HM Treasury

Spring Budget 2023

Policy Costings

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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 Statement 2022, 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 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 Autumn 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 the Economic and Fiscal Outlook.

Chapter 2

Policy Costings

DWP: pay Universal Credit childcare support upfront for parents moving into work

Measure description

Parents on Universal Credit in work can claim back 85% of their childcare costs. Currently this is paid in monthly arrears. This measure means parents on universal credit moving into work or increasing their hours can claim childcare costs upfront rather than in monthly arrears.

This measure will be effective from summer 2023.

The cost/tax base

The cost base is estimated using DWP's Policy Simulation Model, which uses inputs such as benefit expenditure forecasts and economic determinants as forecast by the OBR.

Costing

The costing is estimated by using the current Flexible Support Fund spending on childcare and the number of claimants on flowing to Universal Credit each month. This used Universal Credit administrative data to estimate the eligible population for increased Flexible Support Fund spending, multiplying the average childcare award by the identified population and increasing it by CPI in future years.

The costing accounts for a behavioural response due to the policy supporting more people to use childcare in order to work more hours and earn more, which will lower Universal Credit expenditure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-100	-95	-75	-70	-60

Areas of uncertainty

The main uncertainties in this costing are the behavioural assumptions.

DWP: increase the maximum support available in Universal Credit for childcare costs

Measure description

This measure increases the Universal Credit childcare cost maximum amounts to £951 for one child and £1,630 for two children from July 2023 and increases them by CPI each year thereafter until 2027-28.

The cost base

The cost base is estimated using DWP's Policy Simulation Model, which uses benefit expenditure forecasts and economic determinants as forecast by the OBR as inputs.

Costing

DWP's Policy Simulation Model allows for a comparison between the overall cap increases in Universal Credit before and after the policy change. The number of households that gain from the uprated cap levels and the average weekly amount of benefit they gain are combined to calculate the cost for each year.

The costing also assumes a behavioural effect through an increase in workforce participation through claimants that either take up work or increase their working hours due to support for childcare costs becoming more generous. This is estimated using labour supply elasticities.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-50	-85	-75	-80	-85

Areas of uncertainty

The main uncertainties are the behavioural assumptions around workforce participation, as well as future caseload of households claiming back childcare costs in Universal Credit.

DWP: employment programme for disabled people

Measure description

This measure will create a new supported employment programme, Universal Support, in England and Wales, which will match participants – principally inactive people with health conditions and disabilities – with open market vacancies, and fund the support and training needed to help them start and stay in these roles.

The cost base

Because a large proportion of participants will be receiving some form of benefit, the cost base has been determined by expenditure forecasts for Universal Credit spend on people with health conditions or disabled people; and economic determinants, as forecast by the OBR.

Costing

All impacts occur via behavioural change and assumptions around movement into work and attendant reduction in benefits expenditure. Exchequer savings have been estimated by using the employment impacts and average earnings increases of comparable schemes to calculate a yearly return on investment and applying this to the yearly operational cost of the measure.

The Exchequer impact reflects the cost of providing funding for DWP to deliver the measure minus the savings estimated to result from the behavioural assumptions.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-90	-250	-230	-195	-160

Areas of uncertainty

The main uncertainties in this costing relate to delivery and the underlying behavioural assumptions around movement from benefits and into work.

VAT: Extend the zero rate for prescriptions to Patient Group Directions

Measure description

This measure extends the existing zero VAT rate on prescriptions to medicines supplied through Patient Group Directions.

This measure will be introduced in Autumn 2023.

The tax base

The tax base is the volume of medicines supplied through Patient Group Directions across the UK.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The behavioural impact for this measure is assumed to be small.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	-5	-5	-5	-5

Areas of uncertainty

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

VAT: extend the exemption for medical care services supervised by healthcare professionals to pharmacists

Measure description

This measure extends the VAT exemption for medical care to services provided under the direct supervision of pharmacists in the UK.

This measure will be effective from May 2023.

The tax base

The tax base is estimated to be zero since clinical services are not currently carried out by staff directly supervised by a registered pharmacist or pharmacy technician.

Costing

The static costing is estimated to be zero since clinical services are not currently carried out in this way.

The costing accounts for a behavioural response where pharmacies provide services in this way following the measure. This is likely to have a cost since some small pharmacies may be eligible to recover VAT on inputs related to the exempt services they provide under the partial exemption de minimis rule. Current provision of these services, predominantly by GPs, are not eligible for this exemption.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-5	-10	-10	-10	-10

Areas of uncertainty

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

DWP: remove the couples Administrative Earnings Threshold

Measure description

This measure will remove the couples Administrative Earnings Threshold (AET), which is the earnings threshold that determines which labour market regimes each claimant will be placed in and the requirements they will be subject to in order to receive their benefit.

Removing the couples AET will treat all claimants equally, whether single or in a couple, with their individual earnings compared to the individual AET.

The cost base

This is based on costs and savings resulting from the known number of non-working or low-earning partners on Universal Credit who would move into the Intensive Work Search regime as a result of the measure.

Costing

The static costing is calculated by estimating the increase in the number of Work Coaches required to provide support to a larger Intensive Work Search caseload and multiplying this increase by Work Coach salary costs.

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	-40	-40	-35	-30

Areas of uncertainty

The main uncertainty in this costing is the forecasted number of people affected by the measure.

DWP: additional support and conditionality for carers of young children

Measure description

This measure will require Universal Credit claimants that are lead carers of children aged 1 or 2 to meet with a Work Coach more regularly in order to prepare for work.

Additionally, lead carers of children aged 3 to 12 will be asked to increase the number of hours they search for work.

The cost base

The cost base is every eligible adult who is a lead carer of at least one child aged 1-12. This is derived from DWP administrative data.

The caseload impacted is expected to gradually increase as a result of the migration to Universal Credit from existing legacy benefits.

Costing

The costing is calculated by estimating the increase in the number of work coaches employed to provide the additional support and multiplying this by salary costs.

The costing accounts for a behavioural response whereby claimants are consequently more likely to enter employment or increase their working hours as a result of the measure, leading to reduced benefit awards as a result of the Universal Credit taper rate.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-30	-25	-25	-25	-20

Areas of uncertainty

The main uncertainties in this costing are the behavioural assumptions, particularly the number of non-working partners who will move into employment and what their earnings will be.

Lifetime Allowance (LTA): remove charge from April 2023 and abolish from April 2024

Measure description

This measure removes the Lifetime Allowance charge from April 2023 and abolishes it from April 2024.

This measure will also cap the Pension Commencement tax free Lump Sum at 25% of £1,073,100 (£268,275) from April 2023, excluding those with protected pension pots. The PCLS regime currently allows 25% of pension wealth to be taken tax free up to an individual's LTA.

The tax base

The tax base consists of the pension wealth of individuals above the Lifetime Allowance when they crystallise their pension wealth.

Costing

The static costing is estimated by applying the post-measure tax regime to Lifetime Allowance charges reported by pension schemes. This is forecasted using OBR determinants.

The costing accounts for a behavioural response whereby individuals may contribute more into a pension as a result of the policy change.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-135	-210	-770	-800	-835

Areas of uncertainty

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

Annual Allowance (AA): increase to £60,000 and allow Pension Input Amount aggregation between open and closed public service pension schemes from April 2023

Measure description

This measure increases the Annual Allowance on pension contributions from £40,000 to £60,000, the Tapered Annual Allowance minimum from £4,000 to £10,000 and the adjusted income limit from £240,000 to £260,000. It also ensures different Public Service Pension Schemes (PSPS) for each public service workforce (e.g. the 1995, 2008 and 2015 NHS Pension Schemes) are treated as one arrangement for the purposes of calculating the Pension Input Amount and resulting Annual Allowance (but only where the arrangements are for the same workforce). This measure will be effective from April 2023.

The tax base

The tax base is all individuals with total annual pension contributions above their current £40,000 Annual Allowance or above the individuals' tapered Annual Allowance. This is estimated using administrative taxpayer data and is projected over the forecast horizon using OBR determinants.

For the reform on calculating the Pension Input Amount and resulting Annual Allowance, the tax base consists of estimated public service Annual Allowance charges where the individual liable to a charge has both legacy scheme pension accrual and reformed scheme pension accrual and their legacy PIA is set to £0 but would be negative if rules allowed. It is estimated using current Annual Allowance charges (public and private sector) reported via self-assessment uplifted to account for AFT returns.

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 behavioural response whereby individuals may contribute more into a pension as a result of the policy change.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-55	-200	-270	-270	-290

Areas of uncertainty

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

Money Purchase Annual Allowance (MPAA): increase to £10,000 from April 2023

Measure description

This measure increases the Money Purchase Annual Allowance (MPAA) from £4,000 to £10,000. The MPAA is the annual amount individuals can contribute to Defined Contribution pensions after having previously accessed a pension flexibly.

This measure will be effective from April 2023.

The tax base

The tax base consists of individuals with total annual Defined Contribution pension contributions above the current £4,000 MPAA who have flexibly accessed their pension. The tax base is grown over the forecast horizon using OBR 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 a behavioural response whereby individuals may contribute more into a pension as a result of the policy change.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-15	-35	-40	-40	-40

Areas of uncertainty

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

Capital allowances: 100% full expensing for main rate assets and 50% First Year Allowance for special rate assets for three years

Measure description

This measure will allow companies to claim 100% in-year relief for main rate capital expenditure on plant and machinery and 50% in-year relief for special rate capital expenditure, excluding leases, second-hand assets and cars from 1 April 2023 to 31 March 2026.

The tax base

The tax base is derived using Corporation Tax returns for the amount of qualifying main rate and special rate expenditure incurred by companies. The data used is 2020-21 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.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	-1,200	-7,955	-10,660	-8,680	-1,550	+2,225

Note: this reflects the impact of the measure on public sector net borrowing (PSNB), the impact on public sector net debt (PSND) differs from this due to cash flow timing effects.

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, the extent to which full-expensing will be claimed, and the behavioural response.

R&D tax reliefs: additional tax relief for R&D intensive SMEs

Measure description

This measure enables Small and Medium Enterprises (SMEs) that meet R&D intensity eligibility criteria and are loss-making to claim different rates of relief compared to those available through the existing SME R&D tax relief scheme.

This measure will be effective from April 2023.

The tax base

The tax base reflects the total SME R&D claimant population that meet the eligibility criteria (where 40% of total expenditure is R&D expenditure). The tax base is projected in line with the OBR's overall R&D Tax Credit expenditure forecast.

Costing

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

A behavioural effect is assumed, which reflects businesses increasing their R&D expenditure and intensity in response to the measure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-40	-285	-455	-505	-535

Areas of uncertainty

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

R&D tax reliefs: delay implementation of overseas restrictions by one year

Measure description

This measure delays for one year the policy announced at Autumn Budget 2021 which removed overseas subcontracting and non-UK payroll Externally Provided Workers as expenditures that qualify for R&D tax relief, with exemptions built in for R&D activity that cannot be conducted within the UK.

This will now be effective from April 2024.

The tax base

The tax base is all R&D expenditure that is attributed to overseas subcontracting and non-UK payroll Externally Provided Workers, except for R&D expenditure that falls under the exemptions.

Costing

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

A small behavioural effect is assumed.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-10	-105	-75	-15	0

Areas of uncertainty

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

Creative Reliefs: Reform of Audiovisual Tax Reliefs into Expenditure Credits with increase in Rates

Measure description

This measure reforms the creative industries tax reliefs and will be implemented in January 2024. It includes:

- Reforming film, high-end TV and video games tax reliefs to expenditure credits with a rate of 34%
- Reforming animation and children's TV relief to expenditure credits with a rate of 39%
- Qualifying expenditure for the video games expenditure credit will be expenditure used or consumed in the UK.
- Reducing the minimum slot length required for a high-end TV programme to be eligible for the Audio-Visual Expenditure Credit to 20 minutes per episode
- Removing the £1m per game subcontracting limit in video games expenditure credit

The tax base

The tax base is qualifying expenditure on the creative reliefs, which is derived from HMRC administrative data and projected forward in line with the OBR determinants.

Costing

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

A number of behavioural effects are accounted for including take-up of the new scheme, the behavioural response to the disallowance of EEA of expenditure, and changes in the number of claims in response to rule changes.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	-15	-40	-45	-50

Areas of uncertainty

The main uncertainties in this costing relate to the behavioural effects.

Cultural reliefs: extend higher rates of the theatre, orchestra and museums and galleries tax reliefs for two years

Measure description

This measure extends the 45%/50% rates of relief for theatre (TTR), orchestra (OTR) and museums and galleries exhibitions reliefs (MGETR) for 2 years, until 31 March 2025. This measure will be effective from April 2023. In addition, the MGETR sunset clause will be extended for two years, until 31 March 2026.

The tax base

The tax base for this measure is qualifying expenditure on TTR, OTR and MGETR, which is derived from HMRC administrative data and projected forward in line with OBR determinants.

Costing

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

It accounts for additional behavioural responses including an increase in claims and forestalling.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-10	-90	-140	-90	-20

Areas of uncertainty

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

Community Investment Tax Relief: increase the amount accredited CDFI bodies can raise

Measure description

This measure increases the limits on the amounts that accredited Community Development Financial Institutions (CDFIs) can raise, during each three-year period of accreditation, to £100m for wholesale CDFIs and £25m for retail CDFIs within the Community Investment Tax Relief (CITR) scheme.

Additionally, the measure increases the limits that CDFIs can lend to community businesses/institutions to £250,000 to for-profit enterprises and to £375,000 to non-profit enterprises.

This measure will be effective from early summer 2023.

The tax base

The tax base for this measure is a subset of the Income Tax and Corporation Tax populations, specifically those individuals and businesses investing in CDFIs. Data for this costing is sourced from BEIS and HMRC administrative data.

Costing

The post-behavioural costing is derived by estimating the additional investment into CDFIs in response to the new limits and calculating the expected tax relief costs associated with this additional investment.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	-5	-5	-10	-15

Areas of uncertainty

The main uncertainties in this costing relate to the extent to which the new limits will be claimed and the size of the behavioural response to the changes.

Real Estate Investment Trusts: implement Edinburgh reforms to increase attractiveness of regime

Measure description

This measure will allow property income distributions from a Real Estate Investment Trusts (REIT) to a 'mixed' partnership (in which some partners if paid directly would be subject to withholding tax on their distribution, and some would be entitled to gross payment) to be paid gross rather than net of withholding tax insofar as partners are so entitled.

This measure is being introduced alongside changes to the REIT regime announced as part of the Edinburgh reforms and will be effective from Royal Assent of the Spring Finance Bill 2023.

The tax base

The tax base is the estimated level of PID paid to investors in scope of this measure (partners in ‘mixed’ partnerships who would have been entitled to gross payment if they held an interest in the REIT directly). The overall amount of PID paid to investors is based on HMRC data for a sample of REITs.

Costing

The costing is estimated by applying the 20% withholding tax rate to the tax base described above. The effect of this measure is one of timing and therefore the impact arises only in the year of transition.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-25	*	*	*	*

Areas of uncertainty

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

Fuel Duty: 12 month extension to the 5p cut in rates and no RPI increase in 2023-24

Measure description

This measure extends the temporary cut in the rates of Fuel Duty introduced in March 2022 for a further 12 months, maintaining fuel duty rates at current levels.

This will maintain the cut in the rates for heavy oil (diesel and kerosene), unleaded petrol, and light oil of 5ppl, and the proportionate percentage cut (equivalent to 5ppl from the main Fuel Duty rate of 57.95ppl) in the rates for other fuels and rebated fuels, where practical.

This measure will be effective from 23 March 2023 and will end on 23 March 2024.

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 changes in consumption in response to this measure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	-45	-4,845	-2,610	-2,575	-2,550	-2,540

Areas of uncertainty

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

Alcohol Duty: freeze rates until August 2023 then uprate by RPI and increase Draught Relief to 9.2% for beer and cider and 23% for wine, other fermented beverages and spirits

Measure description

The first part of this measure delays the RPI uprating of beer, wine, spirit and cider duties until 1 August 2023. The second part of this measure will see non-draught alcohol duties uprated by RPI on 1 August 2023. The value of Draught Relief will be increased from 5% to 9.2% on qualifying beer and cider, and 20% to 23% on qualifying wine, spirits and other fermented products.

The first part of this measure was announced on 19 December 2022 and became effective from 1 February 2023. The second part of this measure will be effective from 1 August 2023.

The tax base

Alcohol duty is payable on alcohol product at the point at which it is released for consumption onto the UK market, referred to as alcohol clearances. The tax base for this measure is the OBR's forecast for taxable alcohol clearances.

Costing

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

Behavioural responses were included to take into account the changes in consumption in response to this measure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	-155	-405	-75	-80	-80	-85

Areas of uncertainty

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

Energy Price Guarantee: extend the support rate at £2,500 until 30 June 2023

Measure description

This measure caps the unit price of gas and electricity under the Energy Price Guarantee (EPG) so that the typical household pays the annualised equivalent of £2,500 per year until 30 June 2023. The cap then rises on 1 July 2023 to the average annualised equivalent of £3,000. The EPG will then end on 31 March 2024 as previously announced.

The cost base

The cost base for this measure is the total number of domestic gas and electricity accounts in the UK. The cost base changes over the forecast horizon as the number of accounts changes.

Costing

This costing uses Bloomberg futures data on gas and electricity prices, DESNZ data on the number of domestic gas and electric consumers, and Ofgem data on typical domestic consumption levels of gas and electricity. These are combined to calculate the difference between the amount that households would pay with and without the EPG. The static cost is the cost to government of paying that difference.

Behavioural responses were included to take into account the changes in consumption in response to this measure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-2,950	0	0	0	0

Areas of uncertainty

The principal sources of uncertainty are demand uncertainty because of unpredictable weather patterns, price elasticity and price uncertainty due to the ongoing volatility in wholesale energy markets.

Energy Bills Discount Scheme: support for domestic heat network consumers on non-domestic contracts

Measure description

This measure provides a sector specific subsidy rate to domestic heat network consumers on non-domestic contracts. This will be set at a level that maintains the relative competitiveness of heat networks when compared to a household with equivalent building level heating under the Energy Price Guarantee (EPG), in comparison to 2020 energy prices. This measure will run in parallel to the universal Energy Bills Discount Scheme (EBDS) and Energy Trade Intensive Industries (ETII) schemes, starting on 1 April 2023 and ending 31 March 2024.

The cost base

The cost base is derived using the average price paid under rolling fixed commercial contracts to determine an estimated market rate the average heat network will pay through the year. This is then compared to the unit rate of gas under the EPG, and the relative difference in 2020 energy prices for heat networks and an individual gas boiler.

Costing

The static costing is estimated by multiplying the estimated average difference in the unit cost of gas when delivered to a household between the EPG and EBDS, by energy demand from heat networks that serve domestic consumers. Gas demand is estimated using Heat Network Billing and Metering Regulations data.

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-380	0	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the size of the cost base, energy prices and potential behavioural effects.

Climate Change Agreement scheme: extend for two years - open to new entrants and increase buy-out price to £25/tCO2e

Measure description

The Climate Change Agreement (CCA) scheme gives eligible businesses access to reduced rates of the Climate Change Levy (CCL) in return for meeting negotiated energy efficiency or emission reduction targets. This measure will extend the CCA scheme for another two years, until March 2027 and increases the buyout price for firms who are unable to meet their CCA obligations, from £18/tCO2e to £25/tCO2e from January 2024. This measure also opens the current scheme to new entrants in existing sectors.

The tax base

The tax base is inclusive of energy (electricity, natural gas, solid fuels, and liquid petroleum gas) delivered to non-domestic users in the UK who hold a Climate Change Agreement. Climate Change Agreements are voluntary agreements between UK industry and the UK Government.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The costing is calculated in three separate parts. The first focuses on the impact of extending the scheme for a further two years. The second part focuses on the impact from the introduction of new entrants to the scheme. The third part focuses on the impact of increasing the buyout price on energy usage.

A behavioural response was included to take into account the increase in the buyout price although revenue from the buyouts is not included here as it is not CCL revenue.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	-20	-295	-315	0

Areas of uncertainty

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

DWP: increase the Severe Disability Premium Transitional Element

Measure description

This measure increases the Severe Disability Premium (SDP) Transitional Element rates in Universal Credit (UC) in line with CPI for 2023-24 and annually thereafter in line with CPI until 2027-28. This measure will be effective from April 2023.

The cost base

The cost base is estimated using DWP's SDP caseload forecast and the OBR's CPI forecast.

Costing

The costing for this measure includes an estimate of the difference between the SDP Transitional Element being uprated in line with CPI between 2023-24 and 2027-28 and frozen during the same time period. It takes this and estimates the volume of SDP legacy benefit claimants that move over to UC between 2023-24 and 2027-28. The costing does not account for any behavioural impacts.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	*	-5	-5	-5

Areas of uncertainty

The main uncertainties in this costing relate to the average UC payment for SDP claimants currently on legacy benefits and the volume of SDP legacy benefit claimants that move over to UC between 2023-24 and 2027-28.

DWP: maintain the Universal Credit surplus earnings threshold at £2,500 in 2023-24

Measure description

This measure maintains the surplus earnings threshold at £2,500 for Universal Credit claimants for a further year until April 2024.

The cost base

The cost base is estimated using DWP's Policy Simulation Model, which uses benefit expenditure forecasts and economic determinants as forecast by the OBR.

Costing

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

No behavioural effects have been taken into account as these are judged to be negligible.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-55	0	0	0	0

Areas of uncertainty

The simulation model used to generate policy costings is subject to uncertainties related to assumptions and income variability. 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.

Help to Save: extend scheme for 18 months

Measure description

This measure allows first time account holders to open Help to Save accounts until March 2025. This will be effective from September 2023, when the existing scheme is due to close to new accounts.

The tax base

The tax base consists of the number of people that will open a Help to Save account during the 18-month extension. The tax base is forecast using data on individuals that are eligible via Working Tax Credits and individuals receiving Universal Credit. Take-up is assumed to remain in line with historical figures.

Costing

The costing is estimated by multiplying the tax base described above by the average bonus of both terms.

The costing accounts for a behavioural response whereby average contributions are expected to follow those observed throughout the duration of the scheme.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	0	-15	-30	-15

Areas of uncertainty

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

Public Works Loan Board: new discounted Housing Revenue Account rate

Measure description

This measure introduces a new 40 basis point discounted rate at the Public Works Loan Board (PWLB) for Local Authorities' (LA) Housing Revenue Account (HRA) borrowing for one year.

This measure will be effective from June 2023.

The cost base

This measure affects principal LAs in England, Scotland, and Wales.

Costing

A discounted rate is assumed to lead to higher LA current spending as the savings from lower borrowing costs are recycled without leading to any change in existing borrowing plans. LA spending is classified as public sector spending in the national accounts, so an increase in LA current spending and corresponding decrease in payments to central government (the PWLB) represents an exchequer cost.

The costing is estimated by looking at historic levels of borrowing for the HRA and estimates for the delivery, cost and borrowing contribution for social housing with resulting savings calculated appropriately. Changes in LA payments to central government as a result of changes in the PWLB margin are also calculated.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-5	-10	-10	-10	-10

Areas of uncertainty

The main uncertainty in this costing relates to the change in LAs' use of PWLB borrowing for the HRA, as a result of the rate change.

Aggregates levy: maintain rate at £2.00 per tonne for 2023-24

Measure description

This measure freezes the Aggregates Levy (AGL) rate at £2 per tonne for 2023-24. This measure takes effect from April 2023.

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

The behavioural effect is negligible.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-40	-45	-45	-45	-50

Areas of uncertainty

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

HGV levy: introduction of new reformed levy from August 2023

Measure description

This measure introduces a new, reformed HGV levy that will come into effect from August 2023. The number of rates will reduce from 22 to 6 under the reformed levy. There are three weight categories, which are an approximation for a vehicle's CO_2 emissions. Within each weight category, there are two rates, which depend on the vehicle's emissions class; the newer, cleaner EURO VI class or later, or the older EURO I-V classes.

The tax base

The tax base for the HGV levy comprises estimates of all HGVs over 12 tonnes which are declared eligible for road use, including non-UK HGVs. This is grown in line with OBR forecast determinants and estimated using data from the Driver and Vehicle Licensing Agency (DVLA).

Costing

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

Since the HGV levy is typically a very small proportion of the overall operating costs for a vehicle, the costing includes no adjustments for behavioural effects.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-45	-65	-65	-70	-70

Areas of uncertainty

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

Vehicle Excise duty: freeze rate for HGVs for 2023-24

Measure description

This measure freezes heavy goods vehicle (HGV) Vehicle Excise Duty (VED) for 2023-24 at current levels. This measure will be effective from April 2023.

The tax base

The tax base for this policy is the stock of vehicles 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.

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-25	-25	-25	-25	-25

Areas of uncertainty

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

Individual Savings Accounts: maintain annual subscription limit at £20,000 for 2023-24

Measure description

This measure maintains the adult ISA subscription limit at £20,000 for 2023-24, rising with CPI thereafter.

The tax base

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

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above and estimating the increase in tax payable on savings arising.

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	*	+35	+75	+105	+140

Areas of uncertainty

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

Starting rate limit for savings income: maintain at £5,000 for 2023-24

Measure description

This measure maintains the starting rate for savings band at £5,000 for 2023-24, rising with CPI thereafter.

The tax base

The tax base consists of all individuals with savings income above the Personal Allowance and starting rate for savings from April 2023.

The base is estimated using HMRC's Personal Tax Model based on the 2019-20 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)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	+10	+25	+25	+25	+25

Areas of uncertainty

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

Tobacco Duty: increase duty on hand rolling tobacco duty by an additional 4% and the minimum excise duty by an additional 1%

Measure description

This measure increases the specific duty on Hand Rolling Tobacco (HRT) by 4 percentage points above the pre-announced duty rate increase (RPI+2%). The measure also increases the Minimum Excise Tax (MET) by an additional 1 percentage point.

This measure takes effect from 6pm on 15 March 2023.

The tax base

The tax base is tobacco products cleared into the UK market. This is established using the OBR's Tobacco Duty Revenue Forecast.

Costing

The 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 changes in consumption in response to a price change.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	+5	+25	+25	+25	+25	+30

Areas of uncertainty

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

Gaming duty: maintain Gross Gaming Yield bands for 2023-24

Measure description

This measure will maintain Gaming Duty bands at their current level for 2023-24. This measure will be effective from 1 April 2023.

The tax base

The tax base for this measure is casino gaming profits, based on the 'gross gaming yield' for premises where gaming takes place. This is estimated using receipts data held by HMRC and is grown using OBR's Gaming and Betting Duty forecasts.

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 not made.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
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.

Qualifying Care Relief: increase from April 2023, index by inflation from April 2024

Measure description

This measure increases the amount of qualifying care relief for 2023-24, and then increases the amount of relief by CPI for every tax year after that, beginning in 2024-25.

The tax base

The tax base is taxable income declared by qualifying carers in their self-assessment forms.

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 behavioural effect whereby some taxpayers will respond by switching from income-less-expenses method to calculate their taxable income to using qualifying amounts.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	-15	-10	-10	-10

Areas of uncertainty

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

HMRC: Investment in debt management capability

Measure description

This measure provides additional funding to improve HMRC's capacity to collect outstanding tax debts.

The additional funding will: enable the acquisition of new data to allow HMRC to provide a more tailored approach to debt collection; allow more taxpayers to arrange payment plans for their tax debts online without having to phone HMRC; and temporarily boost HMRC's debt collection capacity by increasing private sector capacity between now and March 2025.

The tax base

The tax base for this measure is derived by considering which segments of outstanding tax debt will be addressed by additional HMRC resources, using HMRC administrative data.

Costing

The costing is estimated by estimating the additional tax collected by the increased resource available to HMRC described above.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer Impact	+115	+330	+395	+200	+165	+165

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax debt base, and assumptions of additional tax revenue collected.

Capital Gains: change to assessment time period

Measure description

This measure amends the operation of the current 4-year time limit HMRC has to assess chargeable gains, and taxpayers to make loss claims, resulting from the disposal of an asset under an unconditional contract. To ensure HMRC and taxpayers are not out of time to assess tax due or make claims, the limits will apply from the end of the tax year the contract is completed rather than the year in which the contract is entered into.

This measure will be effective from:

- 1 April 2023 for Corporation Tax
- 6 April 2023 for Capital Gains Tax

The tax base

The tax base consists of profits on disposals where there is a gap of over four years between the exchange of contracts and completion of the sale.

Costing

The static costing is estimated by projecting the tax base in line with the CGT forecast and OBR determinants for future years. The costing accounts for a behavioural response whereby individuals and businesses respond to changes in their effective tax rates.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	0	0	0	+5

Areas of uncertainty

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

Amending Self Assessment forms for cryptoassets

Measure description

This measure introduces changes to the Capital Gains Tax (CGT) pages of the Self Assessment return requiring individuals and trusts to report disposals of cryptoassets separately by introducing a new standalone cryptoassets section on both the SA108 (Individuals) and SA905 (Trust and Estate) forms.

This measure will take effect for Self Assessment forms from the 2024-25 tax year.

The tax base

The tax base for this measure is all individuals and trusts who have made CGT-liable transactions involving cryptoassets. Additional revenue is expected from increased compliance from individuals and trusts that are currently not declaring amounts arising from cryptoassets transactions correctly.

Costing

The costing is the anticipated increase in declared CGT liabilities. An estimated average liability relating to cryptoassets declared by taxpayers currently filling out the CGT Self Assessment form is applied to an estimated proportion of the population not declaring gains from cryptoassets.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	0	+10	+10	+10

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base (including changes in market prices) and the behavioural effects.

Introducing an Elective Accruals Basis for the Carried Interest Rules

Measure description

UK resident individuals who receive Carried Interest are sometimes unable to claim Double Taxation Relief from other countries (because Carried Interest is recognised and charged at a different time in the two jurisdictions). This measure will introduce a new elective basis of taxation for Carried Interest which will tax carried interest at an earlier time than under the current rules.

This measure will be effective as part of the 2023 Finance Act and amendments made under this measure will have effect for the tax year 2022-23 and subsequent tax years.

The tax base

The tax base consists of individuals subject to the Carried Interest rules who are liable for Capital Gains Tax. Only a small subset of this population are likely to be impacted by this measure.

Costing

The costing accounts for a behavioural response, reflecting those taxpayers who choose to take up the elective accruals basis.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	+80	+10	+10	+10	+10

Areas of uncertainty

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

Low income trusts and estates: simplification measures to reduce reporting and administration

Measure description

This is a package of simplification measures that reduce reporting and administration for trusts and deceased persons' estates. This package of measures:

- provides that trusts and estates with income up to £500 do not pay tax on that income as it arises;
- removes the default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of discretionary trust income;
- provides that beneficiaries of UK estates do not pay tax on income distributed to them that was within the £500 limit for the personal representatives; and
- makes technical amendments to ensure for beneficiaries of estates that their tax credits and savings allowance continue to operate correctly.

This measure will be effective from April 2024, excepting the technical amendments which will take effect from April 2023.

The tax base

The tax base reflects the affected income of trusts, estates and estate beneficiaries. It is estimated using administrative HMRC Self Assessment data and is projected over the forecast period using historic growth rates.

Costing

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

The expected behaviour from the measure is negligible.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	0	+15	+10	+10

Areas of uncertainty

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

Charitable Reliefs: withdraw tax reliefs from non-UK charities and their donors and suppliers from April 2023

Measure description

This measure will change the tax definition of a charity or Community Amateur Sports Club (CASC), so that only those that come within the jurisdiction of the High Court in England, Wales or Northern Ireland, or the Court of Session in Scotland will qualify for UK charitable tax reliefs.

For CASCs, it will change the location condition so that the CASC must be based in the UK and provide facilities for eligible sports in the UK.

This measure takes effect from 15 March 2023 for any EU or EEA charity or CASC that HMRC has not previously accepted as qualifying for UK charitable reliefs. EU and EEA charities that HMRC has previously accepted as qualifying for reliefs on 15 March 2023 will have a transitional period until April 2024. From April 2024, EU and EEA charities and CASCs will not be able to claim UK charitable tax reliefs without coming within the new definition as set out by this measure.

The tax base

The tax base consists of the current value of these tax reliefs claimed by affected charities and CASCs. This is estimated mainly using HMRC administrative data. The tax base is projected over the forecast period using the OBR's market price GDP forecast.

Costing

The static costing reflects the loss of tax relief for charities and CASCs in scope, and their donors.

The costing accounts for a behavioural response whereby some charities and CASCs that are affected by the measure establish sufficient presence in the UK to qualify for UK tax reliefs, and donors switch some of their donations from EEA to UK charities.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	+5	+10	+10	+10

Areas of uncertainty

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

Stamp Duty Land Tax: amendment to the Registered Social Landlord Exemption

Measure description

This measure makes a change to the SDLT 'registered social landlord' exemption to ensure that Local Authorities (LAs) granted additional funding to acquire housing to accommodate those fleeing conflict benefit from this SDLT exemption.

This measure will be effective from 15 March 2023.

The tax base

The tax base is SDLT paid by LAs, or LA housing association partners, purchasing social housing to help accommodate people fleeing conflict using funding allocated under Section 31 of the LGA 2003, which are not already exempt from SDLT through existing legislation.

Costing

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-15	0	0	0	0

Areas of uncertainty

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

NHS Pensions: new retirement flexibilities including partial retirement and pensionable reemployment

Measure description

This package includes adding provision for pensionable re-employment and partial retirement to the rules under the "1995 section" of the NHS pension scheme and permanently removing the 16-hour rule. DHSC plans to introduce pensionable re-employment and permanently remove the 16-hour rule from 1 April 2023. Partial retirement will be introduced from 1 October 2023.

These flexibilities have been designed to support NHS capacity, by removing the barriers to staff returning from retirement. The flexibilities will not alter the value of pension benefits members have already accrued.

The cost base

The pre-measures cost base is the Exchequer balancing payment between the NHS Pension Scheme England & Wales (NHSPS E&W) and the Exchequer. This figure results from the design of the NHSPS E&W as an unfunded defined benefit scheme and represents the difference between spending on pension and lumpsums for retired members and contribution income in respect of active members in a given year.

Costing

There is no static costing as the fiscal impact is driven entirely be behavioural change.

The costing captures two broad behavioural changes by NHSPS E&W members in response to the policy. First, the new retirement flexibilities remove disincentives for members taking pension in the legacy 1995 NHSPS E&W while continuing in work. This moves forward members taking pensions and thus increases spending on pensions and lumpsums during the forecast period. Second, enabling pensionable reemployment across NHSPS E&W schemes means that more members will continue to build additional pension in the 2015 NHSPS E&W. Over the forecast period, this results in additional AME income for the Exchequer.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-605	-220	+130	+230	+210

Areas of uncertainty

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

Energy Bills Discount Scheme

Measure description

The Energy Bills Discount Scheme (EBDS) provides a discount per unit consumed on wholesale gas and electricity prices for qualifying non-domestic consumers (including UK businesses, the voluntary and public sectors). The scheme will be open from April 2023 to March 2024.

Eligible non-domestic consumers in 'Energy and Trade Intensive Industries' (ETIIs) will be able to receive higher discounts based on the ETII-specific portion of the scheme. All other eligible non-domestic energy use will receive discounts based on the 'universal' portion of the scheme.

The cost base

The cost base is every unit of electricity or gas that is covered by an eligible non-domestic energy contract. This is estimated using non-domestic energy consumption data from the Digest of UK Energy Statistics, industry feedback and outturn data from the preceding Energy Bill Relief Scheme.

Costing

The costing is estimated by applying the value of discounts to the cost base.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-545	0	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the size of the cost base (including volumes and levels of energy consumption within eligible contract types), future energy prices and behavioural response.

Electricity Generator Levy: index benchmark price and update rules on costs

Measure description

The Government announced the Electricity Generator Levy (EGL) at Autumn Statement 2022. This measure makes the following changes:

- Indexation of the benchmark price in line with prior year CPI inflation from 1 April 2024.
- Deduction of exceptional generation fuel costs from the measure of excess revenues when calculating EGL liability. This applies from 1 January 2023.

The tax base

The tax base consists of forecast electricity generation by major power producers from non-fossil fuel sources. This output is then multiplied by the average wholesale prices that generators are forecast to achieve for their output over and above the benchmark price of £75 per megawatt hour (MWh), subject to the allowance of £10 million per group.

The electricity generation data are sourced from the Department for Energy Security and Net Zero (DESNZ) and adjusted to remove generation under contracts for difference (CfDs) which are excluded from the levy. Exceptional generation fuel costs are modelled using industry data. The forecast of prices generators are expected to achieve is based on OBR's wholesale electricity price determinant, adjusted for expected hedging and forward-selling behaviour.

Costing

The static costing is estimated by applying the new benchmark price and exceptional cost deductions to the pre-measures tax base.

The costing assumes a small behavioural effect to capture tax planning and non-compliance.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	-65	-265	-285	-330	-325	-180

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, which is very sensitive to wholesale electricity prices, change in CPI and generators' hedging and forward-selling behaviour.

Making tax digital for income tax self assessment and digital prompts: phased implementation from 2026

Measure description

This measure has two parts. The first changes the implementation date for the mandating of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) as follows:

- From April 2024 to April 2026, for ITSA self-employed individuals and landlords with income greater than £50,000 who are classed as non-partnerships
- From April 2024 to April 2027, for ITSA self-employed individuals and landlords with income between £30,000 and £50,000 who are classed as non-partnerships

ITSA self-employed individuals and landlords with income between £10,000 and £30,000 who are classed as non-partnerships were previously mandated to join MTD from April 2024, and ITSA partnerships with income above £10,000 from April 2025. These groups are no longer mandated to join MTD.

The second part changes the implementation date of a new risking tool that will provide targeted digital prompts from April 2024 to April 2026.

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 Self Assessment Income Tax population in the additional time to prepare. The forecast profile rises in line with the growth in receipts and take-up and is estimated using HMRC's analysis of the tax gap and compliance performance.

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)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-10	-125	-500	-620	-520

Areas of uncertainty

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

Penalty reform for income tax Self Assessment: phased introduction from 2026

Measure description

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

- From April 2024 to April 2026, for ITSA self-employed individuals and landlords with income greater than £50,000 who are classed as non-partnerships
- From April 2024 to April 2027 for ITSA self-employed individuals and landlords with income between £30,000 and £50,000 who are classed as non-partnerships

Penalty reform for ITSA was previously due to come into effect for all other ITSA taxpayers from April 2025. These taxpayers will now be subject to penalty reform for ITSA after implementation for taxpayers mandated to join Making Tax Digital.

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)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	0	-20	+30	+155

Areas of uncertainty

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

VAT: Northern Ireland second-hand car market support scheme

Measure description

This measure introduces a Second-hand Motor Vehicle Payment Scheme. Businesses who buy used motor vehicles in Great Britain and move them to Northern Ireland, or export them to the European Union, for resale may be able to claim a VAT-related payment equivalent to VAT on the price paid. This will put businesses in an equivalent financial position to if they had continued access to the Second-hand Margin Scheme for these vehicles.

This measure will be effective from 1 May 2023.

The tax base

The tax base reflects the estimated VAT due on sales of second hand vehicles in both Northern Ireland and the European Union that originated in Great Britain. This is estimated using data from Trade Associations and National Statistics. The costing accounts for the recent sharp rise in used car prices.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. There is no behavioural affect for this costing given that the margin scheme (in different forms) is available before the measure.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-40	-45	-45	-45	-50

Areas of uncertainty

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

National Insurance contributions: impact of maintaining the Lower Earnings Limit and Small Profits Threshold at 2022-23 levels

Measure description

This measure will maintain the National Insurance contributions (NICs) Lower Earnings Limit for employees and the Small Profits Threshold for the self-employed for 2023-24 at current levels. This measure will be effective from April 2023.

The tax base

The tax base consists of individuals with earnings or profits between the baseline and the announced thresholds, and is established using HMRC's Personal Tax Model based on Survey of Personal incomes base data for 2019-20, projected using OBR economic determinants. Welfare impacts are mainly based on State Pension expenditure forecasts.

Costing

The costing is estimated by applying the pre and post-measure tax regimes to the tax base described above. A small adjustment is made to account for a behavioural response.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-10	-15	-15	-15	-15

Areas of uncertainty

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

Re-insurance of long term insurance business: address possible tax mismatch and clarify scope of existing legislation

Measure description

This measure addresses the possibility of a tax mismatch where a transfer of a specific type of long-term business known as “basic life assurance and general annuity business” (BLAGAB) from one insurer to another is preceded by re-insurance. The measure also includes a technical clarification around legislation which could treat certain sums received under a re-insurance contact as taxable income. This measure has been effective since 15 December 2022.

The tax base

The tax base is the transaction value of such transfers. The tax base is grown over the forecast horizon using the OBR forecast for GDP.

Costing

The costing is estimated by applying the policyholder rate of tax (20%) to the tax base. There is no behavioural impact assumed for this costing.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	+15	+50	+50	+55	+55	+60

Areas of uncertainty

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

Changes to tariff rates since Autumn Statement 2022

Measure description

This measure includes previously announced amendments to the UK's integrated tariff schedule. The main changes are an extension to a number of tariff suspensions implemented as part of the UK's Covid-19 response, and the upcoming implementation of the new Developing Countries Trading Scheme (DCTS).

The tax base

The tax base is the Customs Duty revenue the government would expect to receive on the commodities impacted by this 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.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. For the Covid-19 tariff suspensions, a behavioural adjustment is made to account for the incentive for traders to forestall by bringing forward imports, to avoid paying duty once the measure ends.

For the DCTS, a behavioural adjustment is made to account for traders who choose to take-up the preferential tariff rates, and changes in demand due to tariff rate changes.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	*	-10	-5	-5	-5	-5

Areas of uncertainty

The main uncertainties in this costing relate to the behavioural effects.

Scottish Green Freeports

Measure description

This measure provides a range of tax and customs reliefs for Scottish Green Freeports within specified Green Freeport tax or customs sites.

In Green Freeport tax sites, this will include additional Enhanced Capital Allowances (ECA), Structures and Buildings Allowances (SBA) and Employer National Insurance Contributions relief for eligible businesses within designated Green Freeport tax sites. These reliefs will all be subject to their own eligibility criteria and some have additional time limits.

Tax reliefs available in Green Freeports that are devolved to Scotland, are not included in this measure as they are a matter of devolved policy.

In Freeport customs sites there will be customs duty suspension, as well as duty inversion for goods entering and leaving them but not entering the rest of GB. 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 economic activity within the postcodes associated with chosen Freeport tax and customs sites.

Costing

The costing is estimated by taking a proportion of the updated post-behavioural English Freeports costing, announced at Autumn Budget 2021, and re-estimated using the latest OBR determinants.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	-5	-10	-10	-10

Areas of uncertainty

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

Tax exemptions for Group Litigation Order scheme payments related to the Post Office Horizon scandal

Measure description

This measure ensures that compensation payments for postmasters under the Group Litigation Order (GLO) scheme accrue no Income Tax, Capital Gains Tax, National insurance contributions or VAT.

The tax base

The tax base consists of the compensation payments plus interest for GLO scheme members.

Costing

The costing is based on the estimated tax which would be due on the tax base described above in the absence of this measure.

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

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	0	-25	-5	0	0

Areas of uncertainty

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

Disregarding compensation payments related to the Post Office Horizon scandal from benefit means tests

Measure description

The government has announced there will be a benefit disregard to ensure that claimants who receive compensation payments related to the Post Office Horizon IT scandal do not see reduction to or ending of their entitlement to means-tested benefits, including Universal Credit.

The cost base

The cost base is estimated using DWP's Policy Simulation Model, which uses inputs such as benefit expenditure forecasts and economic determinants as forecast by the OBR.

Costing

The proportion of the UK population on means-tested benefits and the number of people in receipt of the compensation payments related to the scandal was combined to give an estimate of the number of people affected by this disregard. This was then multiplied by the average monthly Universal Credit award.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	-5	-5	-5	-5	-5

Areas of uncertainty

The main uncertainty is the size of the cost base.

Council tax precepting authorities: reserves implications of referendum principles

Measure description

This measure sets out the effect of Council Tax referendum principles announced at the final local government/police settlements for 2023-24.

The cost base

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

- The increase in Council Tax receipts as a result of the application of the referendum principles.
- The consequent change in relevant authorities' expenditure as a result of the additional Council Tax receipts.

Costing

The costing is estimated by comparing the pre- and post-measures assumptions on referendum limits. The costing assumes all relevant authorities take up the referendum principles in full, and that they spend 95 per cent of the additional revenues, with the other 5 per cent adding to reserves.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	0	+10	+10	+10	+10	+10

Areas of uncertainty

The main uncertainties relate to local decisions by relevant authorities on whether to use the Council Tax flexibility in full, and the extent to which relevant authorities spend the additional receipts.

Mortgage Guarantee Scheme: extend for one year

Measure description

HM Treasury launched the Mortgage Guarantee Scheme (MGS) in April 2021 to help to restore the availability of 95% Loan-to-Value (LTV) mortgage products. The MGS allows participating lenders to purchase a government guarantee for 91-95% LTV mortgage products which protects them against a portion of first losses incurred in the event of foreclosure. HM Treasury recently extended the scheme by an additional year which closes to new applications at the end of 2023.

The cost base

Participating lenders pay HM Treasury a fee for each mortgage entered into the scheme. This fee is charged as a percentage of the original loan balance and is intended to ensure the scheme is self-financing, helping to minimise fiscal risk for HMG and maximise value for money for the taxpayer.

While the contingent liability is not included in this costing, exposure on the liability would only take place if the sum of commercial fees paid by lenders is insufficient to cover lender claims on the guarantee. HM Treasury estimates that this risk is negligible.

Costing

This costing is based on reasonable estimates about the volume and value of mortgages entered into the scheme during the extension period (1 January 2023 until 31 December 2023) relative to the scheme's ongoing operational costs. The below table shows the net Exchequer impact once the scheme's operating costs have been deducted from estimated fee income. Future claims are not included in this costing as those losses would only crystallise at the point of claim. There have been no claims to date as the scheme remains at an early stage in its lifespan.

Exchequer impact (£m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Exchequer impact	+5	+5	+5	+5	+5	+5

Areas of uncertainty

Reasonable estimates have been made about the Exchequer impact based on the scheme's performance to date; however, broader macroeconomic conditions and lender activity through the scheme will have an impact on final scheme costs.

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 Budget 2023 policy costings. This does not include the changes made at Spring Budget 2023.

Forecast area	Element	Default indexation assumed in the baseline	Previously announced policy changes from 2023-24 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 2027-28.
	Basic Rate Limit	Increase by September CPI, rounded to the nearest £100	Maintained at its 2021-22 level up to and including 2027-28.
	Personal savings allowance	Fixed at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers	
	Dividend Allowance	Fixed at £2,000	Reduced to £1,000 from April 2023 and to £500 from April 2024
	Starting rate limit for savings income	Increase by September CPI, rounded up to the nearest £10	
	Threshold for additional rate	Fixed at £150,000	Fixed at £125,140 from 2023-24
	Income limit for tapered withdrawal of Personal Allowance	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	Increase by September 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	Increase by September CPI, rounded to the nearest £120	
	Adjusted Net Income threshold for High Income Child Benefit Charge (HICBC)	Fixed at £50,000	
	Marriage Allowance	Fixed at 10% of the Personal Allowance	
	Married Couple's Allowance	Increase by September CPI, rounded to nearest £10	
	Blind Person's Allowance	Increase by September CPI, rounded to nearest £10	
National Insurance contributions	Lower Earnings Limit	Increase by September CPI rounded down to the nearest £1	Maintained at its current level for 2023-24
	Small Profits Threshold	Increase by September CPI rounded up to the nearest £10	Maintained at its current level for 2023-24
	Primary Threshold	Increase by September CPI rounded to the nearest £1.	Aligned with the Personal Allowance and maintained at its current level up to and including 2027-28
	Lower Profits Limit	Set at the same level as the annual equivalent of the NICs Primary Threshold	Aligned with the Personal Allowance and maintained at its current level up to and including 2027-28

	Lower Profits Threshold	Aligned with the Lower Profits Limit	Aligned with the Lower Profits Limit and maintained at its current level up to and including 2027-28
	Secondary Threshold	Increase by September CPI rounded to the nearest £1	Maintained at its current level up to and including 2027-28
	Upper Earnings Limit / Upper Profits Limit/ Upper Secondary Threshold / Apprentice Upper Secondary Threshold / Veterans' Upper Secondary Threshold	Aligned with Income Tax Higher Rate Threshold	Aligned with the Higher Rate Threshold and maintained at its current level up to and including 2027-28 As required by legislation, the NICs relief for employers of veterans will be reviewed in the 2023-24 tax year.
	Freeports Upper Secondary Threshold	Fixed at £25,000	
	Contribution rates	Fixed percentage, apart from Class 2 and Class 3 weekly rates which increase by September CPI rounded to the nearest 5p	
	Special Class 2 rate for share fisherman	Equal to the Class 2 weekly rate + 65p	
	Special Class 2 rate for volunteer development workers	5% of the Lower Earnings Limit	
	Employment Allowance	Fixed at £5,000	
Capital Gains tax	Main annual exempt amount	Fixed at £6,000 for 2023-24 and £3000 from 2024-25 onwards.	
	Annual exempt amount for trustees	Fixed at £3,000 for 2023-24 and £1,500 from 2024-25 onwards.	

	Lifetime allowance for business asset disposal relief	Fixed at £1 million	
Inheritance tax	Nil-rate band	Increase by September CPI, rounded up to the nearest £1,000	The nil-rate band will remain at its 2020-21 level up to and including 2027-28.
	Residence nil-rate band	Increase by September CPI, rounded up to the nearest £1,000	The residence nil-rate band will remain at its 2020-21 level up to and including 2027-28.
	Residence nil-rate band – threshold for tapered withdrawal	Increase by September 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 2027-28.
Working-age social security benefits and payments: Jobseeker's Allowance; Income Support; Employment and Support Allowance;	All main rates	Increase by September CPI, rounded to nearest 5p	
Local Housing Allowance	All main rates	That rates remain at 22/23 cash levels.	
Universal Credit	Standard Allowance	Increase by September 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	Increase by September 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.	Increase by September CPI, and rounds to nearest 1p	
	Childcare	Based on childcare element of Working Tax Credit. Rounds to nearest 1p	
	Non-dependents housing cost contribution	Increase by September CPI, and rounds to nearest 1p	
	Work Allowances	Increase by September 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	Increase by September CPI, and rounds to nearest 5p	
Statutory payments: Maternity Pay; Adoption Pay; Paternity Pay; Shared Parental Pay; Parental Bereavement Pay ; Maternity Allowance; and Sick Pay	All main rates	Increase by September's CPI. Rounds to nearest 5p for Statutory Sick Pay; nearest figure divisible by 7 for all other statutory payments.	
Basic State Pension	All categories	Highest of May-July Average Weekly Earnings, September's CPI or 2.5% rounded to the nearest 5p.	
Additional State Pension	All categories	Increase by September's CPI, rounds 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.	
Pension Credit	Standard Minimum Guarantee	Earnings growth, rounded to the nearest 5p.	Uprated by September's CPI, rounded to the nearest 5p, in 2023/24 only.
	Savings Credit	Increase by September's CPI, and rounds to the nearest 1p	
Child Tax Credit	Family element	Fixed at £545 per year	
	Child element	Increases by September's CPI, rounded up to the nearest £5	
	Disability element: disabled child rate and severely disabled child rate	Increase by September's CPI, rounded up to the nearest £5	
Working Tax Credit	Basic element, 30-hour element, couple and lone parent element	Increase by September's CPI, rounded up to the nearest £5.	
	Disabled worker element and severe disability element	Increase by September's CPI, rounded up 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	Increase by September's CPI, rounded to the nearest 5p.	
Guardian's Allowance	All children amount	Increase by September's CPI, rounded to the nearest 5p.	
Stamp duties	Stamp duty land tax thresholds for residential property	Fixed at £125,000, £250,000, £925,000 and £1,500,000	The nil-rate threshold of SDLT has temporary increased from £125,000 to £250,000 from 23 September

	freehold and leasehold premium transactions		2022 to 31 March 2025.
	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 thresholds on rent under new residential leases Net Present Value	Fixed at £125,000	The nil-rate threshold of SDLT has temporary increased from £125,000 to £250,000 from 23 September 2022 to 31 March 2025.
	Stamp duty land tax thresholds on rent under new non-residential leases - Net Present Value	Fixed at £150,000 and £5,000,000	
Annual tax on enveloped dwellings	Annual chargeable amount	Increase by September's CPI, rounded down to the nearest £50	Chargeable amounts increased with 10.1% September CPI from April 2023.
	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	Rate	Fixed at 0.5% of an employer's annual pay bill	
	Allowance	Fixed at £15,000	
Climate change levy	Main Rates	Increase by September RPI	The CCL main rate for each of the commodities are set at the following: • Gas: £0.00672 per kWh for 2023-24 and £0.00775 per kWh for 2024-25 • Electricity: is frozen at 0.00775 per kWh up to

			and including 2024-25 • LPG: frozen at £0.02175 per kg up to and including 2024-25 Other taxable commodity: £0.05258 per kg for 2023-24 and £0.06064 per kg for 2024-25
	Reduced rates	Increase by September RPI	The reduced rates for each of the commodities are set at the following: • Electricity: 8% of the main rate up to (and including) 2024-25 • LPG: 23% of the main rate up to (and including) 2024-25 • Natural gas and any other taxable commodity: 12% in 2023-24 and 11% in 2024-25 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	Increase by September RPI	The Carbon Price Support has been frozen at the equivalent of £18 per tonne of CO_2 up to (and including) 2024-25. This means the rates of each commodity taxed will be frozen at 2016 levels until March 2025.
Aggregates levy	Levy amount	Increase by RPI	

Landfill tax	Tax rates	Increase by RPI, rounded to the nearest 5p	Autumn Budget 2021 pre-announced 2023-2024 Landfill Tax rates will rise in line with RPI to; - Standard rate: £102.10 - Lower rate: £3.25
Plastic packaging tax	Tax rate	Increase by CPI	
Vehicle excise duty	Duty rates	Increase by RPI, rounded to the nearest £1 or £5	
Heavy goods vehicle levy	Duty rates	RPI	HGV levy is 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 2024-25 the rates for the short and long-haul bands will then increase in line with RPI, rounded to the nearest pound.
Tobacco duties	Duty rate on all tobacco products	RPI + 2%	Increased by RPI +2%
Alcohol duties	Beer, wine, spirits and cider duties		

		Q2 RPI	Autumn Budget 2021 announced a freeze in 2022-23
Fuel duties	Duty rates	Increase by RPI	Autumn Budget 2021 announced a one-year freeze in 2022-23. Spring Statement 2022 announced a temporary 12-month cut to duty on petrol and diesel of 5 pence per litre.
VAT	VAT registration threshold	Increase by September RPI, rounded to the nearest £1,000	Fixed at £85,000 up to 31 March 2026.
Gaming duty	Gross gaming yield bands	RPI, rounded to the nearest £500. Change occurs on the 1st of April	
Business rates	Business rates multiplier	Increase by September CPI	At Autumn Statement 2022 announced a one-year freeze to the multiplier for 2023-24
Soft Drinks Industry Levy	Duty rates	Fixed at 18ppl on sugar content 5-8g per 100ml, 24ppl on sugar content >8g per 100ml	
Charges	Benefit-in-Kind rates for vans, van fuel and car fuel	CPI	Standard uprating by CPI and takes place every year. Usually announced as part of fiscal event but has been announced separately via a WMS in previous years.

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