tax base

The overall tax base is established using the Legal Interpretation tax gap for Large Businesses. This information has been sourced from the HMRC Tax Gaps publication, with figures projected forward across the period.

Costing

The static costing is estimated by calculating the difference between compliance yield generated pre- and post-measure. This reflects the change in the tax threshold and the removal of one of the triggers. The costing accounts for a behavioural response.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-5	-10	-15	-15	-20	-15

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and behavioural response.

Access to benefits for arrivals under the Afghan Relocations and Assistance Policy and the Afghan Citizens Resettlement Scheme

Measure description

This measure ensures that individuals coming to the UK from Afghanistan, including those under the Home Office resettlement schemes, are eligible for Child Benefit and DWP income-related benefits from their first day in the UK.

The cost base

The cost base used by HMRC and DWP is calculated based on the number of families who are expected to come to the UK from Afghanistan under the Afghan Citizens' Resettlement Scheme (ACRS) and the Afghan Relocations and Assistance Policy (ARAP).

Costing

The costing has been produced by estimating eligibility and take-up of DWP and HMRC benefits (Universal Credit, Pension Credit and Housing Benefit, Child Benefit, and Disability and Carer Benefits), relative to a counterfactual where the policy is not in place.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-5	-5	-5	-5	Neg	Neg

Areas of uncertainty

The main source of uncertainty relates to the potential variance in the number and characteristics of arrivals to the UK from Afghanistan under the Home Office schemes.

Clamping down on promoters of tax avoidance

Measure description

This package of measures will introduce new legislation consisting of four parts, designed to reduce the tax avoidance market:

- imposing new penalties for UK entities that support offshore promoters
- allowing HMRC to apply to the court to freeze a promoters' assets so that the penalties promoters incur are paid
- allowing HMRC to petition the court to wind up companies and partnerships involved in promoting tax avoidance
- supporting taxpayers to identify and steer clear of or leave tax avoidance

This measure comes into effect on Royal Assent of the 2021-22 Finance Bill.

The tax base

The tax base for this measure is the estimated number of avoidance schemes and the estimated value of tax under consideration (TUC). We multiply the number of schemes by the average TUC to determine the estimated total tax at risk.

Costing

The behavioural element drives the costing, with the deterrent effect of these measures reducing the scope of the market.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+5	+25	+30	+25	+25	+20

Areas of uncertainty

The main uncertainties in this costing relate to the average TUC per scheme.

Public Service Pensions Remedy (McCloud)

Measure description

When reformed public service pension schemes were introduced in 2014-15, the government agreed, following negotiations with Trade Unions, to allow those close to retirement to remain in their existing pension scheme; this was known as 'transitional protection'. This was later found by the Court of Appeal to be discriminatory. In July 2021 the government introduced the Public Service Pensions and Judicial Offices Bill to retrospectively amend the transitional arrangements and thereby provide a 'remedy' to address this discrimination.

The Bill provides that all affected members will be members of the relevant legacy pension scheme for the remediable service period (1 April 2015 - 31 March 2022). However, when they take their benefits, they will be able to choose to instead receive reformed scheme benefits. Public service pension schemes will therefore pay additional benefits in the 2023/24 financial year onwards.

The cost base

The cost base is affected members of unfunded public service pension schemes eligible for the remedy.

Costing

The Government Actuarial Department has produced projections for the expenditure cashflows to illustrate the amounts schemes are expected to pay out for remedy payments using data supplied for the 2016 valuations for each scheme to determine those in scope.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	-585	-740	-610	-550

Areas of uncertainty

Due to evidence gaps on the likely Annual Allowance and Lifetime Allowance impact of the remedy we have only been able to offer a high-level assessment of the Annual Allowance impact at this stage. There is also uncertainty relating to which benefits members will choose and how much pension they will take as a lump sum.

Annex A

Indexation in public finance forecast baseline

The following table shows the indexation assumptions that have been included in the public finances forecast baseline, including all pre-announcements, for Autumn Budget 2021 policy costings. This does not include the changes made at Autumn Budget 2021.

Forecast area	Element	Default indexation assumed in the baseline	Previously announced policy changes from 2022-23 onwards
Income Tax	Personal Allowance	Increase by September CPI, rounded up to the nearest £10	Maintained at its 2021-22 level up to and including 2025-26.
	Basic Rate Limit	Increase by September CPI, rounded to the nearest £100	Maintained at its 2021-22 level up to and including 2025-26.
	Personal savings allowance	Fixed at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers	
	Dividend Allowance	Fixed at £2,000 for all taxpayers	
	Starting rate limit for savings income	September's CPI, rounded up to the nearest £10	
	Threshold for additional rate	Fixed at £150,000	
	Income limit for tapered withdrawal of personal allowances	Fixed at £100,000	
	Pensions Tax Relief – annual allowance	Fixed at £40,000	
	Pensions Tax Relief – tapered annual allowance	Threshold income: fixed at £200,000 Adjusted income: fixed at £240,000	
	Pensions Tax relief – Money Purchase Annual Allowance	Fixed at £4,000	
	Pensions Tax Relief – Lifetime Allowance	September's CPI, rounded up to the nearest £100	The Pensions Lifetime Allowance will remain at its 2020-21 level up

			to and including 2025-26.
	Individual Savings Accounts – annual subscription limit	In line with September's CPI, rounded to the nearest £120	
	Individual income threshold for high income child benefit – tax charge	Fixed at £50,000	
	Marriage tax allowance	Fixed at 10% of the personal allowance, rounded up to the nearest £10	
National Insurance contributions	Lower earnings limit	September's CPI, rounded down to the nearest £1pw	
	Primary threshold / lower profits limit	September's CPI, rounded to the nearest £1pw. Annual PT/LPL is weekly, multiplied by 52	
	Secondary threshold	September's CPI, rounded to the nearest £1pw	
	Upper earnings limit / upper profits limit/ upper secondary threshold / apprentice upper secondary threshold / veterans' upper secondary threshold	Aligned with Income Tax Higher Rate Threshold (HRT)	Will be maintained at its 2021-22 level in line with the HRT at £50,270 up to and including 2025-26.
	Small profits threshold	September's CPI, rounded up to the nearest £10	
	Contribution rates	Fixed percentage, apart from Class 2 and Class 3 weekly rates which rise by September's CPI, rounded to the nearest 5p	Class 4 and Class 1 rates will increase by 1.25% to 10.25% and 13.25%, respectively, in 2022-23 only.
	Employment allowance	Fixed at £4,000	
Capital Gains tax	Main annual exempt amount	CPI, rounded up to the nearest £100	The annual exempt amount for individuals will remain at its 2020-21 level up to and including 2025-26.
	Annual exempt amount for trustees	Half of the main annual exempt amount	The annual exempt amount for trustees will remain at its 2020-21 level up to

			and including 2025-26.
	Lifetime allowance for business asset disposal relief	Fixed at £1 million	
Inheritance tax	Nil-rate band	September's CPI, rounded up to the nearest £1,000	The nil-rate band will remain at its 2020-21 level up to and including 2025-26.
	Residence nil-rate band	September's CPI, rounded up to the nearest £1,000	The residence nil-rate band will remain at its 2020-21 level up to and including 2025-26.
	Residence nil-rate band – threshold for tapered withdrawal	September's CPI, rounded up to the nearest £1,000	The threshold for tapered withdrawal of the residence nil-rate band will remain at its 2020-21 level up to and including 2025-26.
Working-age social security benefits and payments: Jobseeker's Allowance; Income Support; Employment and Support Allowance;	All main rates	CPI and rounds to nearest 5p	
Local Housing Allowance	All main rates	That rates remain at 20/21 cash levels.	The forecast default is that Local Housing Allowance rates for 2022-23 will be maintained at the elevated cash rates agreed for 2020/21. This will be confirmed at the uprating review.
Universal credit	Standard Allowance	CPI and rounds to nearest 1p	
	First child element	Child element of Child Tax Credit plus family element and rounds to nearest 1p	
	Subsequent child element	Child element of Child Tax Credit and rounds to nearest 1p	
	Disabled child lower rate	CPI and rounds to nearest 1p	
	Disabled child higher rate	Disabled child element of CTC plus enhanced disabled child element of CTC	

	Limited capability for work, Limited capability for work and work-related activity, carer amount.	CPI and rounds to nearest 1p	
	Childcare	Based on childcare element of Working Tax Credit. Rounds to nearest 1p	
	Non-dependents housing cost contribution	CPI and rounds to nearest 1p	
	Work Allowances	CPI and rounds to nearest £1	
Disability Benefits: Disability Living Allowance; Attendance Allowance; Carer's Allowance; Incapacity Benefit; and ESA work related activity and support component rates; Personal Independence Payments	All main rates	CPI and rounds to nearest 5p	
Statutory payments: Statutory Maternity Pay; Adoption Pay; Paternity Pay; Shared Parental Pay; Sick Pay; and Maternity Allowance	All main rates	September's CPI	
Basic State Pensions	All categories	Highest of May-July Average Weekly Earnings, September's CPI or 2.5% rounded to the nearest 5p	To be uprated by the highest of September's CPI or 2.5% in 2022-23 only.
Additional State Pension	All categories	September's CPI rounded to the nearest 1p	
New State Pension	All categories	Highest of May-July Average Weekly Earnings, September's CPI or 2.5% rounded to the nearest 5p	To be uprated by the highest of September's CPI or 2.5% in 2022-23 only.
Pension Credit	Standard Minimum Guarantee	At least in line with earnings rounded to the nearest 5p.	Standard Minimum Guarantee in Pension Credit uprated by highest of September's

			CPI or 2.5% in 2022-23 only.
	Savings Credit	September's CPI rounded to the nearest 1p	
Child Tax Credit	Family element	Fixed at £545 per year	
	Child element	September's CPI, rounded to the nearest £5	
	Disability element: disabled child rate and severely disabled child rate	September's CPI, rounded to the nearest £5	
Working Tax Credit	Basic element, 30 hour element, couple and lone parent element	September's CPI, rounded to the nearest £5. Calculation excludes temporary £1,045 increase to WTC basic rate in 2020-21	
	Disabled worker element and severe disability element	September's CPI, rounded to the nearest £5	
	Maximum eligible childcare costs	Fixed at 70% of actual childcare costs of up to £175 a week for one child or £300 a week for two or more children	
Child benefit	Eldest (or only) child and subsequent children amounts	September's CPI, rounded to the nearest 5p	
Guardian's Allowance	All children amount	September's CPI, rounded to the nearest 5p	
Stamp duties	Stamp duty land tax thresholds for residential property freehold and leasehold premium transactions	Fixed at £125,000, £250,000, £925,000 and £1,500,000	
	Stamp duty land tax thresholds for non-residential and mixed use freehold and leasehold premium transactions	Fixed at £150,000 and £250,000	
	Stamp duty land tax residential transactions Net Present Value	Fixed at £125,000	
	Stamp duty land tax thresholds for non-residential Net Present Value of rent	Fixed at £150,000 and £5,000,000	
Annual tax on enveloped dwellings	Annual chargeable amount	September's CPI, rounded down to the nearest £50	
	Thresholds for charges	Fixed at £500,000, £1,000,000,	

		£2,000,000, £5,000,000, £10,000,000 and £20,000,000	
Apprenticeship Levy	Allowance	Fixed at £15,000	
Climate change levy	Main Rates	RPI	CCL main rates for gas are set at, £0.00568/kWh for 2022-23 and £0.00672/kWh for 2023-24. Electricity rates are set at 0.00775/kWh for 22-23 and 23-24. The freeze of LPG at £0.02175 per kg is continued up to and including 2023-24. Any other taxable commodity rates are set at £0.04449 per kg for 2022-23, and £0.05258 per kg for 2023-24.
	Reduced rates	RPI	The reduced rates for each of the commodities are set at the following: - Electricity: 8% of the main rate up to (and including) 2023-24 - LPG: 23% of the main rate up to (and including) 2023-24 - Natural gas and any other taxable commodity: 14% in 2022-23, and 12% in 2023-24 This ensures that businesses who qualify for the reduced rates see no more than an RPI increase on the

			rate they pay, regardless of increases to the main rates.
	Carbon Price Support rates	RPI	The Carbon Price Support has been frozen at the equivalent of £18 per tonne of CO2 up to (and including) 2022-23. This means the rates of each commodity taxed will be frozen at 2016 levels until March 2023.
Aggregates levy	Levy amount	RPI	
Landfill tax	Tax rates	RPI, rounded to the nearest 5p	Budget 2021 announced an increase in the standard and lower rates of Landfill Tax for 2022-23 in line with RPI, rounded to the nearest 5p.
Vehicle excise duty	Duty rates	RPI, rounded to the nearest £1 or £5	
Air passenger duty	Duty rates	RPI, rounded to the nearest pound.	
Tobacco duties	Duty rate on all tobacco products	RPI	Increased by RPI+2%.
Alcohol duties	Beer, wine, spirits and cider duties	RPI, change normally takes place on 1 February	
Fuel duties	Duty rates	RPI	
VAT	VAT registration threshold	RPI, rounded to the nearest £1,000	Fixed at £85,000 up to 31 March 2024.
Gaming duty	Gross gaming yield bands	RPI, rounded to the nearest £500. Change occurs on the 1st April	
Business rates	Business rates multiplier	CPI	
Soft Drinks Industry Levy	Levy amount	Fixed at 18ppl on sugar content 5-8g per 100ml, 24ppl on sugar content >8g per 100ml	

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