HM Treasury

Spring Statement 2022

Policy Costings

March 2022

HM Treasury

Spring Statement 2022

Policy Costings

March 2022

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at
public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-911686-77-4 PU: 3202

Contents

Chapter 1
Introduction

This document sets out the assumptions and methodologies underlying costings for tax and annually managed expenditure (AME) policy decisions announced since Autumn 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. All but two measures were certified. 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 Spring Statement. 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 set 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

- National Insurance: increase annual Primary Threshold and Lower Profits Limit to £12,570 from July 2022
- National Insurance: reduce Class 2 NICs payments to nil between the Small Profits Threshold and Lower Profits Limit
- Income Tax: reduce basic rate from 20% to 19% from April 2024
- Fuel Duty: reduce main rates of petrol and diesel by 5p per litre, and other rates proportionately, for 12 months
- Energy bills support package
- VAT: expanding the VAT relief for energy saving materials from April 2022
- Employment Allowance: increase from £4,000 to £5,000
- Business Rates: bring forward implementation of green reliefs by one year
- HMRC: investment in compliance
- DWP: investment in compliance
- Student finance: changes to fee caps, loan terms and eligible courses
- VAT: delay implementation of penalty reform by 9 months to January 2023
- Income Tax Self-Assessment: January 2022 one month late filing and payment penalty waiver
- Tariff changes since Autumn Budget 2021
- Income Tax and National Insurance: one year extension to the exemption for employer-reimbursed coronavirus antigen tests
- Updating regulations for derivatives used to hedge foreign exchange risks in share transactions from April 2022
- Statutory Sick Pay: extension to rebate scheme
- Goodwin Case (case on discrimination in Teachers' Pension Scheme)
- Student finance: eligibility for those relocating from Afghanistan under the Afghan Citizens Resettlement Scheme

- West Yorkshire, South Yorkshire and North of Tyne Borrowing Powers
- Operational measures to manage constraints within the Personal Independence Payment assessment system

National Insurance: increase annual Primary Threshold and Lower Profits Limit to £12,570 from July 2022

Measure description

This measure will increase the Primary Threshold (PT) for Class 1 NICs and Lower Profits Limit (LPL) for Class 4 NICs from 6 July 2022, aligning it with the personal allowance for income tax, which is set at £12,570 per year – up to and including tax year 2025-26.

From tax year 2026-27 onwards, the PT and LPL will follow the default position of being increased with reference to the Consumer Price Index (CPI).

The tax base

The tax base is estimated via the HMRC Personal Tax Model using Survey of Personal Incomes data for 2019-20, projected using OBR economic determinants.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. Small adjustments are made to take account of the behavioural response, including individuals increasing their taxable income in response to the threshold increase and reductions in future incorporations.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-6,250	-5,960	-4,855	-4,330	-4,495

Areas of uncertainty

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

National Insurance: reduce Class 2 NICs payments to nil between the Small Profits Threshold and Lower Profits Limit

Measure description

From April 2022, this measure reduces Class 2 NICs payments to zero between the Small Profits Threshold and Lower Profits Limit, meaning lower-earning self-employed people can keep more of what they earn while continuing to build up National Insurance credits.

The tax base

The tax base is estimated via the HMRC Personal Tax Model using Survey of Personal Incomes data for 2019-20, projected using OBR economic determinants.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. Small adjustments are made to take account of the behavioural response.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-65	-100	-100	-95	-95

Areas of uncertainty

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

Income Tax: reduce basic rate from 20% to 19% from April 2024

Measure description

This measure provides for a one percentage point decrease to the basic rate of income tax from 20% to 19%. This will apply to the basic rate of non-savings, non-dividend income for taxpayers in England, Wales and Northern Ireland; the savings basic rate which applies to savings income for taxpayers across the UK; and the default basic rate which applies to a very limited category of income taxpayers made up primarily of trustees and non-residents.

The tax base

The tax base is estimated via the HMRC Personal Tax Model using Survey of Personal Incomes data for 2019-20, projected using OBR economic determinants.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. Small adjustments are made to take account of the behavioural response, including individuals increasing their taxable income in response to the rate decrease and a small reduction in incorporations of businesses. The cost shown includes a three-year transition period for Gift Aid relief to maintain the income tax basic rate relief at 20% until April 2027.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	0	0	-5,335	-6,055	-5,975

Areas of uncertainty

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

Fuel Duty: reduce main rates of petrol and diesel by 5p per litre, and other rates proportionately, for 12 months

Measure description

This measure temporarily reduces rates of fuel duty for 12 months. This includes cutting rates for diesel and unleaded and leaded petrol by 5 pence per litre (ppl), with a proportionate percentage cut (equivalent to 5ppl from the main fuel duty rate of 57.95ppl) in other lower rates and the rates for rebated fuels, where practical.

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	2024-25	2025-26	2026-27
Exchequer impact	-45	-2,385	0	0	0	0

Areas of uncertainty

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

Energy bills support package

Measure description

The energy bills support package was outlined by the Chancellor on 3 February and includes the following measures:

- Energy Bill Support Scheme (EBSS) - a £200 reduction in domestic electricity customers' bills from October 2022 in Great Britain. This will be recouped through domestic energy bills over five years from 2023, up to a maximum annual value of £40 per domestic customer.
- Council Tax Rebate – a £150 Council Tax Rebate payment for all households that are liable for Council Tax in Bands A-D in England.
- £144m discretionary funding for Local Authorities in England to support households not eligible for the core Council Tax Rebate scheme.

The cost base

Delivery of EBSS policy will be subject to a government consultation expected in April 2022. For the purpose of the costing the assumed cost base is the number of domestic electricity customers in Great Britain.

The cost base for the council tax measure is households in Bands A-D in England.

Costing

The costing for each measure is estimated by applying the value of the support to the cost base for both delivery routes. £144m in discretionary funding has also been provided to Local Authorities in England. The Barnett formula is then applied.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-9,050	+1,195	+1,195	+1,195	+1,195

Areas of uncertainty

The EBSS policy will be subject to a technical consultation expected in April 2022.

VAT: expanding the VAT relief for energy saving materials from April 2022

Measure description

This measure will reduce the rate of VAT on energy-saving materials from 5% to 0% from 1 April 2022 until 31 March 2027 and permanently remove additional eligibility conditions that were introduced in 2019. It also brings the installation of wind and water turbines into scope of the relief.

The tax base

The tax base consists of annual expenditure on installations of household renewable energy equipment, insulation, draught stripping and heating controls. The tax base is grown over the forecast horizon with inflation and assumed real expenditure growth on these products.

Costing

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

The main behavioural adjustment is to make allowance for a tax gap.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-45	-50	-60	-60	-65

Areas of uncertainty

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

Employment Allowance: increase from £4,000 to £5,000

Measure description

This measure will increase the Employment Allowance by £1,000, from £4,000 to £5,000. This will come into effect from 6 April 2022.

The tax base

The tax base for this measure consists of eligible employers' secondary Class 1 National Insurance Contributions (NICs), and additionally from the 2023 to 2024 tax year onwards Health and Social Care Levy (secondary Class 1 NICs element), liabilities between the values of £4,000 and £5,000.

Eligible employers are those who have secondary Class 1 NICs, and additionally from the 2024 to 2025 tax year onwards Health and Social Care Levy, liabilities of under £100,000 in the previous tax year.

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 a small behavioural response.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-425	-420	-425	-435	-440

Areas of uncertainty

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

Business rates: Bring forward implementation of green reliefs by one year

Measure description

At Autumn Budget 2021, the government announced a business rates exemption for eligible plant and machinery used in onsite renewable energy generation and storage, as well as a 100% relief for eligible heat networks that have their own business rates bill. This measure will bring forward the implementation of these reliefs by one year to April 2022.

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	-40	*	0	0	0

Areas of uncertainty

There are uncertainties in this costing relating to the rate of investment in the eligible technologies.

HMRC: investment in compliance

Measure description

HMRC received an additional £292m at Spending Review 2021 to expand their work to tackle non-compliance and bring in additional tax revenue. Part of this investment will fund additional staff, to: provide greater support to taxpayers seeking to pay off accrued tax debts; ensure large and mid-sized businesses pay the tax they owe; and reduce error and fraud in tax credits.

The cost base

The tax and revenue base consists of error and fraud in the tax credits system, the tax gap for large and mid-sized businesses and overdue uncollected debts that are not currently in managed arrangements.

Costing

The costing model has been calculated by estimating the additional tax collected or losses prevented in tax credits by the additional staff, based on historic performance including past collection or prevention rates, and expectations on the future tax base. Behavioural responses are included in the tax credits costing to account for attrition, reflecting that the impact of intervention will not be permanent.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+85	+455	+855	+815	+415	+530

Areas of uncertainty

Areas of uncertainty in this costing relate to the assumption of the collection rate of outstanding debts.

DWP: investment in compliance

Measure description

Investment announced in December 2021 to increase DWP's capability and capacity to prevent and detect welfare fraud and error, and to establish a Debt Enforcement function to enhance DWP's debt recovery strategy.

Recruitment is underway with teams in place across the measures and further recruitment planned in 2022.

The cost base

The cost base includes DWP's existing forecasts for Universal Credit, Employment and Support Allowance and Housing Benefit expenditure for overpayments and recoveries, as well as internal data and modelling on the success rates of current prevention activity and overpayments/underpayments detected and recovered.

Costing

The costing for this measure reflects the net impact of the additional spending to deliver the programmes and the savings they generate. Costings are based on current and expected levels of fraud and error, and planned staff volumes and staff productivity in terms of finding and recovering fraud and error.

The costing does not account for any behavioural impacts.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+5	+55	+290	+570	+580	+780

Areas of uncertainty

There are uncertainties around assumptions on success rates of the activities, as well as variation from the assumed numbers and values of overpayments detected.

Student finance: changes to fee caps, loan terms and eligible courses

Measure description

This measure comprises several changes to the student finance system announced by the Secretary of State for Education on 24 February 2022. These are designed to tackle the rising cost of the student finance system to taxpayers, reduce debt levels for students and graduates, and improve support for high-quality technical qualifications at Levels 4 and 5. Specifically, it comprises:

- For new students commencing study from Academic Year (AY) 2023/24: freezing maximum tuition fees at £9,250 up to and including AY2024/25; reducing the rate of interest in and after study to RPI+0%; setting the repayment threshold at £25,000 before increasing this annually with RPI from Financial Year (FY) 2027-28; and setting the repayment term at 40 years.
- For existing HE (Plan 2) borrowers and those starting courses in AY2022/23: maintaining the repayment threshold at £27,295 up to and including FY2024-25, before increasing it annually in line with RPI from FY2025-26.
- From AY2023/24, extending access to higher education student finance tuition fee loans and part-time maintenance loans – so that they are available for all Higher Technical Qualifications (HTQs) approved by the Institute for Apprenticeships & Technical Education that are a minimum of one academic year in length, equivalent to access for degrees.

The cost base

The cost base represents the estimated cost of the current student finance system, assuming no policy change. It is derived from the Department for Education's student loan models.

Costing

The costing is estimated by calculating the difference between the pre- and post-measure forecasts using DfE's Higher Education student loan outlay and repayment model, which is regularly used to inform the OBR forecast. Some behavioural impacts have been assumed, relating to the effect of the extension of student finance eligibility to approved HTQs on the behaviour of providers and learners.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	+2,285	+11,150	+3,805	+4,845	+6,095	+7,035

Areas of uncertainty

The main source of uncertainty comes from the pre-measures student loan forecast which is highly dependent on forecasts of earnings and inflation over a 30+ year period.

VAT: delay implementation of penalty reform by 9 months to January 2023

Measure description

This measure changes the implementation date of the Spring Budget 2021 measure to reform late submission and late payment penalties for VAT. The implementation date has been changed from April 2022 to accounting periods starting on or after 1 January 2023 (9 months).

The tax base

The tax base is the projected value of penalties and interest collected under the new policy, assuming the policy would have been implemented on the planned date of April 2022. This is estimated using historic data on penalties and interest paid which are then projected forward.

Costing

The static costing subtracts the tax base from the estimated penalties and interest paid based on the new date and is projected using receipts forecasts for VAT plus the Bank of England base rate.

There are no additional behavioural effects expected under this delay, when compared to the original measure before the delay.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	0	-5	-70	-45	-5	-5

Areas of uncertainty

The main areas of uncertainty are unchanged from Spring Budget 2021, and the delay to implementation explained in this note does not change these uncertainties.

Income Tax Self Assessment: January 2022 one month late filing and payment penalty waiver

Measure description

This measure, which was announced on 6 January 2022, waived late filing and late payment penalties for Self Assessment (SA) taxpayers for one month. The deadline to file and pay remained 31 January 2022. Those who filed their return after 31 January deadline did not receive a late filing penalty if they filed online by 28 February. Those who did not pay their SA tax by the 31 January deadline did not receive a late payment penalty if they paid their tax in full or set up a Time to Pay arrangement by 1 April 2022.

The tax base

The tax base for this measure is historic issuance and collection of SA late filing and late payment penalties, specifically the first fixed £100 late filing penalty for those who miss the filing deadline and the 5% tax geared penalty for those who have not paid within 30 days.

Costing

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

Behavioural responses are accounted for in the costing where customers who might otherwise have filed or paid more than one month after the deadline decide to file or pay within the one-month waiver period to avoid the financial penalty.

Exchequer impact (£m)

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

Areas of uncertainty

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

Tariff changes since Autumn Budget 2021

Measure description

This measure includes amendments to the UK's integrated tariff schedule. The main changes were implemented between October 2021 and March 2022. Changes to UK Global Tariff rates are permanent. The main tariff suspension updates relate to Covid-19 and are a temporary measure effective until 31 December 2022. An autonomous tariff rate quota change was also made and will roll over automatically in future unless the government decides otherwise.

This measure also includes the government's decision to apply an additional 35 percentage point tariff, on top of current rates, to an initial list of goods imported from Russia and Belarus. This additional tariff was announced on 15 March 2022. It will be implemented as soon as possible and kept under review.

The tax base

The tax base represents the Customs Duty revenue expected from the commodity codes affected by the measure had the tariff changes not been implemented. The tax base is grown over the forecast horizon using the OBR determinants of non-oil imports.

The tax base for the element of the costing relating to imports from Russia and Belarus was reduced to account for businesses and individuals voluntarily reducing or stopping importing goods from Russia and Belarus.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the commodities affected. A behavioural adjustment is made to account for a change in the level of imports in response to a change in the duty rate.

For the changes to tariffs on Russian and Belarusian imports, a behavioural adjustment is made to account for: traders who choose to stop importing goods from Russia and Belarus; and traders who choose to substitute this trade and increase their imports from other countries.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-15	-60	-55	-55	-55	-55

Areas of uncertainty

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

Income Tax and National Insurance: one year extension to the exemption for employer-reimbursed coronavirus antigen tests

Measure description

The government introduced a temporary Income Tax exemption and National Insurance Contributions (NICs) disregard for employer-provided and employer-reimbursed coronavirus diagnostic tests for the 2020-21 tax year. This was extended to the 2021-22 tax year. This measure is to extend the exemption to the 2022-23 tax year.

The tax base

The tax base consists of the number of employer-provided and employer-reimbursed coronavirus diagnostic tests. This has been estimated using data from the Office for National Statistics (ONS) and Department for Health and Social Care (DHSC).

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. No behavioural effect is expected.

Exchequer impact (£m)

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

Areas of uncertainty

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

Updating regulations for derivatives used to hedge foreign exchange risks in share transactions from April 2022

Measure description

This measure will match the tax treatment of exchange gains or losses arising on derivatives used to hedge share transactions to that of the share transactions from 1 April 2022. The measure also disregards for tax purposes any fees on some derivatives (deal contingent forwards and options) used in these hedging transactions.

The tax base

The tax base is the value of gains and losses arising on derivatives used to hedge share transactions and for some derivatives the value of transaction fees on these hedges. The tax base is projected over the forecast period in line with the OBR's forecast for nominal GDP.

Costing

The static 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 boundary pushing.

Exchequer impact (£m)

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

Areas of uncertainty

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

Statutory Sick Pay: extension to rebate scheme

Measure description

To help protect jobs and businesses who have been affected by the Omicron variant of Covid-19, the government announced the reintroduction of the Statutory Sick Pay Rebate Scheme (SSPRS) on 21 December 2021. Employers with fewer than 250 employees have been able to reclaim up to two weeks of eligible Statutory Sick Pay (SSP) costs per employee from the government. Eligible sickness absence includes time taken off due to being ill with Covid-19 or having to self-isolate because of it. The scheme was a temporary Covid-19 measure intended to support employers with the heightened cost of SSP due to the Omicron variant. The scheme therefore closed on 17 March 2022, and employers have until 24 March 2022 to amend or submit final claims.

The cost base

As SSPRS is a temporary Covid-19 intervention, and there is no existing SSP rebate available to employers, there is no pre-existing cost base applicable.

Costing

This costing uses monthly outturn data since the scheme's reintroduction to calculate costs in 2021-2022. This costing factors in the end date of the scheme of 17 March 2022 and one week for employers to amend or submit final claims until 24 March 2022.

Exchequer impact (£m)

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

Areas of uncertainty

The main uncertainties in this costing relate to employer take-up of the rebate in its final weeks.

Goodwin Case (case on discrimination in Teachers' Pension Scheme)

Measure description

In response to the Goodwin case brought against the Teachers' Pension Scheme (TPS), the government concluded that changes are required to the TPS and other affected schemes to address direct sexual orientation discrimination relating to the survivor benefits for widowers in opposite sex marriages or civil partnerships. To remedy the situation, the government will be paying out equal survivor benefits in the future and backdating them to 5 December 2005. This will result in some one-off survivor pension payments and higher payments going forward. Some public service pension scheme members may have made additional pension contributions to provide higher survivor benefits to their spouse, which will be refunded.

The cost base

The cost base is affected members in the affected unfunded Public Service Pension (PSP) schemes. The tax base is the remedy amounts paid to affected members in funded and unfunded schemes.

Costing

The Government Actuaries Department (GAD) has used data supplied by Capita, the administrators for TPS England & Wales, as provided. For the public service pension schemes, GAD has prorated this TPS England & Wales data based on the ratio of Public Service Pension Scheme accounting liabilities.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-60	-140	-75	-50	-50	-50

Areas of uncertainty

The data provided by Capita is based on outturn for the TPS thus far. The costing is therefore uncertain and sensitive to future outturn data they supply.

Student finance: eligibility for those relocating from Afghanistan under the Afghan Citizens' Resettlement Scheme

Measure description

The government has introduced a new student finance eligibility category so that those relocated from Afghanistan under the Afghan Citizen Resettlement Scheme, including certain family members, should be eligible for immediate access to Higher Education student finance support, including home fee status, capped tuition fees and Advanced Learner Loans from Academic Year 2022/23. This provides student support on the same basis as persons within other protection-based categories, including refugees and those relocated to the UK under the Afghan relocation and assistance policy (ARAP).

The cost base

The cost base represents the estimated cost of the current student finance system, assuming no policy change. Under the existing policy, those relocated from Afghanistan will have access to the support after three years of ordinary (lawful) residence in the UK prior to the start of their course. The cost base is derived from the Department for Education's student loan models and data on number of relocations from Afghanistan.

Costing

The estimates are derived from the Higher Education student finance loan outlay and repayment models that DfE regularly uses to provide the OBR with forecasts. Afghanistan population split data has been used to estimate the 18–25-year-old population, and entrant numbers have been estimated using data from the Higher Education Statistics Agency and ONS.

Exchequer impact (£m)

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

Areas of uncertainty

The main uncertainties in this costing relate to the number of students affected, and the age distribution and personal circumstances of the arrivals that determine loan take-up rate and loan amounts.

West Yorkshire, South Yorkshire and North of Tyne borrowing powers

Measure description

This measure extends the borrowing powers of the North of Tyne Combined Authority (NTCA), South Yorkshire Mayoral Combined Authority (SYMCA) and West Yorkshire Combined Authority (WYCA), enabling them to use debt financing to invest in economically productive infrastructure and deliver on local priorities.

The cost base

The pre-measure cost base is the existing level of baseline of capital expenditure via prudential borrowing that would occur in the absence of expanded borrowing powers for these Mayoral Combined Authorities (MCAs).

Costing

This costing is estimated using data submitted by the MCAs regarding their borrowing plans in 2021-22, which has been used to inform a cap on their external debt agreed with HM Treasury.

This costing includes behavioural effects to account for optimism bias in the capital plans and expected time lags in delivery.

Exchequer impact (£m)

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

Areas of uncertainty

The key areas of uncertainty surround the magnitude of the behavioural adjustments.

Operational measures to manage constraints within the Personal Independence Payment assessment system

Measure description

The Award Review Queue (ARQ) is an operational measure introduced by DWP in May 2021 to handle Personal Independence Payment (PIP) award reviews. It allows DWP to manage the referral of award reviews to assessment providers in line with changes in demand. This measure scores the fiscal impacts arising from the existence of the ARQ until March 2022.

The cost base

The cost base consists of the pre-measures forecast for total expenditure on PIP.

Costing

The ARQ leads to some award reviews being delayed. The average change at award reviews is a reduction in the amount of the award, so these delays increase expenditure against the pre-measures forecast. The cost was estimated by comparing the outturn data from the introduction of the ARQ up to and including December 2021 against an artificial baseline simulating no ARQ over the same period.

Exchequer impact (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Exchequer impact	-30	-55	0	0	0	0

Areas of uncertainty

The main uncertainties relate to the average change in awards at award reviews and the number of awards reviews being held in the ARQ.

Annex A

Indexation in the 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 Spring Forecast 2022 policy costings. This does not include the changes made at Spring Forecast 2022.

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	Maintained at its 2021-22 level up to and including 2022-23.
	Threshold for additional rate	Fixed at £150,000	
	Income limit for tapered withdrawal of personal allowances	Fixed at £100,000	
	Pensions Tax Relief – standard 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	Autumn Budget 2021 announced the adult ISA subscription limit would be maintained at £20,000 for 2022-23.
	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% (self-employed), and to 13.25% (for employees) and 15.05% (for employers), 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.
Universal Credit	Standard Allowance	CPI and rounds to nearest 1p	
	First child element	Child element of Child Tax Credit (CTC) plus family element and rounds to nearest 1p	
	Subsequent child element	Child element of CTC 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	Autumn Budget 2021 announced a permanent £500 fixed cash increase per annum to work allowances from 1 December 2021. The £500 increase will be annually uprated by CPI to nearest £1 from 23-24 onwards.
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.	
	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, with maximum eligible costs of £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 CO_2 up to (and including) 2023-24.

			This means the rates of each commodity taxed will be frozen at 2016 levels until March 2024.
Aggregates levy	Levy amount	RPI	Autumn Budget 2021 announced a freeze in the aggregates levy in 2022-23.
Landfill tax	Tax rates	RPI, rounded to the nearest 5p	
Vehicle excise duty	Duty rates	RPI, rounded to the nearest £1 or £5	HGV VED rates will remain frozen in 2022-23.
Heavy goods vehicle levy	Duty rates	RPI, rounded to the nearest £1 or £5	HGV levy will be suspended until August 2023.
Air passenger duty	Duty rates	RPI, rounded to the nearest pound.	Autumn Budget 2021 announced the following reforms from 2023-24: - a new domestic band for air passenger duty, covering flights within the UK. The 2023-24 rate for economy passengers will be £6.50; - a new ultra long-haul band, covering destinations with capitals located more than 5,500 miles from London. The 2023-24 rate for economy passengers will be £91. In 2022-23 and 2023-24 the rates for the short and long-haul bands will increase in line with RPI, rounded to the nearest pound.
Tobacco duties	Duty rate on all tobacco products	RPI + 2%	Autumn Budget 2021 announced an increase in the duty rate for hand-rolling tobacco, which will rise by an additional 4%, and minimum excise tax, which will rise by an additional 1% for 2022-23.
Alcohol duties	Beer, wine, spirits and cider duties	RPI, change normally takes place on 1 February	Autumn Budget 2021 announced a one-year freeze in 2022-23.

Fuel duties	Duty rates	RPI	Autumn Budget 2021 announced a one-year freeze in 2022-23.
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	Increase by September CPI	Autumn Budget 2021 announced a one-year freeze in the multiplier at 49.9p in 2022-23.
Soft Drinks Industry Levy	Levy amount	Fixed at 18ppl on sugar content 5-8g per 100ml, 24ppl on sugar content >8g per 100ml	

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk