HM Treasury

Spring Statement 2025

Policy Costings

March 2025

HM Treasury

Spring Statement 2025

Policy Costings

March 2025

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 978-1-917638-03-6

PU 3508

Contents

Introduction

This document sets out the assumptions and methodologies underlying costings for tax and annually managed expenditure (AME) policy decisions announced since Autumn Budget 2024, where those policies have a fiscally significant impact on the public finances. These costings were all submitted to the independent Office for Budget Responsibility (OBR) for their certification.

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

The OBR set out the approach they have taken to scrutiny and certification of the costings, and highlights areas of particular uncertainty in their Economic and Fiscal Outlook (EFO). As set out in the EFO, the costings for the changes to the universal credit standard allowance and universal health element were not certified, and will be returned to at the Autumn forecast. The OBR have indicated in the EFO that they do not expect final certification to have a material impact on the costings that have been used.

Annex A sets out the indexation assumptions included in the public finances forecast baseline, including all pre-announcements.

Chapter 1

Policy Costings

Personal Independence Payment (PIP): Change the PIP assessment so claimants must score four points in any one activity from 2026-27

Measure description

This measure will require those claiming the Personal Independence Payment (PIP) to score a minimum of 4 points in at least one activity to qualify for a daily living award.

This measure will be effective for new claims from November 2026 and for existing claimants at their next award review following this date.

The cost base

The cost base for this measure is estimated from current and forecasted PIP cases and those of passported benefits like Carer's Allowance and Universal Credit Carer's Element.

Costing

The costing accounts for AME savings to DWP by estimating the number of daily living claims that will no longer meet the new requirement to score a minimum of four points in an activity.

The costing also accounts for changes in claimant behaviour as the policy becomes more widely known, with varying reductions in volumes impacted by the changes over different cohorts.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+210m	+1,755m	+3,365m	+4,515m

Areas of uncertainty

The main uncertainty in this costing relates to the size of the behavioural response. Additionally, the composition and timing of new claims and award reviews could vary compared to the forecast, which is based on recent trends.

Personal Independence Payment (PIP): Increase capacity for processing award reviews from April 2026

Measure description

This measure will increase the number of Personal Independence Payment (PIP) award reviews assessment providers can undertake. These reassess claimants to determine whether they are receiving the correct PIP award for their current condition and adjust the award accordingly to ensure claimants receive appropriate support for their needs.

This measure will be effective from April 2026.

The cost base

The cost base for this measure is the OBR forecast for PIP spending at Spring Statement 2025.

Costing

This costing accounts for AME savings to DWP by estimating the difference the additional processing capacity will have on the number of DWP assessments of claimants' ongoing entitlements, compared to the baseline. It then applies the average change in benefit award as a result of these assessments.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+10m	+90m	+155m	+200m

Areas of uncertainty

The main uncertainties in this costing relate to supplier capacity to deliver assessments and the number of claimants in scope.

Work Capability Assessment: Do not proceed with Autumn Statement 2023 descriptor reforms

Measure description

This measure will cancel the implementation of the reforms to the Work Capability Assessment (WCA) announced at Autumn Statement 2023 that were due to take effect this year.

The cost base

The cost base for this measure is the OBR Spring Statement 2025 forecast for Employment and Support Allowance (ESA) and Universal Credit Health Element (UCHE) spending. This forecast incorporates the estimated impact of removing the descriptor reforms as announced at Autumn Statement 2023.

Costing

The impact of reversing the decision to remove the reformed descriptors is estimated using the same methodology as the original decision scored at Autumn Statement 2023, with updates for latest forecasts and other data.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	-200m	-730m	-1,205m	-1,645m

Areas of uncertainty

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

Work Capability Assessment: Restart reassessments from April 2026

Measure description

This measure will begin reassessing those found eligible for incapacity benefits under certain criteria. These reassessments will affect those who were eligible under the 'substantial risk' criteria, and those with conditions with a short-term prognosis who may have recovered. This will ensure those whose condition may have changed are receiving appropriate support and helped back into work.

The measure will be effective from April 2026.

The cost base

The cost base for this measure is the OBR forecast for Support Allowance (ESA) and Universal Credit Health Element (UCHE) spending at Spring Statement 2025.

Costing

The costing is calculated by applying the Spring 2025 Universal Credit Limited Capability for Work and Work-Related Activity (LCWRA) element forecast to the estimated counterfactual caseloads in scope.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+20m	+100m	+230m	+355m

Areas of uncertainty

The main uncertainties in this costing relate to supplier capacity to deliver assessments and the number of claimants in scope.

Universal Credit Health Element: Maintain at 2025-26 rate until 2029-30, reduce rate by 50% for new claimants from April 2026 and maintain until 2029-30

Measure description

This measure will reduce the gap between the Universal Credit Standard Allowance (UCSA) and Health Element (UCHE). From 2026-27, the award rate of UCHE will be frozen for existing claimants and new claimants will receive a lower award, set at 50% of the Limited Capability for Work- and Work-Related Activity (LCWRA) rate for 2026/27. This will be frozen over the forecast.

This measure will be effective from 1 April 2026

The cost base

The cost base for this measure for this measure is the OBR forecast for Employment and Support Allowance (ESA) and UCHE spending at Spring Statement 2025.

Costing

The savings from existing claimants are calculated by applying the frozen UCHE weekly rate against the counterfactual CPI-uprated weekly rate. For new claimants the savings are calculated by applying the 50% rate, against the counterfactual current rate uprated by CPI. To find total savings, these counterfactuals are applied to the proportion of the caseload which are new claims, and which are existing claims, in each year.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+750m	+1,535m	+2,295m	+3,005m

Areas of uncertainty

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

Universal Credit Standard Allowance: Increase above inflation for all claimants from April 2026, reaching CPI +5% from April 2029, with the standard allowance expected to be worth £106 per week in 2029-30

Measure description

This measure will uplift the Universal Credit Standard Allowance (UCSA) above inflation for new and existing claimants, reaching CPI + 5% by April 2029.

This measure will be effective from 6 April 2026.

The cost base

The cost base for this measure is calculated using the latest OBR Universal Credit expenditure and economic determinant forecasts at Spring Statement 2025, as well as DWP's Policy Simulation Model.

Costing

The costing is calculated by applying the new UCSA weekly rate against the counterfactual CPI-uprated weekly rate. This is then applied to the Policy Simulation Model to account for any claimant behavioural changes following the new entitlement.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	-815m	-1,145m	-1,490m	-1,885m

Areas of uncertainty

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

Welfare Fraud and Error: Increase preventative checks in Universal Credit from 2025-26

Measure description

This measure will increase checks on potential Universal Credit claimants by introducing more ways for them to verify the amount of savings they hold, as well as their self-employed income.

This measure will be effective from 2025-26.

The cost base

The cost base for this measure is estimated using current and forecasted levels of fraud and error in Universal Credit, including national statistics on DWP fraud and error and the OBR's Spring Statement 2025 forecast for fraud and error in Universal Credit.

Costing

The costing is estimated by breaking down the national statistics on DWP fraud and error by cause to determine how many claimants are not declaring the right levels of capital and self-employed income then applying this to forecasted levels of incorrect benefit payments.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+15m	+120m	+210m	+215m	+200m

Areas of uncertainty

The main uncertainties in this costing relate to the level of incorrect payments due to capital and self-employed income not being declared and potential overlap with other DWP initiatives to tackle fraud and error.

Welfare Fraud and Error: Recruit over 500 new counter fraud and error staff from April 2025

Measure description

This measure will invest to employ an additional 500 DWP fraud and error staff who will make better use of government data to correct errors in benefit claims.

Recruitment will begin in April 2025.

The cost base

The cost base for this measure is estimated using DWP data on performance of current fraud and error programmes and current and forecasted levels of fraud and error in DWP benefits, including national statistics on DWP fraud and error.

Costing

The costing is estimated by taking the performance of the Verify Earnings and Pensions Service and the General Matching Service and applying this to forecasted levels of DWP benefit expenditure. This produces the savings achieved from correcting payments that were incorrect in the past, as well as correcting payments that would have otherwise been incorrect in the future without DWP's intervention.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+95m	+45m	+30m	+35m	+40m

Areas of uncertainty

The main uncertainties in this costing relate to the forecasted number of corrections made to claims and the size of the average overpayments detected and recovered.

Tax Debt Collection: Invest in additional HMRC debt management capacity to increase collection of overdue tax debt

Measure description

This measure will provide funding to increase HMRC debt management capacity through expanding HMRC's use of third-party debt collection agencies (DCAs) to increase the collection of overdue tax debt. The measure provides HMRC with £9m additional funding a year between 2025/26 to 2028/29, increasing the funding from £35m each year to £44m each year, and then extends full funding by a year with an additional investment of £43m in 2029/30. HMRC will also invest a further £4m to place a small proportion of lower value tax debt stock over 12 months old in 2025/26, bringing total DCA funding in 2025/26 to £48m.

The additional tax revenue from this measure comes from collecting tax debt that would otherwise be lost through write-off or remission (which impacts the non-payment tax gap), and from accelerating the collection of tax debt.

This measure will be effective from April 2025.

The tax base

The tax base for this measure is derived by considering the value of tax debt sent to third party DCAs. The larger measure focuses on new tax debt created each year, while the £4m funding is for lower value tax debt stock over 12 months old.

Implicitly, the baseline tax forecasts assume (1) tax debt paid grows in line with tax receipts and (2) tax debt created grows in line with tax receipts. This also implies that the non-payment tax gap grows in line with tax receipts. For the purposes of the costing, the tax base is grown over the forecast horizon using tax receipts forecasts.

Costing

The costing has been calculated by estimating the additional tax collected as a result of the increased investment which enables the placement of additional tax debts with DCAs. The modelling uses data on previous DCA debt collection rates and the known costs of placing tax debts with these third parties. Previous measures have resulted in a collection of over 30 to 1 per pound spent.

The tax debt available to send to third party DCAs is expected to increase over forecast horizon. Tax debt created as a proportion of tax receipts is expected to decrease to the long-term average of around 10%, while the cash value of tax receipts is forecast to increase from £829bn in 2023-24 to £1109.4b bn, which results in an overall increase in tax debt created.

However, the effect of additional investment in HMRC debt management staff is expected to decrease the value and collectability of the marginal tax debts available to place with DCAs. This interaction between other measures to tackle tax debt has been accounted for with a discount to the collections from the additional £9m funding starting at 25% and rising to 50% in 2029/30.

Further, the effect of additional investment in HMRC debt management staff means that in the absence of this measure, more tax debts would be collected. By the final year of the forecast horizon only 80% of the collections are expected to be additional for all funding from this measure. Overall, this reduces the collections per pound spent to over 15 to 1.

There are no behavioural effects expected from this measure.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+45m	+155m	+160m	+175m	+250m	+570m

Areas of uncertainty

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

Tax Debt Collection: Invest in 600 additional HMRC debt management staff to increase collection of overdue tax debt

Measure description

This measure will provide funding for an additional 600 HMRC debt management staff to expand HMRC's capacity to collect tax debts at a later stage of the debt management process, building on the previous announcement at Autumn Budget 2024 for 1,800 debt management staff.

The additional tax revenue from this measure comes from collecting tax debt that would otherwise be lost through write-off or remission (which impacts the non-payment tax gap), and from accelerating the collection of tax debt.

This measure will be effective from 6 April 2026, with initial recruitment of 200 staff, which will be replicated in the two subsequent tax years.

The tax base

The tax base for this measure is derived by considering the stock of debt over 12 months old (£21bn as at the end of March 2024[1]).

Costing

The costing has been calculated by estimating the additional tax collected by the additional 600 staff. The debt available to pursue is expected to decrease over the forecast horizon because of other fiscal measures targeting tax debt. This interaction between other measures to tackle tax debt has been accounted for. The average collection for an existing caseworker is £3.5m per annum but by 2029-30 this is expected to fall to £2.8m per annum as the tax base decreases.

The volume of tax debts actioned is grown pro-rata with the 65% increase in trained case-working staff. It is expected to take twelve months for staff to be fully productive.

The value of tax debt collected is adjusted for diminishing returns as on average the new staff will work smaller debts than existing staff. In 2029-30 the average collection for the additional caseworkers is expected to be £1.5m because of diminishing returns from working smaller value debts on average.

Additionally, the more collectable stock of tax debts is likely to be actioned earlier in the forecast horizon leaving less collectable tax debts later in the forecast horizon. This is discounted from the expected recoveries, rising to a 75% discount in the final year of the forecast. In 2029-30 the average collection for the additional caseworkers is expected to be £0.3m once accounting for lower collectability.

The 2029-30 average collection figure (£0.3m) is multiplied by the additional staff (600) multiplied by the proportion that are caseworkers (90%).

---

[1] HM Revenue and Customs - Annual Report and Accounts 2023 to 2024 , p201.

There are no behavioural effects expected from this measure.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+25m	+120m	+425m	+410m	+365m	+145m

Areas of uncertainty

The main uncertainties in this costing relate to future levels of the tax base and the scale of the diminishing returns exhibited by the additional staff.

Tax Collection: Invest in 500 additional HMRC compliance staff to increase collection of tax due

Measure description

This measure will provide funding for HMRC to recruit an additional 500 compliance staff to expand their work to tackle non-compliance and bring in additional tax revenue, ensuring individuals and businesses pay the tax they owe.

Recruitment will begin in April 2025.

The tax base

The tax base for this costing is the total tax gap. The UK tax gap in 2022-23 is estimated to be 4.8% of total theoretical tax liabilities, the difference between the amount of tax due to be paid to HMRC, and what is actually paid. The projected tax base grows over the scorecard by total theoretical tax liabilities, as forecast by the Office for Budget Responsibility (OBR).

The tax base is reduced to reflect the cumulative impact of measures expected to reduce the tax gap including those announced at Spring Statement 2025.

Costing

The OBR's baseline forecast assumes that the tax gap remains constant as a proportion of tax liabilities and is further adjusted to account for specific measures targeted at reducing the tax gap. The cumulative effect of announced measures targeting the tax gap (excluding measures which reduce tax debt) is estimated to reduce the tax gap by 0.2 percentage points in 2026-27, 0.3 percentage points in 2027-28 and 0.4 percentage points in 2028-29 and 2029-30.

The 500 additional staff equate to around 300 fully productive compliance staff in 2029-30 reflecting the time taken to reach full productivity (4 years), delay between working compliance cases and yield received, and expected baseline productivity improvements.

The costing is based on the historic performance of compliance staff, a fully productive representative caseworker on small business compliance yields £0.76m per year in 2023-24. We reduce this figure to £0.63m to account for diminishing rates of return on additional compliance cases and reflect the impact of inflation on the value of future compliance work.

Disruption impacts are then applied given opportunity costs of experienced staff upskilling new recruits, resulting in a further reduction of around £0.1m per year per fully productive worker.

The yield per fully productive caseworker is further discounted for the uncertainties of increasing compliance staff by a total of 5,500 by 2029-30. This includes an exceptional attrition rate rising to 50% in 2029-30, a significant increase from a 10% attrition rate applied to the 5,000 additional compliance staff announced in October 2024. The total impact of all adjustments results in a fully productive officer yielding £0.32m per year in 2029-30.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+15m	+50m	+80m	+95m

Areas of uncertainty

The main uncertainties in this costing relate to future levels of the tax base, the scale of the diminishing returns exhibited by the additional staff and disruption impacts.

Late Payment Penalties: Increase late payment penalties for VAT taxpayers and income tax Self Assessment taxpayers as they join Making Tax Digital from April 2025

Measure description

This measure will increase late payment penalties for VAT taxpayers and income tax Self-Assessment (ITSA) taxpayers as they join Making Tax Digital from April 2025 onwards. The new rates will be 3% of the tax outstanding where tax is overdue by 15 days; plus 3% where tax is overdue by 30 days; plus 10% per annum where tax is overdue by 31 days or more.

This measure will be effective from 6 April 2025.

The tax base

The tax base for this measure consists of VAT and relevant ITSA taxpayers that receive a late payment penalty.

The tax base is grown over the forecast horizon in line with HMRC's VAT and ITSA receipts 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 behavioural response whereby a proportion of liabilities that would otherwise be late will be paid on time.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+5m	+50m	+85m	+105m	+125m

Areas of uncertainty

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

Making Tax Digital for Income Tax Self Assessment: Expand rollout to those with incomes over £20,000 from 6 April 2028, and further detailed changes

Measure description

This measure will introduce a new Making Tax Digital for income tax Self-Assessment (MTD for ITSA) threshold for customers with trading or property income over £20,000. It also exempts or defers certain groups from MTD and moves to a single filing channel so that the entirety of reporting obligations are completed in software.

The new threshold will be effective from 6 April 2028.

The tax base

The tax base for this measure 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 effect of the measure on the tax base described above and the behavioural effect of a reduction in error and failure to take reasonable care by businesses and landlords.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+0m	-10m	+20m	+120m

Areas of uncertainty

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

Building Safety Levy: Implement a levy on new residential development in England (with certain exemptions) with revenue to be spent on building safety from 1 October 2026

Measure description

This measure will require housing developers to pay a levy on new residential developments (with certain exemptions) in England to raise revenue to be spent on building safety.

This measure will be effective from 1 October 2026.

The tax base

The tax base for this measure consists of revenue generated by developers on new residential development in England. The tax base is grown over the forecast horizon using the OBR housing supply forecast. The tax base estimate takes account of exemptions, including affordable housing, and developments with fewer than ten units.

Costing

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

A behavioural adjustment has been made to account for developers looking to expedite Building Control applications (or Initial Notices) to avoid the levy liability.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+0m	+55m	+245m	+345m

Areas of uncertainty

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

Gambling: New statutory levy on operators from April 2025

Measure description

This measure will introduce a statutory levy on gambling operators licenced by the Gambling Commission. Operators will pay a small proportion of their annual Gross Gambling Yield (GGY) to raise funding for research, prevention, and treatment of gambling-related harms.

The rate of the levy on gambling operators varies based on the specific sector, ranging from 0.1% to 1.1%.

This measure will be effective from 6 April 2025.

The tax base

The tax base for this measure is the pre-tax GGY of all Gambling Commission operating licence holders in Great Britain. The tax base is not assumed to grow significantly over the forecast period.

Costing

The costing is calculated by applying the levy rates to forecasted leviable GGY for each licence type using data from the Gambling Commission Industry Statistics.

The costing accounts for a behavioural response to the measure whereby the levy is expected to slightly reduce betting and gaming duty receipts.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	-10m	+105m	+105m	+110m	+110m	+115m

Note: The above table shows the revenue from the introduction of the levy. Table 3.1 in the Statement Document shows both the revenue and subsequent increase in funding for the Gambling Commission for research, prevention, and treatment of gambling-related harms.

Areas of uncertainty

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

UK Export Finance: Fees and interest from increase to lending capacity for defence exports

Measure description

This measure will increase the lending capacity of UK Export Finance (UKEF) for overseas buyers of UK defence goods and services by £2 billion. This costing accounts for the resulting extra fee and interest income received by UKEF.

The increased lending capacity will be available from 26 March 2025.

The cost base

The cost base for this measure is the forecast of expected lending provided by UKEF. This builds upon forecasts provided to the OBR on the use of existing lending capacity.

Costing

The costing estimates the anticipated fee and interest income resulting from increased forecast activity beyond current capacity levels, within the new £2 billion lending limit. Interest on loans is determined by taking the higher rate between the National Loan Funds (NLF) interest rates and the OECD Commercial Interest Reference Rate (CIRR) for the relevant currency. This is combined with additional fees for UKEF support.

This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+85m	+115m	+80m	+100m

Areas of uncertainty

The main uncertainties in this costing relate to the amount of lending in each year as this will depend on commercial negotiations with overseas governments.

UK Export Finance: Fees expected for guaranteeing lending for purchase of UK exports

Measure description

This measure relates to the fees expected to be received by UK Export Finance (UKEF) for the guarantee of commercial lending to the Ukrainian Ministry of Finance. The guaranteed lending will enable Ukraine to purchase air defence systems from the UK.

Only the fee income has been recorded here as the loan guarantee has no impact on PSNB and it is assumed that there will be no calls on the guarantee in the forecast period.

This measure is expected to be effective from summer 2025.

The cost base

The cost base for this measure is the value of the commercial lending to the Ukrainian Ministry of Finance that UKEF are guaranteeing.

Costing

The costing is estimated by calculating the expected fee on the guarantee and distributing this evenly over the expected lifetime of the loan.

This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+15m	+15m	+15m	+15m	+15m

Areas of uncertainty

The main uncertainty in this costing relates to the final financing terms which have not yet been agreed.

Support for Local Authorities: Allow the use of capital resource for revenue pressures via capitalisation directions for 32 local authorities for 2 years from April 2024

Measure description

This measure allows certain local authorities to use capital resource to alleviate revenue pressures for two years until 31 March 2026.

This measure has been effective since 1 April 2024.

The cost base

The cost base for this measure is spending by the relevant local authorities in scope in England and is grown over the forecast horizon using the OBR's forecast for local authority self-financed expenditure.

Costing

The costing is estimated by calculating the increase in current income for local authorities as a result of the capitalisation directions granted by MHCLG and the subsequent additional expenditure.

The costing accounts for a behavioural response regarding how local authorities finance the capitalisation directions, both in how the financing is split between capital receipts and additional borrowing, and when that financing of directions take place. The profile of the costing is driven by the assumption that directions are broadly split equally between borrowing and asset sales, that borrowing occurs in the financial year of the direction, and that asset sales are realised across 4 years from the year of the direction.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	-1,215m	-915m	+420m	+420m	+170m	+55m

Areas of uncertainty

The main uncertainties in this costing relate to the final size of capitalisation directions, the balance of asset receipts and additional borrowing to finance the directions, and when the financing takes place.

Support for Local Authorities: Allow additional flexibility on council tax increases up to 5% above standard referendum principles for 6 local authorities for 1 year starting from April 2025

Measure description

This measure will allow flexibility for six local authorities through bespoke council tax referendum principles, to allow an additional 5% increase up to a maximum of 10% without holding a referendum.

This measure comes into effect for one year from 1 April 2025.

The tax base

The tax base for this measure consists of council tax receipts for the relevant local authorities in England and is grown over the forecast horizon using the OBR's forecasts.

Costing

The costing is estimated by applying the pre- and post-measures tax regime to the forecast for council tax revenue described above.

The costing accounts for a behavioural response with a 100% take up of the bespoke referendum principles across the six local authorities and assumes that no additional receipts are transferred into local authority reserves.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+0m
o/w additional revenue	+0m	+50m	+50m	+55m	+55m	+60m
o/w additional spending	+0m	-50m	-50m	-55m	-55m	-60m

Areas of uncertainty

The main uncertainty in this costing relates to the uptake by local authorities of the bespoke referendum principle.

Council Tax: Increase flexibility for fire and police precepts to £5 and £14 for 2025-26 from April 2025

Measure description

This measure will raise the amount by which Fire and Rescue Authorities and Police and Crime Commissioners can increase their council tax precepts without holding a referendum, to £5 and £14, respectively.

This measure will be effective from 1 April 2025.

The tax base

The tax base for this measure is the housing stock on which council tax will be paid. This is provided by the OBR. The tax base is grown over the forecast horizon using the OBR's forecast for all housing stock.

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 whereby take up of the precepts is assumed to be 100% in 2025-26 and assumes that no additional receipts are transferred into reserves.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+0m
o/w additional revenue	+0m	+165m	+170m	+175m	+185m	+190m
o/w additional spending	+0m	-165m	-170m	-175m	-185m	-190m

Areas of uncertainty

The main uncertainty in this costing relates to the uptake of these referendum principles by relevant authorities.

Parental leave: Increase the small employer compensation rate to 8.5% from April 2025 following National Insurance changes at Autumn Budget 2024

Measure description

This measure will increase the Small Employer Compensation rate, which compensates small employers for the additional costs of paying National Insurance for employees taking statutory parental leave. Due to an increase in employer National Insurance contributions at Autumn Budget 2024 this rate will increase from 3% to 8.5%.

This measure will be effective from 6 April 2025.

The tax base

The tax base for this measure is forecasted total Statutory Maternity Pay (SMP) Expenditure for Small Employers which is estimated using DWP's Lifetime Labour Market Database.

Costing

The costing is estimated by forecasting total SMP expenditure for small employers and multiplying this by the change in the reimbursement rate (5.5%). An additional sum is added to account for all other statutory payments, estimated by assuming that the proportions of each entitlement in total statutory parental pay are unaffected by this policy change.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	-30m	-35m	-35m	-35m	-35m

Areas of uncertainty

The main uncertainties in this costing relate to the calculation of average weekly earnings from the cost base.

Reducing Trade Barriers: Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) tariff liberalisation

Measure description

This measure will amend the UK's integrated tariff schedule as a result of the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade agreement coming into force.

Since 15 December 2024, preferential tariff rates have been available to traders importing from the nine countries that have ratified UK's accession to CPTPP.

The tax base

The tax base for this measure is the expected Customs Duty revenue from the relevant commodity codes and has been projected across the forecast horizon using the OBR's forecasts 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 behavioural adjustment is made for the implementation of the CPTPP to account for the take-up of preferential tariff rates, and traders diverting their trade to benefit from the preferential tariffs.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	-5m	-30m	-30m	-30m	-35m	-35m

Areas of uncertainty

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

Reducing Trade Barriers: Approve UK business applications for removal of tariff duty on 89 products for 2 years from Spring 2025

Measure description

This measure will amend the UK Global Tariff (UKGT) schedule to suspend tariffs on a range of goods.

This measure will be effective from spring 2025 until 30 June 2027.

The tax base

The tax base for this measure is the expected Customs Duty revenue from the relevant commodity codes and has been projected across the forecast using the OBR's forecasts 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 behavioural adjustment is made to account for the proportion of traders that utilise the suspended tariff rates and the incentive for traders to forestall by bringing forward imports to avoid paying duty once the measure ends.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	-25m	-25m	-10m	+0m	+0m

Areas of uncertainty

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

High Income Child Benefit Charge (HICBC): Allow employed individuals to pay their HICBC liability through PAYE without the need to register for Self Assessment from Summer 2025

Measure description

This measure will allow Child Benefit claimants or their partners who are newly liable for the High-Income Child Benefit Charge (HICBC) to pay the tax charge through Pay As You Earn (PAYE) without being required to submit a Self-Assessment (SA) tax return. The HICBC PAYE digital service will be accessible through the HMRC app.

This measure will be effective from summer 2025.

The tax base

The tax base for this measure consists of households with children where the higher earner has an income between the threshold of £60,000 and the top end of the taper range of £80,000. The tax base is estimated using administrative and survey data and is grown over the forecast horizon using growth rates derived from HMRC's Personal Tax Model, based on the 2021-22 Survey of Personal Incomes, and projected forward using the OBR's Spring Forecast 2025 economic determinants.

Costing

The costing accounts for a behavioural response through an increase in the take-up of Child Benefit payments.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+0m	-5m	-5m	-5m	-10m

Areas of uncertainty

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

Home Office Fees: Increase ETA, visa, sponsorship, immigration, nationality and passport fees from April 2025

Measure description

This measure will increase the fees for Electronic Travel Authorisation (ETA), visas, sponsorship, immigration, nationality and passports. This includes:

- £6 increase to the ETA fee from £10 to £16
- Broad c.10% fee increase for visit routes
- Broad 7% increase across immigration, nationality and passport fees
- 5% increase on other visa routes
- 120% fee increase for Certificates of Sponsorship/Sponsor a Worker and Confirmation of Acceptance of Studies from £239 and £25 respectively to £525 and £55.

This measure will be effective from 9 April 2025, with the exception of Travel Document fees which will increase from 10 April 2025.

The tax base

The tax base for this measure consists of all individuals who apply for ETA, visa, sponsorship, immigration, nationality and passport products. The tax base is estimated using the OBR's migration volume projections.

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 whereby an increase in the fees may slightly reduce the number of applications compared to baseline volumes.

The below table shows the revenue from the increase in fees, which is offset with equivalent Home Office DEL, making this measure fiscally neutral in each year. These fees and the offsetting DEL are included in line 4 of Table 3.1 in the Statement Document as set out in footnote 2.

Exchequer impact (£m)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Exchequer impact	+0m	+425m	+405m	+410m	+405m	+400m

Note: The above table shows the revenue from the increase in fees. These fees and the offsetting DEL are included in line 4 of Table 3.1 in the Statement Document as set out in footnote 2..

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and 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 Spring Statement 2025 policy costings. This does not include the changes made at Spring Statement 2025 – these will be captured in future publications of this Annex.

Forecast area	Element	Default indexation assumed in the baseline	Previously announced policy changes from 2024-25 onwards
	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 up to the nearest £100	Maintained at its 2021-22 level up to and including 2027-28.
	Additional Rate Threshold	Aligned with the level at which the Personal Allowance is fully withdrawn	Maintained at its 2021-22 level up to and including 2027-28.
	Starting rate for savings income	Increase by CPI, rounded up to the nearest £10	Maintained at £5,000 for 2024-25.
	Individual Savings Accounts – annual subscription limit	Increase by CPI, rounded to the nearest £120	Autumn Budget 2024 confirmed that the Individual Savings Account limits will remain at their 2023-24 levels up to and including 2029-30.
	Marriage Allowance	Fixed at 10% of the	Maintained at its 2021-22 level up to and including 2027-28.

		Personal Allowance	
	Married Couple's Allowance	Increase by CPI, rounded to nearest £10	
	Blind Person's Allowance	Increase by CPI, rounded to nearest £10	
	Qualifying Care Relief	Fixed amount increases by CPI, roundest to nearest £10; weekly amount rounded up to the nearest £5	
National Insurance contributions	Lower Earnings Limit	Increase by CPI rounded down to the nearest £1	
	Small Profits Threshold	Increase by CPI rounded up to the nearest £10	
	Primary Threshold	Increase by CPI rounded to the nearest £1	Aligned with the Personal Allowance and maintained at its 2021-22 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 2021-22 level up to and including 2027-28.
	Secondary Threshold	Increase by CPI rounded to the nearest £1	Reduced from £9,100 to £5,000 from 6 April 2025 to 6 April 2028.

	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 2021-22 level up to and including 2027-28.
	Class 2 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	Uprated following the uprating of the Lower Earnings Limit by CPI for 2025-26.
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 2029-30.
	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 2029-30.
	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 2029-30.

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 Pay; Adoption Pay; Paternity Pay; Parental Bereavement Pay; Shared Parental Pay; Sick Pay; Maternity Allowance	All main rates	Increase by CPI, rounded to the 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, CPI or 2.5% rounded to the nearest 5p	
Additional State Pension	All categories	Increase by CPI, rounded to the nearest 1p	
New State Pension	All categories	Highest of May-July Average Weekly Earnings, CPI or 2.5%, rounded to the nearest 5p	
Pension Credit	Standard Minimum Guarantee	Earnings growth, rounded to the nearest 5p	
	Savings Credit	Increase by CPI, rounded to the nearest 1p	
Child Tax Credit	Child element	Increases by CPI, rounded up to the nearest £5	From 2025-26 this benefit will not exist and has been replaced by Universal Credit.
	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	From 2025-26 this benefit will not exist and has been replaced by Universal Credit.
	Disabled worker element and severe disability element	Increase by CPI, rounded up to the nearest £5	From 2025-26 this benefit will not exist and has been replaced by Universal Credit.
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 Duty Land Tax	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 temporarily increased from £125,000 to £250,000 from 23 September 2022 to 31 March 2025. The nil-rate threshold of SDLT for first time buyers has temporarily increased from £300,000 to £425,000 and the threshold for accessing relief has increased from £500,000 to £625,000 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 temporarily 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 in the UK for gas is set at £0.00775/kWh in 2024-25 and 2025-26, and £0.00801/kWh in 2026-27. The main rate on electricity is set at £0.00775/kWh up to and including 2025-2026, and £0.00801/kWh in 2026-27. The freeze of LPG at £0.02175 per kg is continued up to and including 2026-27. Any other taxable commodity rate is set at, £0.06064 per kg for 2024-25 and 2025-26, and £0.06264 per kg in 2026-27.
	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) 2026-27 LPG: 23% of the main rate up to (and including) 2026-27 Natural gas and any other taxable commodity: 12% in 2023-24 and 11% in 2024-25 and 2025-2027.
	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 CO2 up to (and including) 2026-27.

Aggregates levy	Levy amount	Increase by RPI, rounded to the nearest penny	
Landfill tax	Tax rates	Increase by RPI, rounded to the nearest 5p	Spring Budget 2024 announced that the lower and standard rates will rise in line with forecast RPI but will also be further adjusted to account for recent high inflation, with effect from 1 April 2025. The standard rate of Landfill Tax is set at £126.15 per tonne. The lower rate of Landfill Tax is set at £4.05 per tonne.
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	Autumn Budget 2024 announced that VED rates for cars, vans, motorcycles, heavy goods vehicles and motorcycle trade licenses would rise in line with the Retail Price Index (RPI) with effect from 1 April 2025. Autumn Budget 2024 also announced that VED first year rates for cars would change with effect from 1 April 2025, at levels outside the default indexation assumption. For 2025-26, rates for cars that emit 1 to 50g/km will increase to £110 and rates for cars that emit 51 to 75g/km will increase to £130. All other CO2 band rates will double, and rates for zero emission cars will remain frozen at £10 until 2029-30.

Heavy goods vehicle levy	Duty rates	Increase by RPI, rounded to the nearest penny	Autumn Budget 2024 confirmed that the heavy goods vehicle levy would rise in line with the Retail Price Index (RPI) with effect from 1 April 2025.
Air passenger duty	Duty rates	Increase by forecast RPI, rounded to the nearest £1	Spring Budget 2024 announced that the standard and higher rates will increase by forecast RPI but will be further adjusted to account for recent high inflation, with effect from 1 April 2025. Autumn Budget 2024 announced that all rates would increase by forecast RPI but will be further adjusted to partially account for previous high inflation, with effect from 1 April 2026. The higher rate for larger private jets will increase by a further 50%. From 1 April 2027 onwards, all rates will also be set to the nearest penny.
Electricity Generator Levy	Benchmark amount	Increase by CPI, rounded to the nearest penny	
Tobacco duties	Duty rate on all tobacco products	Increase by RPI, rounded to the nearest penny	Autumn Budget 2024 announced the duty escalator will be renewed at RPI+2% on all tobacco products until the end of this Parliament and the rate on hand rolling tobacco will increase by RPI+12% for 2024-25.
Vaping Products Duty	Duty rates	Increase by CPI	Autumn Budget 2024 announced this new tax will take effect from October 2026.

Alcohol duties	Duty rate on all alcoholic products	Increase by RPI, rounded to the nearest penny	Autumn Budget 2024 announced alcohol duty rates would be increased by RPI inflation, except for on qualifying draught products which were cut by 1.7%.
Soft Drinks Industry Levy	Duty rates	Prior to 2024: no uprating Until 2029-30: CPI increase + catch up (5.3% of the pre-uprated rates), rounded to the nearest penny From 2030-31 onwards: annual CPI increase, rounded to the nearest penny	Autumn Budget 2024 announced SDIL rates would be uprated over the next five years, to reflect the 27% CPI inflation between 2018 and 2024. Annual rate increases will also reflect future yearly CPI increases.
Fuel duties	Duty rates for petrol and diesel	Increase by RPI, rounded to the nearest 100th of a penny	Autumn Budget 2024 announced that the temporary 5p cut would be extended for a further 12 months (i.e., ending on 22 March 2026), and that the planned RPI uprating for 2025-26 would not go ahead. The temporary 5p cut was originally announced at Spring Statement 2022 and extended at Spring Budgets 2023 and 2024.
Gaming duty	Gross gaming yield bands	Increase by RPI, rounded to the nearest £500	Autumn Budget 2024 announced that bands will be frozen for 2025-26.

Business rates	Business rates multipliers	Increase by CPI, rounded to the nearest 10th of a penny	Autumn Budget 2024 announced that the Small Business Multiplier will be frozen at 49.9p for 2025-26, whilst the Standard Multiplier will be uprated in line with CPI to 55.5p.

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