HM Treasury

Autumn Statement 2023

Policy Costings

November 2023

HM Treasury

Autumn Statement 2023

Policy Costings

November 2023

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: 978-1-916693-66-1 PU: 3379

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 Spring Budget 2023, 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

National Insurance contributions (NICs): 2p cut to the main rate of Class 1 employee NICs from January 2024

Measure description

This measure reduces the main rate of Employee (Class 1) National Insurance Contributions (NICs) by 2ppts from 6 January 2024

The tax base

The tax base includes all individuals who pay employee NICs from January 2024. The base is estimated using HMRC's Personal Tax Model based on the 2019-20 Survey of Personal Incomes, projected forward using OBR's Autumn Statement 2023 economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, accounting for any knock-on impact on welfare payments.

The costing accounts for several behavioural responses. Employment is expected to rise as a result of the measure and some individuals will increase their working hours. The costing also accounts for changes to future incorporations of businesses.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-2,230	-8,715	-8,650	-8,835	-9,055	-9,325

Areas of uncertainty

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

National Insurance contributions (NICs): 1p cut to the main rate of Class 4 self-employed NICs from April 2024

Measure description

This measure reduces the main rate of Self-Employed (Class 4) NICs by 1ppt from April 2024.

The tax base

The tax base includes all individuals and partnerships who pay self-employed NICs from April 2024. The base is estimated using HMRC's Personal Tax Model based on the 2019-20 Survey of Personal Incomes, projected forward using OBR's Autumn Statement 2023 economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, accounting for any knock-on impact on welfare payments.

The costing accounts for several behavioural responses. Some individuals will increase their working hours. The costing also accounts for changes to future incorporations of businesses.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-345	-385	-330	-330	-340

Areas of uncertainty

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

National Insurance contributions (NICs): abolish Class 2 self-employed NICs liability from April 2024

Measure description

This measure ensures that self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs from April 2024.

The tax base

The tax base includes all individuals and partnerships who pay self-employed NICs from April 2024. The base is estimated using HMRC's Personal Tax Model based on the 2019-20 Survey of Personal Incomes, projected forward using OBR's Autumn Statement 2023 economic determinants.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, accounting for any knock-on impact on welfare payments.

The costing accounts for several behavioural responses. Some individuals will increase their working hours. The costing also accounts for changes to future incorporations of businesses.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-380	-465	-380	-375	-370

Areas of uncertainty

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

Restart: expand eligibility and extend the scheme for two years

Measure description

Restart is an intensive 12-month programme of employment support for the long-term unemployed. This measure expands this programme to those who have been on Intensive Work Search (IWS) for six months (rather than nine months previously) and extends the programme for two years from 2024 across England and Wales.

The cost base

The cost base has been determined based on the OBR forecast of the number of people expected to be unemployed and in the Universal Credit IWS cohort for at least six months. The cost base changes over the forecast horizon as the level of unemployment varies, based on OBR forecasts.

Costing

The costing accounts for a behavioural response whereby individuals, who otherwise would not have, move into employment because of the scheme. As a result, fewer individuals will then be in receipt of Universal Credit, resulting in a net saving to the Exchequer via reduced benefit payments.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-325	-580	-250	-10	+15

Areas of uncertainty

The main uncertainties relate to the volume of people who will be eligible and referred to Restart over the forecast horizon, as well as what additional percentage will move into employment because of eligibility being brought forward from 9 to 6 months' duration in IWS.

Universal Support: increase to 100,000 starts per year

Measure description

Universal Support matches disabled people, those with health conditions and people from disadvantaged groups in England and Wales with existing vacancies and provides support for them to then succeed in their roles. It will also provide support to people in-work but who are at risk of falling out. This expansion will increase the provision in the existing Universal Support (US) programme to 100,000 starts per annum, instead of the 50,000 places announced at Spring Budget 2023.

The cost base

It is expected a large proportion of participants will be receiving some form of benefit based on data from the annual population survey. Therefore, 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 (based on previous programme support) minus the savings estimated to result from the behavioural assumptions.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	-135	-160	-140	-115

Areas of uncertainty

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

Talking Therapies: expand access and increase provision

Measure description

NHS Talking Therapies (TT) provides evidence-based psychological therapies for treatment of mild and moderate mental health conditions such as depression and anxiety disorders. The measure is an expansion to the number of people completing treatment as well as increasing the number of sessions offered to improve recovery outcomes starting from 2024-25.

The cost base

The cost base for this measure is the estimated 45% of individuals who are out of work and undertaking NHS TT that would be receiving out of work benefits, based upon evidence from an evaluation of Employment Advisers in TT (formerly known as IAPT).

Costing

The DEL costs for this measure are the staff training and salary costs required for the expanded access to TT treatment. These increase over the forecast horizon as more staff are required to deliver the expanding capacity of treatment which occurs gradually over the next five years. The costing accounts for AME savings to DWP as the employment impact from TT leads to a reduction in UC payments. Calculations are based upon DWP's internal UC Social Cost Benefit Analysis (SCBA) model.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-25	-80	-130	-175	-220

Areas of uncertainty

The main uncertainties are the employment impact assumptions and the cost base.

Individual Placement and Support (IPS): expand access

Measure description

Individual Placement and Support (IPS) for Severe Mental Illness is an employment support service integrated within community mental health teams for people with severe mental health conditions and complex mental health needs. The proposal aims to expand IPS provision, increasing access by a further 100,000 people by 2028-29. This proposal builds on the IPS expansion announced at Spring Budget 2023.

The cost base

The cost base for this measure is the estimated 74% of those that retained or returned to work due to IPS support who would have claimed Universal Credit had they fallen out of work or remained out of work, based on evidence from the 2020 IPS evaluation report.

Costing

The DEL costs for this measure are the staff training and salary costs required for the expanded access to IPS for people with Severe Mental Illness. This changes over the forecast horizon as more staff are required to deliver the increasing capacity of access, which occurs gradually. The costing accounts for AME savings to DWP as the employment impact from IPS leads to a reduction in UC payments. Calculations are based upon DWP's internal UC Social Cost Benefit Analysis (SCBA) model.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-5	-15	-30	-25	-15

Areas of uncertainty

The main uncertainties are the employment impact assumptions and the cost base.

Local Housing Allowance (LHA): set to the 30th percentile from April 2024

Measure description

This measure raises Local Housing Allowance (LHA) rates in Great Britain to the 30th percentile of local market rents from April 2024. LHA rates will be maintained at this higher level in cash terms afterwards. LHA is used to determine the maximum housing support those in the private rented sector and in receipt of the Housing Element of Universal Credit or Housing Benefit can receive.

The cost base

The cost base is estimated using DWP benefit expenditure forecasts (of Housing Benefit and Universal Credit Housing Element expenditure in the private rented sector) and economic determinants as forecast by the OBR.

Costing

The costing is calculated by applying the baseline and post-measure LHA rates to the cost base described above. It accounts for a behavioural response from landlords and claimants.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-1,285	-1,485	-1,585	-1,660	-1,700

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response from claimants and landlords and future caseload.

Work Capability Assessment (WCA): reform to descriptors

Measure description

The government is reforming the activities and descriptors in the Work Capability Assessment (WCA) to better reflect the greater flexibility and reasonable adjustments now available in the world of work. This measure amends the substantial risk criteria for the Limited Capability for Work and Work Related Activity (LCWRA) group, removing the mobilising descriptor for LCWRA and reducing the points scored for the 'getting about' descriptor for Limited Capability for Work (LCW) group from 2025.

The cost base

This costing base assumes that flows into the LCWRA/Support Group remain at current levels, and that the number of initial and repeat WCA assessments are sufficient to meet demand. It assumes the proportions of WCA outcomes that are given due to mobility, due to risk and due to getting about will remain constant at current levels. OBR economic assumptions are used for uprating.

Costing

The static costing is estimated by applying the uprated benefit award to the estimated difference between the current flows into the caseload over time and those who would no longer be in the combined LCWRA/LCW caseload as a result of the reform.

The final costing accounts for two behavioural responses: (1) changes in claimant behaviours to meet the new criteria and (2) movements into work as a result of the additional support and conditionality groups will face.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact (Total)	0	0	+125	+500	+900	+1,265

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response and forecasted volume of assessments.

Employer NICs: extend relief for employers of veterans for one year from April 2024

Measure description

This measure extends the availability of the National Insurance holiday (0% rate) for employers of veterans who have left regular service by one year.

This measure will be effective from April 2024.

The tax base

The tax base consists of the wages, between the Secondary Threshold and the Veterans Upper Secondary Threshold, of armed forces service leavers who are then subsequently employed by another employer.

It is estimated using HMRC's Real Time Information data which keeps a record of an employee's wages every time they are paid.

Costing

The 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 including take-up and employment impacts.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-5	0	0	0	0

Areas of uncertainty

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

NICs: freeze the Lower Earnings Limit and Small Profits Threshold for one year from April 2024

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 at current levels for one year.

For those paying voluntarily, the government will also freeze Class 2 and Class 3 NICs rates at their 2023-24 levels in 2024-25. Tax and AME impacts from freezing the Class 2 and Class 3 NICs rates are not included in the costing. This will be set out at Spring Budget 2024 and will be subject to scrutiny by the Office for Budget Responsibility.

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, through increased contributory benefit entitlement, are mainly based on State Pension expenditure forecasts. Jobseeker's Allowance and Employment and Support Allowance are also affected.

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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-5	-5	-10	-10	-10

Areas of uncertainty

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

Universal Credit: extend the £2,500 surplus earnings threshold for one year from April 2024

Measure description

This measure maintains the surplus earnings threshold at £2,500 for Universal Credit claimants for one year from 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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-155	0	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the number of claimants impacted by a lower threshold in the pre-measure baseline.

DWP: new powers to tackle fraud and error

Measure description

This measure will provide DWP with further access to claimant data to better identify fraud and error in the welfare system.

The cost base

The cost base for this measure includes OBR forecasts for benefit caseload and expenditure, the monetary value of fraud and error (MVFE) and DWP data on card payments.

Costing

The costing for this measure reflects the volume of overpayments found in cases, rollout of the measure, average values of overpayments detected, and future overpayments prevented. The costing accounts for a behavioural response whereby benefit claimants change their behaviour to avoid being detected by DWP's new powers.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-5	+5	+40	+120	+215

Areas of uncertainty

The main uncertainties in this costing relate to the future rates of fraud and error, volumes of overpayments and the average value of the overpayments detected.

Capital allowances: permanent full expensing from 2026-27

Measure description

This measure will allow companies to claim 100% in-year relief for qualifying main rate capital expenditure on plant and machinery and 50% in-year relief for qualifying special rate capital expenditure, excluding plant and machinery for leasing, second-hand assets and cars.

This measure will be effective from 1 April 2026 on a permanent basis, extending the previously announced measure which was due to end on 31 March 2026.

The tax base

The tax base is derived using Corporation Tax returns for qualifying main rate and special rate expenditure incurred by companies. The data used is 2021-22 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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+280	+715	-1,435	-7,545	-10,715	-10,935

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.

Business Rates: 75% relief for Retail, Hospitality and Leisure sectors in 2024-25, up to £110,000 cash cap

Measure description

This measure grants a 75% business rates discount to businesses occupying eligible retail, hospitality and leisure properties in England, up to a cash cap of £110,000 per business. This discount will apply for one year from 1 April 2024.

The tax base

The tax base consists of the total rateable value of all retail, hospitality and leisure properties in England, multiplied by the 2024-25 business rates multipliers.

Costing

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

The cost also accounts for new burdens funding that English Local Authorities will receive for administrative and IT costs associated with delivery of reliefs.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+40	-2,650	+55	-15	0	0

Areas of uncertainty

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

Business Rates: freeze the small business multiplier in 2024-25

Measure description

This measure will freeze the small business multiplier for 12 months from April 2024. This will maintain the small business multiplier at 49.9p.

The tax base

The tax base consists of the total rateable value of all non-domestic properties in England that pay the small business multiplier, multiplied by the 2024-25 small business multiplier.

Costing

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

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+5	-330	-355	-405	-405	-410

Areas of uncertainty

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

R&D reliefs: simplifying and improving the system from April 2024

Measure description

This measure combines the current research and development Expenditure Credit (RDEC) and R&D SME scheme into a merged scheme. The notional tax rate applied to loss-makers in the merged scheme will be the small profit rate of 19%, rather than the 25% main rate currently set in the RDEC. These changes will take effect for accounting periods beginning on or after 1 April 2024.

The measure also amends the R&D intensive scheme that was announced at Spring Budget 2023. For accounting periods beginning on or after 1 April 2024, the intensity threshold will be reduced from 40% to 30%. A loss-making SME company with qualifying R&D expenditure of 30% or more of its total expenditure will be able to claim the intensive scheme relief for any period beginning from that date. A one-year grace period will also be introduced, enabling a company which has claimed successfully but which fails to meet the intensity threshold, for example due to a one-off shock, to continue to claim for the following period provided it meets the other conditions for the relief.

The tax base.

The tax base consists of R&D expenditure. The main source for this information is corporation tax returns. The tax base is projected in line with the OBR's R&D tax credit forecast.

Costing

This costing accounts for the R&D merged scheme and changes to the R&D intensive scheme. The costing is estimated by applying the pre- and post- measure tax regimes to the tax bases under consideration.

The costing accounts for a behavioural response as a result of the reform package whereby there is a change in R&D expenditure and therefore the relief claimed.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	*	-50	-225	-280	-280

Areas of uncertainty

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

Electricity Generator Levy: new investment exemption

Measure description

This measure exempts receipts from electricity generation from new generating stations or additional capacity from the EGL, where the substantive decision to proceed with a project is taken on or after 22 November 2023.

This measure will be effective from 22 November 2023.

The tax base

The tax base consists of forecast electricity generation by major power producers from new non-fossil fuel projects. This output is then multiplied by the average wholesale prices that generators are expected to achieve over and above the benchmark price of £75 per megawatt hour (MWh), indexed to CPI from April 2024, 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 that generators are expected to achieve is based on OBR's wholesale electricity price determinant, adjusted for expected hedging and forward-selling behaviour.

Costing

The costing is estimated by calculating an annual effective tax rate from in-scope generation and applying these estimates to the tax base estimates to cost the exemption.

The costing accounts for a behavioural response whereby we have assumed an increase in the annual static cost to account for attrition, non-compliance and tax planning behaviours.

Exchequer impact

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	-5	-40	-85	-20

Areas of uncertainty

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

Climate Change Agreement (CCA): introduce 6-year scheme from 1 January 2025- 31 December 2030

Measure description

The Climate Change Agreements scheme gives eligible businesses access to reduced rates of Climate Change Levy (CCL) in return for meeting negotiated energy efficiency or emission reduction targets.

This measure announces a new CCA scheme lasting 6 years, through to 31 December 2030, split in three Target Periods (TPs). The costs of this new scheme will apply throughout three subsequent Certification Periods between 1 July 2027 and 31 March 2033. Reduced rates from the current CCA scheme will be extended from 31 March 2027 to 30 June 2027.

The new scheme will also be open to new entrants in existing sectors, who will be able to apply from 1 May 2024.

The tax base

Climate Change Agreements are voluntary agreements between UK energy intensive industries and the UK Government, where eligibility is primarily determined on the basis of processes run by the given business, and its energy-intensity. The tax base is inclusive of energy (electricity, natural gas, solid fuels, and liquefied petroleum gas (LPG)) supplied to non-domestic users in the UK who hold a CCA.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, with the change in CCL reduced rates applied from 1 July 2027 onwards.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	0	0	-295	-330

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the number of new entrants in the scheme.

Extending 100% Business Rates Retention for Greater Manchester and West Midlands Mayoral Combined Authorities

Measure description

In 2017-18, the government set up arrangements to allow local authorities in some areas to retain a greater share of their locally raised business rates than the standard amount. These arrangements were continued up to 2024-25 at Spending Review 2021. As part of the Trailblazer devolution deals announced at Spring Budget 2023, the government committed to long-term increased business rates retention arrangements for Greater Manchester and the West Midlands Combined Authorities. The Trailblazer arrangements will commence from April 2024 following final local sign-off.

The cost/tax base

The cost base is the business rates forecast and the expected grant allocation to local authorities benefiting from additional business rates retention.

Costing

As a result of the increased business rates retention arrangements, authorities will finance more of their spending through locally generated revenues, offset by a reduction in central government grant funding. It is assumed that 25% of additional revenues are placed into local authorities' reserves.

The net Exchequer impact is a combination of the tax revenue foregone by central government, net of the income that local authorities add to reserves.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	-155	-160	-160	-165

Areas of uncertainty

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

Setting the debt caps for the North of Tyne and South Yorkshire Mayoral Combined Authorities

Measure description

At Autumn Statement 2016 the government announced that Mayoral Combined Authorities (MCAs) would be given powers to borrow for new functions subject to a cap agreed with HMT. This measure captures the latest update of those caps agreed with HMT and the borrowing for new functions that was agreed to as part of this process for select Mayoral Combined Authorities (North of Tyne and South Yorkshire).

The cost base

The cost base is planned borrowing set out by select Mayoral Combined Authorities, as set out to HM Treasury as part of the debt cap agreement process.

Costing

The costing is estimated by isolating borrowing that is only for new functions and activities that have been agreed to as part of the debt cap agreement process and applying behavioural assumptions around the take up of plans and the timing of borrowing, as well as estimating a debt interest consequential for further borrowing. Local authority (LA) spending, including that of MCAs, is classified as part of public sector spending in the national accounts. An increase in LA capital spending financed by borrowing and current spending on debt interest therefore represents an Exchequer cost.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-10	-60	-55	-5	-5	-5

Areas of uncertainty

The main area uncertainty relates to borrowing uptake and timing by MCAs

Housing Revenue Account rate: extend the preferential Public Works Loan Board rate for housebuilding to June 2025

Measure description

This measure extends a 40 basis point discounted rate at the Public Works Loan Board (PWLB) for Local Authorities' (LA) Housing Revenue Account (HRA) borrowing for a further year. This measure will be effective from June 2024.

The cost base

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

Costing

The 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 represents an exchequer cost.

The costing is estimated by looking at historic levels of borrowing for the HRA by local authorities, as well as borrowing that has taken place so far using the discounted PWLB HRA rate.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	*	-5	-5	-5	-5

Areas of uncertainty

The main area of uncertainty relates to the use of PWLB borrowing for the HRA in response to the rate change.

Mortgage Guarantee Scheme: extend to end-June 2025

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. This measure extends the scheme beyond for an additional 18 months, until the end of June 2025.

The cost/tax 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 calculated to ensure the scheme is self-financing, helping to minimise fiscal risk for the Government 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 . 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 under the scheme.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	+5	+5	+5	+5	+5

Areas of uncertainty

The main uncertainty in this costing relates to the impact upon final scheme costs of broader macroeconomic conditions as well as lender and borrower activity

Personal Independence Payment (PIP): extend operational easements until end of November 2024

Measure description

DWP have been using operational easements to reduce new PIP claims waiting times in England & Wales since 2021. This measure extends their use until November 2024.

The cost base

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

Costing

The cost was estimated by comparing the outputs from the updated forecasting models (with easements in operation) against a baseline output where the easements are not in operation. This includes subsequent spending impact of passported benefits such as Carer's Allowance expenditure, as well as the roll-off costs. There are no modelled behavioural costings since this measure is administrative.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-20	-30	*	0	0	0

Areas of uncertainty

The main uncertainties in this costing relate to the average change in awards at award reviews and any knock-on impacts to other benefits.

Universal Credit: increase the maximum level of the Minimum Income Floor for lead carers from January 2024

Measure description

The government will increase the level of the Minimum Income Floor for lead carers of children aged 3-12, who are self-employed. This will align it with the new work-related activity requirements for employed lead carers which were announced at Spring Budget 2023.

The cost base

The cost-base for this measure is Universal Credit expenditure on households who are self-employed, lead carers of children aged 3-12 and have the Minimum Income Floor applied. This is projected forwards in line with caseload forecasts.

Costing

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

This costing accounts for a behavioural response whereby claimants will respond to the policy by increasing their earnings to earn above their new Minimum Income Floor.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	+5	+45	+80	+80	+80

Areas of uncertainty

The main uncertainty in this costing is the effect of claimants growing their earnings above their new Minimum Income Floor.

Alcohol duty: freeze rates until 1 August 2024

Measure description

This measure freezes alcohol duties at current levels until 1 August 2024.

The tax base

Alcohol duty is payable on alcohol products at the point at which they are released for consumption onto the UK market, referred to as alcohol clearances. The tax base for this measure is the forecast number of alcohol clearances, derived from the OBR's alcohol duty forecast.

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 whereby the demand for alcohol is adjusted in response to the duty rate change. The costing is also adjusted to account for forestalling.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-90	-225	0	0	0	0

Areas of uncertainty

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

Climate Change Levy: freeze main and reduced rates for one year from April 2025

Measure description

This measure freezes the main and reduced rates of the Climate Change Levy (CCL) in 2025-26.

This measure will be effective from April 2025.

The tax base

The tax base for this measure is the tax base for the main rates of the Climate Change Levy as a whole. This is energy (electricity, natural gas, solid fuels and liquid petroleum gas) delivered to non-domestic users in the UK.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. From year 2026-27 onwards, CCL rates are assumed to increase in line with inflation.

The behavioural response is estimated to be very small compared to the static cost.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	-40	-40	-45	-50

Areas of uncertainty

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

VAT: expand scope for Energy-Saving Materials relief from February 2024

Measure description

This measure extends the existing VAT zero rate for energy-saving materials to buildings used solely for a relevant charitable purpose and specified additional technologies.

The implementation date for this measure is 1 February 2024. The existing zero rate for energy-saving materials reverts to the reduced rate of VAT on 1 April 2027, and the rate for these extensions will likewise revert to the reduced rate from this date.

The tax base

The tax base consists of annual expenditure on energy-saving materials, specifically charities' expenditure and installations of the relevant additional technologies. 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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-5	-20	-20	-25	-20	-25

Areas of uncertainty

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

HGV Levy and Vehicle Excise Duty for HGVs: freeze rates in 2024-25

Measure description

This measure maintains Heavy Goods Vehicle (HGV) Road User Levy rates and Vehicle Excise Duty (VED) for HGVs rates for 2024-25 at 2023-24 levels.

This measure is effective from 1 April 2024.

The tax base

The tax base for the HGV Road User Levy consists of the levy payments made by all domestic and foreign HGVs that operate in the UK. This is grown in line with OBR forecast determinants and estimated using data from the Driver and Vehicle Licensing Agency (DVLA).

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

Costing

The costing calculated by forecast by the policy (frozen) rates and then subtracting the baseline revenue.

The VED and levy rate makes up a small proportion of the final price and running costs of the vehicle, so any behaviour is likely to be negligible.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-20	-20	-20	-20	-25

Areas of uncertainty

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

Gaming duty: maintain bands for one year from April 2024

Measure description

This measure will freeze gaming duty bands at their current level for 2024-25.

This measure will be effective from 1 April 2024.

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.

The costing assumes no behavioural effect.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
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

Tobacco duty: increase duty on Hand Rolling Tobacco by RPI+12% from 6pm on 22 November 2023

Measure description

This measure increases the specific duty on Hand Rolling Tobacco (HRT) by 10ppts above the previously announced duty escalator on all tobacco products of RPI + 2ppts.

This measure will take effect from 6PM on 22 November 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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	40	85	90	95	100	100

Areas of uncertainty

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

Individual Savings Accounts: maintain subscription limits at current levels for 2024-25 for Adult, Junior, Lifetime ISAs, and Child Trust Fund

Measure description

This measure will maintain ISA limits at the below levels for one year from April 2024:

- ISA - £20,000
- Junior ISA - £9,000
- Lifetime ISA - £5,000 including bonus
- Child Trust Fund - £9,000

The tax base

The tax base consists of the latest data available on ISA subscriptions projected in line with OBR forecasts and based on historical average growth rates.

Costing

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

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

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	*	30	60	85	130

Areas of uncertainty

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

VAT: extend the zero rate on Women's Sanitary Products to include period underwear from January 2024

Measure description

The measure extends the VAT zero rate for Women's Sanitary Products introduced at Autumn Budget 2021 to period underwear.

This measure will be effective from 1 January 2024.

The tax base

The tax base consists of the size of the period underwear market in the UK. The tax base is grown over the forecast horizon by the forecast growth in expenditure on these products.

Costing

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

The main behavioural adjustment is an allowance for some demand effects.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	-5	-10	-10	-10	-15

Areas of uncertainty

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

Pensions: reduce the authorised surplus payment charge from 35% to 25%

Measure description

This measure will reduce the tax rate on surpluses in defined benefit schemes that are returned to the sponsoring employer from 35% to 25%.

This measure will be effective from April 2024.

The tax base

The tax base is all authorised payments made to sponsoring employers, which is derived from Accounting for Tax (AfT) returns and projected 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 behavioural responses whereby some affected defined benefit schemes may delay surplus returns in the current tax year to the following one and increase the value of surplus payments in the following years in response to the reduced tax rate.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-5	*	*	-5	-5	-5

Areas of uncertainty

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

Implement the OECD Pillar 2 Undertaxed Profits Rule from 31 December 2024, alongside repeal of the Offshore Receipts of Intangible Property rules

Measure description

Pillar 2 seeks to establish a minimum level of taxation on multinational enterprises (MNEs), effectively requiring companies to 'top up' their tax paid to a globally agreed minimum effective rate of 15% in each jurisdiction where they operate. The Undertaxed Profits Rule (UTPR) applies additional tax to low taxed profit of MNEs that has not been subject to top-up tax under another Pillar 2 rule. This ensures that these MNEs will also face the same effective minimum rate of tax envisaged by the agreed international framework. The UK legislated for an IIR and DMT rule in Finance Act 2023.

Alongside implementation of the UTPR, the Offshore Receipts in respect of Intangible Property (ORIP) rules will be repealed.

UTPR will be effective from accounting periods beginning on or after 31 December 2024. ORIP will be repealed on 31 December 2024.

The tax base

The tax base for the UTPR consists of the low-taxed profits of large MNEs (those with over €750m in global revenue), that is not subject to top-up tax under another Pillar 2 rule. This tax base is grown over the forecast horizon using IMF economic forecasts.

The tax base for the repeal of ORIP consists of all groups that continue to pay ORIP, who would be expected to continue doing so once UTPR is implemented. This tax base is grown over the forecast horizon using the OBR's forecast for corporate profits.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The costing accounts for a profit-shifting behavioural response.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	260	420	465	490

Areas of uncertainty

The main uncertainties relate to estimating jurisdictional profit and tax for foreign headquartered groups, the behavioural responses of groups and other jurisdictions and the future distribution of revenues and profits that are subject to a low level of taxation.

Individual Savings Accounts: bring Long Term Asset Funds into the scope of Innovative Finance ISAs from April 2024

Measure description

This measure expands Innovative Finance ISAs (IF ISAs) to include Long Term Asset Funds (LTAFs) as qualifying investments.

This measure will be effective from April 2024.

The tax base

The tax base is LTAF investments held within IF ISAs following this measure, derived from an estimate based on the number of IF ISA investors and Venture Capital Trust (VCT) investors.

Costing

There is no static costing estimated for this measure as the cost is entirely driven by take-up.

A small behavioural effect is assumed due to this measure incentivising eligible individuals to invest in LTAFs to benefit from tax free gains.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	-5	-5	-10	-15	-20

Areas of uncertainty

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

Simplifying Making Tax Digital for Income Tax Self-Assessment

Measure description

This measure is a package of design changes to simplify and improve Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA). It includes:

- Removing the requirement for End of Period Statements
- Changing the design of MTD for ITSA quarterly updates so they work on a cumulative basis, making it simpler for customers to submit corrections
- Enabling customers to be represented by more than one tax agent
- Introducing exemptions from MTD, including for taxpayers without a National Insurance number
- Simplifying processes for landlords with jointly owned property

This measure will be effective from April 2026, as part of the introduction of MTD for ITSA

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. The forecast profile rises in line with the growth in liabilities and take-up, and is estimated using HMRC's analysis of the tax gap.

Costing

This costing takes account of the measure's effect on the tax base described above, and captures the behavioural effect of a reduction in error and failure to take reasonable care by businesses and landlords.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	0	*	-5	-10

Areas of uncertainty

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

Income tax: expanding the cash basis from 6 April 2024

Measure description

This measure changes the rules for the income tax cash basis for self-employed individuals and for trading partnerships. The cash basis will be set as the default method of calculating taxable profits, with an opt out for accruals. The eligibility criteria based on turnover will be removed, and restrictions on the deduction of interest costs and the use of loss relief will be removed.

The measure will be effective from April 2024.

The tax base

The tax base consists of self-employed individuals and partnerships who are currently eligible for cash basis, and those who do not currently qualify but would if the restrictions were removed, derived from HMRC data and projected in line with 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 the number of Self-Assessment taxpayers using cash basis increases.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	115	-30	0	0

Areas of uncertainty

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

Construction Industry Scheme (CIS) Reform: reforms to the Gross Payment Status test

Measure description

This measure will strengthen the compliance test for Gross Payment Status (GPS) under the Construction Industry Scheme (CIS) by adding Value Added Tax (VAT) to the list of taxes to which a subcontractor must demonstrate compliance with to obtain and keep GPS. In addition, it extends HMRC's ability to remove GPS for other direct tax heads in cases of fraud.

The tax base

The tax base consists of applying the appropriate tax rate to the volume of payments received by GPS entities which would have been deducted through CIS under Net Payment Status (NPS).

Costing

The costing for the package has been calculated by estimating the additional tax collected by strengthening the GPS tests for the affected tax base. The costing includes an adjustment for the behavioural response.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	+50	+95	+75	+60	+40

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base 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. HMRC will recruit additional staff into operational teams to improve debt collection capability. The additional funding will also enable the acquisition of new data to allow HMRC to provide a more tailored approach to debt collection for companies.

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 has been calculated by estimating the additional tax collected as a result of the increased resource made available to HMRC described above.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+95	+515	+1,050	+1,040	+1,055	+940

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.

Tariffs: impact of FTAs and other changes on revenue

Measure description

This measure includes amendments to the UK's integrated tariff schedule. The main changes relate to the extension of a number of tariff suspensions for a period of five years. This measure also includes previously announced amendments to the UK's integrated tariff schedule, such as the implementation of preferential trading arrangements under the UK's new Free Trade Agreements with Australia and New Zealand.

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's forecast for non-oil imports.

Costing

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

A small behavioural adjustment is made to account for forestalling, the take-up of preferential tariff rates and changes in demand due to the FTAs.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-35	-55	-65	-65	-65	-65

Areas of uncertainty

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

Defra: Deposit Return Scheme & Extended Producer Responsibility policy

Measure description

The Deposit Return Scheme (DRS) will charge anyone who buys a drink in a container within the scheme's scope a small redeemable deposit for the container, which they get back when they return the container to a return point to be recycled. The Extender Producer Responsibility (EPR) scheme means packaging producers will pay the full cost of managing packaging once it becomes waste.

The DRS and the EPR will be effective from 1 October 2025.

The tax base

This measure impacts both Landfill Tax (LFT) and Plastic Packaging Tax (PPT) tax bases.

The LFT revenue forecast is based on historic HMRC published data on waste to landfill and is projected in line with the OBR's population forecasts as well as Department for Environment, Food & Rural Affairs (Defra) waste exports and waste incineration capacity. The PPT revenue forecast is based on historic HMRC published data on plastic packaging and are projected forward in line with the OBR's real consumer expenditure forecast as well as incorporating other assumptions to account for behavioural changes and exemptions.

Costing

There is no static costing estimated for this measure. A behavioural effect is assumed, reflecting the tonnages of waste that are diverted. Defra estimates of the tonnages of materials that are anticipated to impact the tax base as a result of the EPR and DRS are used to cost the impact. We adjust the PPT and LFT tax base by the EPR and DRS diverted tonnages.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	-5	-10	-15	-20

Areas of uncertainty

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

Creative industries tax relief: extend the 5% uplift for animated TV to animated films from 1 January 2024

Measure description

This measure will extend the 5% uplift for animated TV productions in the Audio-Visual Expenditure Credit (AVEC) regime to include animated film productions, bringing the total rate of relief to 39%.

This measure will be effective from 1 January 2024.

The tax base

The tax base is qualifying expenditure for AVEC claims made by animated film productions, which is derived from HMRC administrative data and projected forward in line with OBR determinants.

Costing

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

The costing includes a behavioural response due to additional productions claiming at the higher rate.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	*	-5	-5	-10	-10

Areas of uncertainty

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

Post Office compensation scheme payments: exempt from tax

Measure description

This measure ensures that compensation payments for postmasters under three Post Office compensation schemes related to the Post Office Horizon scandal accrue no Income Tax, Capital Gains Tax, Corporation Tax or National insurance contributions.

The three schemes that will be covered by the tax exemption are the Suspension Remuneration Review (SRR) payment and top-up payments, the Post Office Process Review (PRR) and the Horizon Shortfall Scheme (HSS) top-up payments.

The costing for this measure also reflects the fact that compensation payments made under the HSS and Group Litigation Order (GLO) are relieved from Inheritance Tax. This was announced via Written Ministerial Statement on 29 June 2023.

Payments made under GLO will also be exempt from Corporation Tax so recipients who are structured as a corporate entity will be taxed in a similar way to individual recipients.

The tax base

The tax base consists of the compensation payments plus interest for affected postmasters.

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)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-30	*	0	0	0	0

Areas of uncertainty

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

War Widow(er)s Recognition Payment Scheme: exempt from tax

Measure description

The Ministry of Defence (MoD) has announced a one-off payment of £87,500 in recognition of war widow(er)s who lost pensions entitlements. This measure ensures that no Income Tax or National Insurance Contributions are payable on payments made under this scheme.

These payments are expected to start in October 2023, with payments made from 2023-24 to 2024-25.

The tax base

The tax base consists of all payments made under the War Widow(er)s Recognition Payment Scheme, which would have been subject to income tax or national insurance contributions. These figures are provided by MoD.

Costing

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

No significant behavioural responses are anticipated.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	-10	*	0	0	0	0

Areas of uncertainty

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

Welsh Freeport: initial 5 years tax reliefs offer

Measure description

This measure involves several tax and customs reliefs for 2 Welsh Freeports. This includes additional Enhanced Capital Allowances (ECA), Structures and Buildings Allowances (SBA) and Employer National Insurance Contributions relief for eligible businesses within designated Freeport tax sites, available until February 2028. These reliefs will all be subject to their own eligibility criteria, and some have additional time limits.

Tax reliefs available in Welsh Freeports that are devolved to Wales 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 under free circulation. Businesses will also be able to benefit from VAT and excise duty suspension whilst goods are retained within these sites.

The tax base

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

The tax base is grown over the forecast horizon using OBR forecasts for each tax.

Costing

The static costing applies the change in tax and customs treatment assuming no behaviour change. The costing covers the following: Enhanced Capital Allowances (ECA), Structures and Buildings Allowances (SBA), Employer National Insurance Contributions relief (NICs), customs duty relief and import VAT suspension.

The costing accounts for a behavioural response whereby economic activity is displaced as a result of the Freeports sites.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	*	*	*	-5	-5

Areas of uncertainty

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

Clarifying structural assets for life insurance companies: regulations applying from 1 January 2024

Measure description

This measure clarifies which assets are to be treated as being, or as not being, structural assets of an insurance company's long-term business.

This measure will apply to accounting periods beginning on or after 1 January 2024.

The tax base

The tax base has been estimated by identifying relevant dividends and gains which are expected to be affected by this measure and projecting these over the scorecard period using OBR determinants.

Costing

The costing is estimated by applying the main rate of pre and post measure tax regimes to the tax base described above. A low level of attrition is assumed.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+5	+10	+10	+10	+10	+10

Areas of uncertainty

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

Scottish Government Fiscal Framework: updated Block Grant Adjustments Spend

Measure description

In line with the Scottish Government's Fiscal Framework, updated in August 2023, the adjustment made to the Scottish Government's block grant to reflect the devolution of the Crown Estate will rise incrementally in each financial year.

The Block Grant Adjustment (BGA) for Fines, Forfeitures and Fixed Penalties will be converted to a fixed amount and no longer be indexed.

The cost/tax base

The cost base is the Scottish Government's Block grant.

Costing

There are no behavioural impacts to this costing. These BGAs are fixed and reflect an agreement between the UK and Scottish Government.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	*	+5	+10	+15	+35

Areas of uncertainty

Given both measures outlined in this note are creating a fixed BGA, there are no issues of uncertainty.

OECD Model Rules for Digital Platforms from January 2024

Measure description

This measure will require certain UK digital platforms to report information to HMRC about the income of sellers of goods and services on their platform, in line with rules developed at the OECD. HMRC will then exchange the information with the other participating tax authorities for the jurisdictions where the sellers are tax resident.

This measure will be effective from January 2024

The tax base

The tax base consists of UK individuals who provide services and sell goods on digital platforms and are currently failing to declare some or all of the income generated through these platforms.

Costing

The costing has been calculated by estimating the additional tax collected and expectations of the future tax base. It also accounts for the deterrent effect that we expect to collect as a result of implementing the reporting rules for digital platforms.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	*	+20	+40	+40	+40

Areas of uncertainty

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

Universal Credit: Severe Disability Premium transitional protection

Measure description

This measure increases the rates of the Severe Disability Premium Transitional Element to provide further support for legacy benefit claimants that naturally migrate to Universal Credit (UC).

The cost base

The costing for this measure reflects OBR forecasts for legacy benefit caseloads, estimates of the proportion of legacy benefit claimants with lower entitlement and the average amount of transitional protection needed for claimants who would have lower entitlement on UC.

Costing

The costing for this measure reflects natural migrations to UC and the changes in entitlement between UC claimants and legacy benefit claimants who claim Enhanced Disability Premium, Disability Premium and the disabled child premium/disabled child element. There are no additional behavioural effects expected from this measure.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	*	-270	-80	-80	-80	-75

Areas of uncertainty

The main uncertainties in this costing relate to the level of change of circumstances within UC claims and future levels of CPI.

UK Emissions Trading Scheme: expansion to maritime and waste sectors

Measure description

This measure will increase the scope of the UK Emissions Trading Scheme (UK ETS), expanding it to include fossil carbon emissions generated from energy from waste (EfW) and waste incineration, and the domestic maritime sector.

This measure will be effective from January 2026 for domestic maritime and January 2028 for EfW and waste incineration.

The tax base

The tax base for this measure is an estimate for the number of additional UK ETS allowances that will be made available for auction to account for this expansion, through an expected adjustment to the UK ETS cap.

For the energy from waste and waste incineration portion of this measure, the estimate is derived from the emissions emitted from these processes. The tax base is grown over the forecast horizon using Department for Energy Security and Net Zero (DESNZ) emissions projections.

The tax base for the maritime expansion is derived from emissions from maritime vessels over 5000GT, excluding non-commercial government vessels, from domestic journeys and emissions at berth. The tax base is grown over the forecast using information from Department for Transport (DfT) modelling aligned to the Clean Maritime Plan (CMP).

Costing

The costing is estimated by applying the number of permits sold in the pre and post measure tax bases and multiplying them by the UK carbon price.

This costing does not include any adjustment for a behavioural response.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	0	+25	+100	+185

Areas of uncertainty

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

Voluntary NICs: extend deadline for tax years between 6 April 2006 and 5 April 2018 to April 2025

Measure description

This measure extended the deadline for paying voluntary National Insurance Contributions (vNICs) for the tax years between 6 April 2006 and 5 April 2018 to 5 April 2025.

The cost base

This measure impacts both tax receipts and DWP expenditure.

For receipts, the baseline is the total Class 3 National Insurance receipts forecast prior to the extension, while for DWP expenditure the baseline is total State Pension expenditure for those in Great Britain and overseas. Purchases of vNICs are assumed to result in an uplift of State Pension once the individual starts claiming their State Pension.

Costing

All costs associated with this measure are behavioural as the static pre-behavioural costing is nil.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	+85	+90	-45	-55	-60	-60

Areas of uncertainty

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

Student Finance: impact of NHS Long Term Workforce Plan

Measure description

The NHS Long Term Workforce Plan, published on 30 June 2023, set outs plans to recruit and retain hundreds of thousands more staff over 15 years, alongside reforms to support new ways of working. The government has committed to delivering a record training expansion for the NHS, including additional higher education places across Medical, Nursing, Dentistry, and other healthcare related courses. This measure captures the cost of the additional provision of higher education healthcare courses.

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. The cost base is grown over the forecast by the number of additional higher education places calculated by DHSC.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	*	*	-5	-10	-20

Areas of uncertainty

The main area of uncertainty is the behavioural response.

Student Finance: introduce the Lifelong Learning Entitlement from 2025-26 academic year

Measure description

The Lifelong Learning Entitlement (LLE) will increase flexibility of student loan funding for study at levels 4-6 by providing individuals with a fixed loan entitlement for use over their working lives. It will launch in Academic Year 2025-26. Among other reforms, it will allow students to access student finance for modular study, increase access to maintenance loans and grants and remove equivalent and lower qualification restrictions.

The cost base

The cost base represents the estimated cost of the current Higher Education Student Finance and Advanced Learner Loan systems, assuming no policy change. It is derived from the Department for Education's student loan models and excludes delivery costs.

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, as well as bespoke level 4 and 5 modelling.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Exchequer impact	0	0	+5	+5	-5	-25

Areas of uncertainty

The main area of uncertainty is the behavioural response.

Student Finance: reduce maximum tuition fees for Foundation Years from 2025-26 academic year

Measure description

This measure reduces maximum tuition fees (and corresponding tuition fee loans for students) for foundation years in classroom-based subjects from £9,250 to £5,760, to align with the higher funding rate for Access to Higher Education Diplomas.

This measure will be be implemented in Academic Year 2025-26.

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.

Exchequer impact (£m)

	2023-24	2024-25	2025-26	2026-27	2027-28	28-29
Exchequer impact	0	0	+50	+85	+75	+60

Areas of uncertainty

The main area of uncertainty is the behavioural response.

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 Autumn Statement 2023 policy costings. This does not include the changes made at Autumn Statement 2023.

Forecast area	Element	Default indexation assumed in the baseline	Previously announced policy changes from 2023-24 onwards
Income Tax	Personal Allowance	Increase by CPI, rounded up to the nearest £10	Maintained at its 2021-22 level up to and including 2027-28
	Basic Rate Limit	Increase by CPI, rounded to the nearest £100	Maintained at its 2021-22 level up to and including 2027-28
	Dividend Allowance	Fixed at £1,000	Reduced to £500 from 2024-25 onwards.
	Starting rate limit for savings income	Increase by CPI, rounded up to the nearest £10	
	Pensions Tax Relief – Lifetime Allowance	Fixed at £1.073m in 2023-24, although LTA charge set at 0%. Maximum tax-free cash lump-sum frozen at £268,275	The lifetime allowance will be abolished from 6 April 2024, and the maximum lump sum will remain frozen
	Individual Savings Accounts – annual subscription limit	Increase by CPI, rounded to the nearest £120	ISA subscription amounts have been frozen since 2017-18. While we have not announced anything on this recently, no stakeholder expects anything other than a freeze
	Marriage Allowance	Fixed at 10% of the Personal Allowance	Maintained at its 2021-22 level up to and including 2027-28.

	Married Couple's Allowance	Increase by CPI, rounded to nearest £10	
	Blind Person's Allowance	Increase by CPI, rounded to nearest £10	
National Insurance contributions	Lower Earnings Limit	Increase by CPI rounded down to the nearest £1	Maintained at its current level for 2023-24.
	Small Profits Threshold	Increase by CPI rounded up to the nearest £10	Maintained at its current level for 2023-24.
	Primary Threshold	Increase by 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 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
	Class and Class 3 Contribution rates	Class 2 and Class 3 weekly rates increase by 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	
Capital Gains tax	Main annual exempt amount	Fixed at £6,000	Reduced to £3,000 from 2024-25 onwards.
	Annual exempt amount for trustees	Fixed at £3,000	Reduced to £1,500 from 2024-25 onwards.
Inheritance tax	Nil-rate band	Increase by 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 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 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 CPI, rounded to nearest 5p	
Universal Credit	Standard Allowance	Increase by CPI, rounded to the nearest 1p	
	First child element	Child element of Child Tax Credit (CTC) plus family element, rounded to the nearest 1p	
	Subsequent child element	Child element of CTC, rounded to the nearest 1p	

	Disabled child lower rate	Increase by CPI, rounded to the nearest 1p	
	Disabled child higher rate	Disabled child element of CTC plus enhanced disabled child element of CTC, rounded to the nearest 1p	
	Limited capability for work, Limited capability for work and work-related activity, carer amount.	Increase by CPI, rounded to the nearest 1p	
	Childcare	Based on childcare element of Working Tax Credit, rounded to the nearest 1p	
	Non-dependents housing cost contribution	Increase by CPI, rounded to the nearest 1p	
	Work Allowances	Increase by CPI, rounded to the 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 CPI, rounded to the nearest 5p	
Statutory payments: Statutory Maternity	All main rates	Increase by CPI, rounded to the nearest 5p for Statutory Sick Pay; nearest	

Pay; Adoption Pay; Paternity Pay; Parental Bereavement Pay; Shared Parental Pay; Sick Pay; and Maternity Allowance		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, 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	
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 CPI, rounded to the nearest 1p	
Child Tax Credit	Child element	Increases by CPI, rounded up to the nearest £5	
	Disability element: disabled child rate and severely disabled child rate	Increase by CPI, rounded up to the nearest £5	
Working Tax Credit	Basic element, 30-hour element, couple and lone parent element	Increase by CPI, rounded up to the nearest £5	
	Disabled worker element and severe disability element	Increase by CPI, rounded up to the nearest £5	

Child Benefit	Eldest (or only) child and subsequent children amounts	Increase by CPI, rounded to the nearest 5p	
Guardian's Allowance	All children amount	Increase by 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	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 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
Annual tax on enveloped dwellings	Annual chargeable amount	Increase by CPI, rounded down to the nearest £50	
Climate change levy	Main Rates	Increase by RPI, rounded to the nearest 1,000th of a penny	CCL main rate on gas is set at £0.00672/kWh for 2023-24 and £0.00775/kWh for 2024-25. The main rate on electricity is set at 0.00775/kWh for 2023-24 and 2024-25. The freeze of LPG at £0.02175 per kg is continued up to and including 2024-25. Any other taxable commodity rate is set at £0.05258 per kg for 2023-24 and £0.06064 per kg for 2024-25.
	Reduced rates	Increase by RPI, rounded to the nearest 1,000th of a penny	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 commodity rates	Increase by RPI, rounded to the nearest 1,000th of a penny	The Carbon Price Support has been frozen at the equivalent of £18 per tonne of CO_2 up to (and including) 2024-25
Aggregates levy	Levy amount	Increase by RPI, rounded to the nearest penny	Spring Budget 2023 confirmed that the Aggregates Levy rate would increase in line with RPI from 1 April 2024
Landfill tax	Tax rates	Increase by RPI, rounded to the nearest 5p	Spring Budget 2023 announced that Landfill Tax rates would increase in line with RPI from 1 April 2024.
Plastic packaging tax	Tax rate	Increase by CPI, rounded to the nearest penny	
Vehicle excise duty	Duty rates	Increase by RPI, rounded to the nearest £1 or £5	
Heavy goods vehicle levy	Duty rates	Increase by RPI, rounded to the nearest penny	HGV levy was suspended until August 2023
Air passenger duty	Duty rates	Increase by RPI, rounded to the nearest £1	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 is £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 is £91. In 2024-25 the rates for the short and long-haul bands will then increase in line with RPI, rounded to the nearest £1.
Tobacco duties	Duty rate on all tobacco products	Increase by RPI+2%, rounded to the nearest penny	Spring Budget 2023 announced a duty increase of RPI+2% on all products except hand rolling tobacco, of RPI+6% on hand rolling tobacco and an increase of RPI+3% to the Minimum Excise Duty

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