

Budget 2025

Policy Costings

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Introduction

This document sets out the assumptions and methodologies underlying costings for tax and annually managed expenditure (AME) policy decisions announced since Spring Statement 2025, 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 Budget. Each note sets out a description of the measure, the base, the methodology for the costing (including relevant adjustments for behavioural responses) and highlights main areas of additional uncertainty, beyond those inherent in the OBR's forecast. For certain measures – primarily large or novel measures - an expanded format, setting out the costing in more detail, has been applied. 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). The EFO also sets out how the indirect effects of Budget measures have been accounted for; this document focuses only on the direct fiscal impact of Budget measures.

Measures that are certified by the OBR as below the 'negligible threshold' in every year are not considered in this document. This threshold has been increased to £10m at this event, to reflect inflation since the introduction of the threshold.

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

Policy Costings

Renewables Obligation: Fund 75% of the domestic share of the Renewables Obligation via the Exchequer over the Spending Review period

Measure description

This policy funds a part of the cost of the Renewables Obligation (RO) via the Exchequer. The RO is a scheme for funding renewable electricity generation. It is closed to new entrants, but payments to existing generators are funded through a hypothecated levy on electricity bills. This measure funds 75 per cent of the proportion of the scheme which is due to be levied on domestic electricity bills in 2026/27, 2027/28, and 2028/29. DESNZ will reimburse suppliers for a proportion of the RO obligation which will be passed on to domestic customers through lower electricity prices.

This measure will be effective from 1 April 2026.

The cost base

The cost base is the OBR's baseline revenue forecast for the Renewables Obligation.

Costing

The costing is estimated by applying to the above forecast the 75 per cent proportion that is now funded and the share of the cost of the RO scheme that is projected to be levied on households (approximately 41 per cent). This has been estimated using historic data and energy system models by the Department for Energy Security and Net Zero.

The costing does not make a behavioural adjustment.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-2,580m	-2,100m	-2,195m	+0m	+0m

Areas of uncertainty

The main uncertainty in this costing relate to the future size of the cost base.

Warm Homes Plan: Expand the Warm Home Discount Scheme

Measure description

The Warm Home Discount scheme is a £150 annual, automatically applied, electricity bill rebate. This policy expanded eligibility to all households on qualifying means-tested benefits. This measure has been effective since October 2025.

The tax base

The tax base for this measure is household energy bills. The Department for Work and Pensions provides figures on the number of individuals receiving qualifying benefits. This is used to estimate the anticipated spend of the measure based on the expected size of the eligible population. Ofgem sets the price cap according to this, allowing participating energy suppliers to recover the receipts to fund the rebates.

Costing

The costing is estimated by subtracting the pre-measure cost from the post-measure cost. No behavioural adjustment is applied.

Exchequer impact (£m)

Below is the net impact of the measure expansion. The gross impact of the measure is around £600 million a year. The expenditure and receipts should net off each year and therefore this measure is fiscally neutral.

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+0m
o/w additional revenue	+590m	+600m	+615m	+625m	+640m	+640m
o/w additional spending	-590m	-600m	-615m	-625m	-640m	-640m

Areas of uncertainty

The main uncertainty is the number of households that will be receiving qualifying means-tested benefits, and the number of individuals who are named on each household electricity account.

Fuel Duty: Cancel uprating for 2026-27; extend the 5p cut in rates to 31 August 2026, then increase by 1p from 1 September 2026, 2p from 1 December 2026, and 2p from 1 March 2027

Measure description

This measure extends the temporary 5 pence per litre (ppl) cut in fuel duty, which was first implemented on 23 March 2022, from 23 March 2026 to 31 August 2026 on rates for heavy oil (diesel and kerosene), unleaded petrol, and light oil, with a proportionate percentage cut (equivalent to 5ppl from the main fuel duty rate of 57.95ppl) in other lower rates and the rates for rebated fuels where practical.

Rates will then gradually return to early 2022 levels in three stages: for main rates, by 1p on 1 September 2026, 2p on 1 December 2026, and 2p on 1 March 2027, returning to 57.95 pence per litre at that point. The planned increase in line with inflation for 2026/27 is also cancelled.

From 1 April 2027, fuel duty rates will be uprated annually in line with the Retail Price Index.

This measure will be effective from 23 March 2026.

The tax base

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

Costing

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

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base. Behavioural responses are accounted for by measuring changes in consumption in response to changes in pump prices, with separate elasticities for petrol and diesel reflecting short and long-run effects.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-45m	-2,370m	-855m	-855m	-850m	-840m

Areas of uncertainty

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

Universal Credit Child Element: Remove the two child limit from April 2026, taking 450,000 children out of poverty

Measure description

The measure will remove the limit on the number of children a household on Universal Credit can claim the child element for.

Cost base and data

The cost base is the Universal Credit expenditure forecast before removal of the two-child limit.

The main data sources are the Family Resources Survey (FRS) on which DWP's Policy Simulation Model (PSM) based, the UC forecasts and the OBR's economic assumptions, which are both incorporated into the model. UC administrative data is also used to account for exceptions to the current policy, which are not modelled in the PSM.

Static costing

The static Exchequer impact is calculated by comparing the baseline Universal Credit expenditure forecast before the policy change to expenditure after removal of the two-child limit for households with third and subsequent children born after April 2017.

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-2,055m	-2,250m	-2,445m	-2,715m	-2,850m

Post-behavioural costing

The costing includes one key behavioural response, which is set out below:

Behaviour	Description
Some eligible households may begin claiming due to the higher entitlement or increased publicity	Estimated using the Policy Simulation Model (PSM) and Family Resources Survey data. An additional take up rate is applied at 11% for those newly entitled and 22% for previously entitled but non-claiming households. This estimate is uncertain and reflects judgement as to how people will respond to the change.

The costing assumes no significant impacts assumed for other benefits. The PSM modelling accounts for interactions between the policy and the benefit cap.

After applying the behavioural responses above, this results in the following post-behavioural costing

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-2,365m	-2,590m	-2,815m	-3,095m	-3,235m

Areas of uncertainty

The main uncertainties in this costing are on behavioural assumptions. The estimate for increased take-up is highly uncertain, and the actual response may differ. Costs are also sensitive to wider demographic and macroeconomic trends.

Universal Credit: Extend the £2,500 surplus earnings threshold for one year from 6 April 2026

Measure description

The measure maintains the surplus earnings threshold at £2,500 for Universal Credit claimants for a further year until April 2027.

This measure will be effective from 6 April 2026.

The cost base

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

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)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-145m	+0m	+0m	+0m	+0m

Areas of uncertainty

The main uncertainties in the costing relate to the earning patterns of claimants and the number of claimants who may have more pay days than usual during an assessment period.

Child Benefit: Exempt 16–19-year-olds with an illness or disability from the 12-hour weekly rule and equalise the treatment of non-standard educational settings from 1 September 2025

Measure description

This measure extends entitlement to Child Benefit for (i) parents or carers of young people aged 16–19 with an illness or disability who are studying for 12 hours or fewer per week, and (ii) parents of 16–19-year-olds who are educated full-time outside school or college where this began after the age of 16.

This measure is effective from September 2025.

The cost base

The cost base consists of (i) 16–19 year olds with an illness or disability and/or (ii) studying outside school and college, where this began after the age of 16, who will be brought into eligibility for Child Benefit payments. The cost base is estimated using Labour Force Survey and administrative data and is grown over the forecast horizon using the OBR's Autumn 2025 economic determinants.

Costing

The costing is calculated by multiplying the number of young people brought into eligibility for Child Benefit payments by the relevant Child Benefit rates.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-15m	-25m	-25m	-25m	-25m	-25m

Areas of uncertainty

The main uncertainty in this costing relates to how accurately the Labour Force Survey estimates the size of the newly eligible population.

Carer's Allowance Review: Reassess overpayments from 2015 to 2025 caused by incorrect operational guidance

Measure description

This measure is for an exercise to write off or reimburse Carer's Allowance overpayments between 2015 and 2025 which were found to be wrongly accrued due to incorrect application of DWP operational guidance on how to average fluctuating earnings.

This measure will be effective from October 2026.

The cost base

The cost base for this measure is DWP administrative data on Carer's Allowance overpayments.

Costing

The costing is estimated by applying the results of a review of a random sample of Carer's Allowance overpayments to determine whether their fluctuating earnings were averaged incorrectly and then applying the findings to the caseload in scope.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-20m	-35m	-20m	+0m	+0m

Areas of uncertainty

The main uncertainty in this costing is the availability of information on DWP systems to identify the volume of people impacted by the incorrect guidance.

Housing Benefit: Reduce the financial cliff edge for claimants in supported housing and temporary accommodation from Autumn 2026

Measure description

DWP is introducing new income disregards, to fix the interaction between Housing Benefit and Universal Credit, so that claimants will not be subject to reductions in their income for working more hours. This will help ensure the welfare system does not disincentivise work.

This measure will be effective from Autumn 2026.

The cost base

The cost base is estimated using total Housing Benefit expenditure forecasts and caseloads, for working-age claimants in supported housing and temporary accommodation who are in scope for this measure.

Costing

The costing is based on those on the Housing Benefit taper who are estimated to see an increase in the amount of Housing Benefit they receive, as a result of the new income disregards. No behavioural effects have been taken into account because of the limitations in accurately quantifying the labour market response.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-10m	-20m	-25m	-25m	-25m

Areas of uncertainty

The main uncertainty in this costing is the implementation start date, as local authorities will be required to make changes to their IT systems to deliver the policy.

DWP Fraud and Error: Extend Targeted Case Review of Universal Credit to 2030-31

Measure description

This measure extends DWP's Targeted Case Review of incorrect Universal Credit claims to 2031.

This is currently due to expire in April 2030 but will be extended until April 2031.

The cost base

The cost base is estimated using outturn data for the current performance of Targeted Case Review and forecasted levels of fraud and error and caseload in Universal Credit.

Costing

The costing is estimated by forecasting the volume of reviews undertaken and the value of incorrectness found. This includes the detection of historic overpayments and savings associated with the prevention of the future duration of that overpayment.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+1,265m

Areas of uncertainty

The main uncertainties in this costing relate to the performance of the Targeted Case Review workforce and the size of the average overpayments it detects.

DWP Fraud and Error: Improve accuracy in Pension Credit claims from April 2026

Measure description

This measure introduces reviews of Pension Credit claims that are at risk of being incorrect.

This measure will be effective from April 2026 to April 2029.

The cost base

The cost base is estimated using staffing profiles and productivity levels of a dedicated Pension Credit review team, combined with the forecast levels of fraud and error.

Costing

The costing is estimated by combining the historic overpayments that will be identified through the service with the future overpayments that will be prevented, based on assumptions about how long the overpayment would have continued to exist if it had not been found. The value of underpayments that will be identified through the service is discounted.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+15m	+85m	+135m	+75m	+60m

Areas of uncertainty

The main uncertainties in this costing relate to the performance of the review workforce and the size of the average overpayments it detects.

Health and Disability Benefits: Improve operations by increasing face-to-face assessments, increasing WCA reassessment capability, and PIP award review changes, starting from April 2026

Measure description

This measure will make operational improvements to health assessments to ensure people receive the right health or disability benefit and the system is sustainable. These operational changes include increasing Work Capability Assessment (WCA) reassessment capacity and changing the frequency of Personal Independence Payment (PIP) award reviews so that DWP can complete award reviews on time, reducing the number of people who are called to a PIP assessment when their function has not changed, and allowing providers to redirect resource to WCA re-assessments. It will also increase the number of face-to-face health assessments conducted across both PIP and the WCA.

This measure will be effective from April 2026.

The cost base

The cost base for this measure is DWP administrative data and Health Assessment Channels trial data and the OBR forecasts for PIP, Carers Allowance, Employment Support Allowance (ESA) and Universal Credit Health Element (UCHE) spending at Autumn Budget 2025.

Costing

For increasing WCA reassessment capacity, the costing is calculated by applying the Autumn 2025 Universal Credit Limited Capability for Work and Work-Related Activity element and ESA Support Group forecasts to the estimated counterfactual caseloads in scope.

For changes to PIP award reviews, the costing is calculated by extending the award review period for the relevant group and determining the likely award review outcome and compared to the estimated award review period and outcome of the counterfactual group in scope.

For increasing the number of face-to-face health assessments, the costing is calculated by applying the results of DWP administrative data on assessment channel outcomes to estimate the savings by increasing the proportion of face-to-face health assessments.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+85m	+310m	+520m	+580m	+455m

Areas of uncertainty

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

Motability: Introduce VAT at the standard rate on Advance Payments paid to Motability or equivalent schemes, and Insurance Premium Tax at the standard rate on insurance related to vehicle leases, from 1 July 2026

Measure description

This measure removes the VAT zero-rate relief and applies the standard rate of 20% on top-up payments for vehicles leased through the Motability Scheme, and other qualifying schemes. It also removes the Insurance Premium Tax (IPT) relief for vehicles leased through such schemes. Tax changes will not apply to vehicles designed for, or substantially and permanently adapted for, wheelchair or stretcher users.

This measure is implemented for new leases from 1 July 2026.

Tax base and data

The tax base is an estimate of lease payments to Motability, and the payments of insurance premiums for the Motability scheme. The tax base is projected forward using the OBR's economic forecast and forecasts of Personal Independence Payment, Disability Living Allowance, and Motability's insurance premium rates.

The main data used in this costing is the value of lease rentals and insurance premiums from financial information relating to Motability Operations, as well as the forecast data referred to above.

The overall estimate of the tax base (i.e. the value of lease payments to Motability, excluding wheelchair accessible vehicles and certain adapted cars) in 2026-27 is around £3.5 billion.

Static costing

The static Exchequer impact is calculated by applying the pre- and post-measure tax regimes to the tax base described above for leases commencing after the start date. The revenue from IPT is phased in as new leases commence, reaching a steady state three years after the introduction of the policy. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+110m	+200m	+265m	+325m	+355m

Post-behavioural costing

The costing includes two key behavioural responses, which are set out below:

Behaviour	Description
Motability will absorb part of the tax cost through cost and service changes, passing the remainder to leases via higher top-up payments on leases.	The costing assumes that 36% of the static yield is passed on as higher top-up payments on leases. The pass-through rate of 36% is based on the proportion of the tax cost expected to be absorbed by the Motability operator through cost and service changes, the remainder being passed to lease prices. This is based on information provided by Motability. The pass-through rate of 36% is an average, with some leases still having no top-up payments.
Some taxpayers may reduce their expenditure on a vehicle lease or withdraw from the scheme entirely.	The costing assumes an elasticity of demand of -1.75. The elasticity reflects the policy applying to cars with all powertrains, with allowance for the particular circumstances of the Motability scheme and is an average.

After applying the behavioural responses above, this results in the following post-behavioural costing.

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+90m	+165m	+225m	+280m	+305m

Areas of uncertainty

The main uncertainties in this costing are around the growth of the tax base and the behavioural assumptions.

Housing Benefit and Pension Credit Administration: Bring together the administration of pensioner Housing Benefit and Pension Credit from Autumn 2026

Measure description

This measure amends the approach to bringing together the administration of pensioner Housing Benefit and Pension Credit, announced in July 2024. Rather than a wholesale merger of these benefits from 2028/29, the government is starting with a sub-set of customers from Autumn 2026, ensuring it is operationalised as intended. It will then be rolled out to all Pension Credit and Housing Benefit recipients.

The cost base

The cost base is estimated using benefit caseload and expenditure forecasts from the DWP publication ‘Income-related benefits: estimates of take-up’, for those of pension age who are entitled to, but not yet recipients of, Housing Benefit or Pension Credit.

Costing

The costing is estimated by reprofiling the annual costs of the previous Housing Benefit and Pension Credit merger delivery model in the baseline forecast, to reflect the updated timelines.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-5m	-10m	+105m	+225m	+265m

Areas of uncertainty

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

National Insurance: Remove access to Class 2 National Insurance contributions (NICs) and increase the initial residency and contributions history requirements for Class 3 NICs for individuals abroad from 6 April 2026

Measure description

This measure will remove access to pay voluntary Class 2 NICs abroad and increase the initial residency or contributions requirement to pay voluntary NICs outside of the UK from 3 to 10 years.

This measure will be effective from 6 April 2026.

The cost base

The cost base is derived from DWP's Autumn 2025 forecast of State Pension expenditure.

The tax base is those paying Class 2 and Class 3 NICs abroad, estimated from HMRC data.

Costing

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

The tax cost is estimated to be negligible.

The yield arises from the forecasted State Pension expenditure savings.

Removing access to Class 2 NICs for all individuals abroad, and access to Class 3 NICs for some individuals abroad means affected individuals will not continue to build State Pension entitlement, leading to savings in pension spending (AME).

Some of the Class 2 NICs paying population are assumed to switch to purchase Class 3 NICs. There are no behavioural effects anticipated for increasing the upfront residency requirements to 10 years.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-5m	+5m	+10m	+10m	+15m

Areas of uncertainty

The key uncertainty of this measure concerns the behavioural response to the voluntary Class 2 NICs abroad being abolished, and the numbers who will continue to purchase the more expensive Class 3.

Business Rates: Introduce a three-year Transitional Relief scheme, partially funded by a 1p Transitional Relief Supplement in 2026/27

Measure description

This measure caps bill increases for eligible properties each year as a result of increasing rateable values at the 2026 business rates revaluation. This measure will be effective from 1 April 2026 and run until 31 March 2029.

The Transitional Relief Supplement introduces a 1p supplement on top of the multipliers, paid for by ratepayers not receiving Transitional Relief. This will apply for one year from 1 April 2026 until 31 March 2027.

The cost base

The cost base for Transitional Relief consists of all non-domestic properties seeing an increase in business rates liabilities greater than the transitional relief caps, multiplied by the relevant multiplier for relevant years.

The cost base for the Transitional Relief Supplement is all existing non-domestic properties that do not receive Transitional Relief, multiplied by 1p.

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 interactions with other Business Rates measures, Corporation Tax and Income Tax for the self-employed. The costing also includes an adjustment to reflect behavioural effects, particularly on high-value properties where rateable value reductions would impact Transitional Relief costs.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Transitional Relief	+25m	-1,745m	-865m	-585m	+10m	-5m
Transitional Relief Supplement	-10m	+785m	-25m	+5m	+0m	+0m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, the impacts of appeals against property valuations on rateable values, and the impact of behavioural responses.

Business Rates: Introduce a Supporting Small Business scheme from 1 April 2026

Measure description

This measure will cap the increase in eligible ratepayers' business rates bills. To be eligible, businesses must be losing part or all of their Small Business Rates Relief, Rural Rates Relief, or Retail, Hospitality and Leisure (RHL) relief. This measure will be effective from 1 April 2026 and runs until 31 March 2029. In addition, those currently receiving the 2023 Supporting Small Business Relief scheme will be eligible for the 2026 Supporting Small Business Scheme until 31 March 2027.

This measure will be effective from 1 April 2026.

The tax base

The tax base consists of estimates of the rateable value of properties in England losing eligibility for or seeing reductions in Small Business Rates Relief, Rural Rate Relief, or RHL relief multiplied by the relevant business rates multiplier for relevant years. It also consists of the rateable value of properties still in receipt of the 2023 Supporting Small Business scheme in 2025/26, multiplied by the relevant multiplier for 2026/27.

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 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)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+25m	-1,180m	-500m	-305m	+5m	+0m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the impacts of appeals against property valuations on rateable values.

Business Rates: Introduce two new lower multipliers for eligible retail, hospitality and leisure properties funded by a new high-value multiplier from 1 April 2026

Measure description

This measure introduces two new business rates multipliers for eligible retail, hospitality and leisure (RHL) properties in England with rateable values below £500,000, 5p below the national small business and standard multipliers. To fund this sustainably, a new high-value multiplier is being introduced on properties in England with rateable values of £500,000 and above, 2.8p above the national standard multiplier.

This measure will be effective from 1 April 2026.

The tax base

The tax base consists of the total rateable values of all RHL properties that are eligible for the new lower multipliers with rateable values below £500,000 and all non-domestic properties in England with rateable values of £500,000 and above, multiplied by the business rates multiplier for relevant years. Existing reliefs - Small Business Rates Relief, Rural Rate Relief, Empty Property Relief and Charitable Rates Relief - reduce the size of this base.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above, and includes up to £70m estimated funding for local authorities to administer the business rates announcements.

Further adjustments include interactions with other measures, Corporation Tax and Income Tax, and behavioural effects. The costing also accounts for a decrease in the cost of other reliefs compared to the forecast. These adjustments mean that the yield of the high value multiplier does not match the cost of the RHL multipliers.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
RHL multipliers	+10m	-965m	-860m	-865m	-865m	-865m
High-value multiplier	-5m	+805m	+795m	+795m	+795m	+795m
Small business rates relief and rural rate relief interaction	-5m	+110m	+105m	+105m	+105m	+105m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, the impacts of appeals against property valuations on rateable values, and the impact of behavioural responses.

Enterprise Management Incentives (EMI): Increase eligibility to allow scale-ups, as well as start-ups, to access the scheme from 6 April 2026

Measure description

This measure expands eligibility for eligible companies under the Enterprise Management Incentives (EMI) scheme by increasing the employee limit from 250 to 500, the gross assets threshold from £30 million to £120 million, and the company option cap from £3 million to £6 million, with the maximum holding period extended from 10 years to 15 years.

This measure will be effective from 6 April 2026.

The tax base

The tax base for this measure comprises employees and companies newly participating in the EMI scheme, and those currently participating which will grow beyond the existing limits.

This includes:

- Employees benefiting from EMI share options through Income Tax and National Insurance reliefs;
- Employees claiming Capital Gains Tax relief, following disposal of new EMI shares under qualifying conditions; and
- Employers claiming relief from Corporation Tax and employer National Insurance;

The tax base is grown over the forecast horizon using projections based on the historic trend growth in the EMI population, and the OBR's equity price growth determinant.

Costing

The costing has no static impact, given that the measure applies to a new population.

The costing accounts for a behavioural response whereby new firms and employees take up the EMI scheme, given the expanded scope.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-70m	-230m	-410m	-585m	-695m

Areas of uncertainty

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

Venture Capital Schemes: Increase the Venture Capital Trust (VCT) scheme and the Enterprise Investment Scheme (EIS) annual and lifetime investment limits and the gross assets test from 6 April 2026

Measure description

This measure increases the annual and lifetime investment limits of the Venture Capital Trust and Enterprise Investment Schemes, for eligible companies. The new lifetime limits will be increased to £24 million for non-knowledge intensive companies and £40 million for knowledge intensive companies. The measure will also expand the gross asset test thresholds to £30 million before share issue and £35 million after.

This measure will be effective from 6 April 2026.

The tax base

The tax base for this measure is an estimate of companies who are at, or close to, the existing limits of the Enterprise Investment Scheme and Venture Capital Trust scheme. The tax base is derived using HMRC administrative data.

The tax base is grown over the forecast horizon using the OBR's forecast for Gross Domestic Product (GDP), equity prices and business investment.

Costing

The costing accounts for a behavioural response whereby companies close to the existing limits are expected to raise additional investment towards the new limits, and a proportion of investment is reallocated from other companies who are at an earlier stage of their development.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	-60m	-45m	-50m	-55m

Areas of uncertainty

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

Venture Capital Schemes: Reduce the VCT scheme Income Tax relief from 6 April 2026

Measure description

This measure reduces the upfront Venture Capital Trust (VCT) Income Tax relief from 30% to 20%, to better balance the amount of upfront tax relief offered by VCTs compared to the Enterprise Investment Scheme and ensure funds are targeting the highest growth companies.

This measure will be effective from 6th April 2026.

The tax base

The tax base is the existing investment into Venture Capital Trusts, which is taken from administrative data which HMRC receives from Regulation 21A forms submitted by the VCTs.

The tax base is grown over the forecast horizon using the OBR's Gross Domestic Product at market prices determinant.

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 investors alter or reduce the way they invest into VCT, including reallocating some investment to the Enterprise Investment Scheme.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+125m	+95m	+95m	+100m

Areas of uncertainty

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

UK Listing Relief: Stamp Duty Reserve Tax relief for transfers of a company's securities for a three-year period from the point of listing, effective from 27 November 2025

Measure description

This measure introduces a relief from the 0.5% Stamp Duty Reserve Tax (SDRT) charge for transfers of company's securities for three years from the point the company lists on a UK regulated market.

The measure will be effective from 27 November 2025.

Tax base

The tax base is the projected value of secondary transfers of shares in newly listed companies, including Initial Public Offerings (IPOs). The estimate identifies historic new listings from London Stock Exchange Group New Issues and IPO Summary data then calculates the value of secondary transfers subject to SDRT in the 3 years following their listing, based on Certificateless Registry for Electronic Share Transfer (CREST) data. This costing assumes that future listing activity is in line with the 9-year average to 2023 to 2024, indicating approximately £14bn to £17bn of capital raised from new listings per year.

The tax base is projected across the forecast using the OBR Equity Price Index forecast.

Costing

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

The costing accounts for two separate behavioural effects: forestalling by investors who accelerate share purchases just before the exemption ends, and the encouragement of a number of additional UK listings.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-25m	-35m	-45m	-50m	-50m	-50m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, and the number of additional UK listings.

Youth Guarantee: Provide targeted support for young people to earn or learn, including a jobs guarantee, starting from 2026, with full roll-out from Autumn 2026

Measure description

This measure guarantees six-month paid work placements for every eligible 18 to 21-year-old who has been on Universal Credit (UC) and looking for work for 18 months.

Initial placements will start from 2026 and the scheme will cover 100% of employment costs at 25 hours per week at the relevant minimum wage, as well as funding wrap around support and onboarding costs.

The cost base

AME savings from the programme are as a result of lower welfare spending given individuals will have a reduced UC entitlement while in employment.

Costing

The costing is estimated by calculating a UC saving per placement and then applying this to estimated cohort volumes.

The costing accounts for a response whereby DWP assume that some claimants will leave subsidised jobs before six months.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact [AME savings only]	+0m	+10m	+45m	+45m	+50m	+50m

Areas of uncertainty

The main uncertainties in this costing relate to the number of individuals eligible for a role, the behavioural response and additionality of welfare savings.

VAT: Introduce a relief for business donations of goods to charity for onward distribution or use in the delivery of their services, from 1 April 2026

Measure description

This measure relieves the VAT due on business donations of goods to charity for onward distribution or use in their services. The relief will apply to goods valued under £100, with a second-tier limit of £200 for a set list of items usually valued over the £100 limit, but which play an important role in tackling poverty. The relief will only apply to donations made to registered charities and Charitable Incorporated Organisations (CIOs) and will be administered in an approach consistent with existing practices for donations.

This measure will have effect from the 1 April 2026.

The tax base

The tax base consists of business donations of goods to charity for onward donation or use in charitable services. This is estimated using data from the annual reports of a sample of charities that distribute large volumes of donated goods to people in need in the UK and responses to a 2025 consultation on the VAT treatment of business donations of goods.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in nominal consumer expenditure

Costing

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

No behavioural effects are modelled in the costing, as any increase in donations is expected to come mainly from goods currently being disposed of, which would have no tax impact.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030/31
Exchequer impact	+0m	-10m	-10m	-10m	-10m	-10m

Areas of uncertainty

The main area of uncertainty is the precise size of the tax base. However, evidence from the consultation and further research strongly indicates that size is relatively small.

Cross-border VAT grouping: Revert to unconditional whole entity cross-border VAT grouping from 26 November 2025

Measure description

This measure removes the conditions attached to cross-border VAT grouping for VAT group members in certain EU member states. This means multiple businesses under shared control with a UK presence can be treated as a single entity for VAT purposes, regardless of the location of the overseas businesses.

This measure will be effective from 26 November 2025.

The tax base

The tax base consists of transactions between businesses in the same UK cross-border VAT group where irrecoverable VAT would be due if cross-border VAT grouping was not allowed. The tax base is estimated using HMRC operational data.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in VAT receipts.

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 some cross-border VAT groups submit claims to reclaim previously paid VAT.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-40m	-45m	-10m	-10m	-10m	-10m

Areas of uncertainty

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

Business Rates Retention: Extend Greater London Authority enhanced business rates retention arrangements, and pilot Business Rate Retentions for West England Combined Authority, Cornwall, and Liverpool City Region, for three years from April 2026

Measure description

At Autumn Budget 2024, the government extended the arrangements that allow the Greater London Authority and local authorities in some areas to retain a greater share of their business rates into 2025-26. This measure extends these arrangements for a further three years until the end of March 2029 and will be effective from 1 April 2026.

The cost base

The cost base is the business rates forecast and the expected foregone grant allocation to local authorities benefiting from additional business rates retention. It is assumed in the baseline that the Greater London Authority and local authorities would revert to the standard 50% business rates retention from 2026-27 onwards.

Costing

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

Authorities will gain from any income retained above their business rates baseline due to growth in their business rates base, which is reflected in the estimated exchequer impact.

It is assumed that 25% of the additional income above the baseline is placed into local authorities' reserves.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	-5m	-10m	+0m	+0m

Areas of uncertainty

The main uncertainties in this costing relate to the forecast growth of the business rates base.

Soil and Land Remediation: DEFRA grant scheme to support Local Authority remediation of land

Measure description

This measure provides financial support to public bodies – including local, combined and mayoral authorities – to cover the unaffordable portion of landfill tax costs that may prevent land remediation projects from going ahead. It focussed on sites where contamination poses risks to health, the environment, property, and where remediation would unlock economic, social, and environmental benefits.

The tax base

The tax base refers to the revenue HM Treasury receives from landfill tax each financial year.

Currently, there is no allocated budget for capital expenditure in this area meaning the pre-measures baseline for grant spending is zero.

Costing

Without grant support, the full cost of landfill tax is unaffordable for public bodies – meaning remediation would not happen, no landfill tax would be collected, and the land would remain unused. By making these projects financially viable, the scheme is expected to generate additional revenue for HM Treasury through landfill tax receipts, while also delivering wider benefits such as increased land and house values and environmental improvements.

The costing adds the forecast grant support spending to the expected increased revenue received in landfill tax.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+10m	+35m	+10m	+10m

Areas of uncertainty

The main areas of uncertainty in this costing relate to site-specific variation in contamination levels and remediation costs and the behavioural response to the measure.

Personal Tax: Maintain the personal income tax and equivalent national insurance thresholds at current levels for a further three years until April 2031

Measure description

This measure maintains the income tax Personal Allowance at £12,570 and the higher rate threshold at £50,270; and the additional rate threshold at £125,140, all from April 2028 to April 2031. The Personal Allowance threshold applies UK-wide.

The higher rate threshold for non-savings, dividend and property income and for property income will apply to taxpayers in England, Wales, and Northern Ireland, and for savings and dividend income it will apply UK-wide.

This measure maintains the NICs Primary Threshold (PT) and Lower Profits Limit (LPL) at £12,570 from April 2028 until April 2031. The NICs Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) will be maintained at £50,270 from April 2028 to April 2031. The Upper Secondary Threshold and Apprentices Upper Secondary Threshold will stay fixed at £50,270 per annum until April 2031, to remain aligned with the UEL and UPL.

This measure will be implemented on 06 April 2028.

Tax base and data

The tax base is an estimate of the income in excess of the thresholds. This is estimated using HMRCs Personal Tax Model. The costing reflects the following data sources:

- The main source of data is from the 2022-23 Survey of Personal Incomes.
- The tax base is projected using the Office for Budget Responsibility (OBR) economic forecast.

The overall estimate of the tax base in 2028-29 is around £2 trillion of income.

Static costing

The static exchequer impact is calculated by applying the pre- and post-measure tax regimes to the tax base described above. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+3,325m	+7,650m	+11,890m

Post-behavioural costing

This costing builds in behavioural effects for individuals with income taxable at the higher and additional rates of tax. Estimates of the behavioural effects of the individuals outlined above are based on the Taxable Income

Elasticities, which estimates how taxable income changes in response to changes in tax rates. These behavioural effects reduce the static costing by £180m (1.3%) in 2030-31.

The costing is also adjusted to reflected Tax Motivated Incorporations (TMIs) as a result of this measure.

The OBR also expect workers to shift part of the incidence of the tax increase onto employers, by bargaining for a higher nominal wage. The impact of this on nominal wages and profits is captured in a behavioural adjustment to the costing. More detail on the OBR’s assessment is set out in the EFO.

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact ¹	+0m	+0m	-25m	+3,365m	+7,780m	+12,435m

Areas of uncertainty

The main uncertainties in this costing surround CPI growth as well as the size of the tax base towards the end of the costing period, and the behavioural response.

¹ A slightly higher yield from Personal Tax Threshold Freezes is presented in the OBR’s EFO due to an error identified in the calculation of the shift of some of the incidence of the tax increase being passed onto employers after the forecast had closed.

National Insurance: Maintain the secondary threshold for employer contributions at current level for a further three years until April 2031

Measure description

This measure maintains the National Insurance contributions (NICs) Secondary Threshold (ST) at £5,000 from April 2028 until April 2031.

The tax base

The tax base is pay between the secondary threshold and what the secondary threshold would have been if uprated by CPI. The tax base is estimated via the HMRC Personal Tax Model using Survey of Personal Incomes data for 2021-22, projected in line with OBR economic determinants.

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 there may be some greater incentive to incorporate. However, this is assumed to be negligible.

The OBR assumes the incidence of this measure is shared across lower wages and lower profits.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	-5m	+290m	+615m	+925m

Areas of uncertainty

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

Student Loans: Freeze Plan 2 repayment threshold for three years from 6 April 2027

Measure description

This measure maintains the repayment threshold for plan 2 student loans at its financial year 26-27 level until April 2030, when it will increase annually by inflation.

The tax base

The tax base consists of undergraduates who studied between 2012 and 2022 and are either currently earning above the repayment threshold or are expected to do so by 2027-28 to 2029-30.

The analysis uses historical earnings data to predict the future earnings of borrowers. Earnings pathways are derived from Student Loans Company and HMRC data and uprated over time by OBR earnings growth forecasts.

Costing

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

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+285m	+5,915m	+255m	+290m	+355m	+380m

Areas of uncertainty

The main uncertainties in this costing relate to student loan repayment forecasts, which are inherently uncertain as they are driven by a number of factors, including borrower behaviour, inflation and household residual income.

Property Income: Introduce separate tax rates for property income at 22% for the property basic rate, 42% for the property higher rate and 47% for the property additional rate, from 6 April 2027

Measure description

This measure creates a separate income tax rate for property rental income which increases tax on property income for unincorporated landlords by adding 2 percentage points to the basic rate, higher rate, and additional rate.

This measure will be effective from 6 April 2027.

The tax base

The tax base consists of all individuals and partnerships that receive property income. It is estimated using HMRC administrative data from the 2023/24 Self-Assessment returns.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in land and property income.

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 some landlords choose to operate through a company structure rather than as an unincorporated business to avoid the increased property income taxation, though this response is expected to be limited.

The costing also accounts for the impact of this measure on rental prices and house prices.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+5m	+590m	+435m	+445m

Areas of uncertainty

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

Dividend Income: Increase tax rates on dividend income by 2ppts at the ordinary and upper rate from 6 April 2026

Measure description

This measure increases the ordinary and upper rate of dividend tax by two percentage points.

This measure will be effective from 6 April 2026.

The tax base

The tax base consists of all taxable dividend income received by individuals. This is estimated using HMRC's Personal Tax Model, using data from the 2022–23 Survey of Personal Incomes.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in dividend income.

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 individuals reduce their taxable dividend income, bring dividend income forward (forestalling), or change their decision to incorporate businesses in response to the rate increase.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+280m	+985m	+1,160m	+1,325m	+1,390m

Areas of uncertainty

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

Savings Income: Increase tax rates on savings income by 2ppts at the basic, higher and additional rate from 6 April 2027 and maintain the Starting Rate of Savings limit at £5000 from April 2026 to April 2031

Measure description

This measure increases the Basic, Higher and Additional Income Tax rates on savings income by 2 percentage points. It applies to taxable savings income, excluding Individual Savings Account returns and savings income covered by the Personal Allowance, Personal Savings Allowance, or the Starting Rate for Savings.

This measure will be effective from 6 April 2027.

The tax base

The tax base consists of taxable savings income held by individuals. This is estimated using HMRC's Personal Tax Model, drawing on administrative data from the 2022–23 Survey of Personal Incomes.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in savings income.

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 some individuals shift their savings into tax-advantaged products such as Individual Savings Accounts (ISAs).

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+5m	+55m	+525m	+470m	+505m

Areas of uncertainty

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

Salary Sacrifice: Limit the value of salary sacrificed pension contributions that can receive employee and employer NICs relief to £2,000 per year from 6 April 2029

Measure description

This measure applies Class 1 Employee (Primary) and Employer (Secondary) National Insurance Contributions (NICs) to “salary sacrificed” pension contributions above an annual cap of £2,000, effective from 6 April 2029. The policy aims to restrict the incentive for employers and employees to use salary sacrifice arrangements for pension contributions to access additional NICs savings.

Tax base and data

The tax base consists of salary sacrifice and bonus sacrifice pension contributions above the £2,000 annual cap.

- The main data source is the 2024 ONS Annual Survey of Hours and Earnings (ASHE), from which estimates of the number of employees using salary sacrifice and the value of employee pension contributions are made.
- The tax base is projected in line with the historic trends and the OBR’s forecast for employment and wage growth.

In 2024, it is estimated £32bn of pensions contributions used salary sacrifice pension arrangements, with the value of contributions predominantly from higher and additional rate taxpayers.

Static costing

The static Exchequer impact is calculated by applying the pre- and post-measure tax regimes to the tax base described above. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+4,870m	+5,070m

Post-behavioural costing

The costing includes various behavioural responses, two key ones have been set out below:

Behaviour	Description
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Employers may react to these reforms by changing how they compensate staff to replicate some of the savings afforded by the existing salary sacrifice regime.	The costing assumes that employers put 5% of pay growth of the affected population towards employer contributions. Furthermore, the costing assumes a reduction in the tax base of 5% rising to 10% by the end of the forecast reflects other formalisation arrangements. The extent of the adjustment made reflects HMRC and OBR judgement.
Employees may smooth their contributions between pay periods to make efficient use of NICs exemption on contributions under £2k.	The costing assumes an overall 5% reduction in the tax base from this behaviour. This adjustment reflects HMRC and OBR judgement.

The OBR also assume employers will seek to pass through some costs to wages. A behavioural adjustment has been made for this in the costing. The OBR's pass-through assumptions are detailed in their Economic and Fiscal Outlook.

The costing also accounts for other behaviours, including:

- Forestalling prior to the implementation of the measure (the bringing forward of contributions)
- Shifting towards other schemes (i.e. 'net pay arrangements' or 'relief at source')
- Increased contributions to meet auto-enrolment minimums
- Reduction in contributions by individuals in DC schemes

The table below sets out the post-behavioural costing

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-40m	-55m	-75m	+4,845m	+2,585m

Areas of uncertainty

The main uncertainties relate to behavioural responses, the use of ASHE sample data, population growth, and economic factors such as wage growth. The extent to which employers and employees will adapt their behaviour in response to the measure is particularly uncertain.

Capital Gains Tax: Reduce Capital Gains Tax relief on qualifying disposals to employee ownership trusts from 100% to 50% from 26 November 2025

Measure description

This measure restricts the amount of relief from Capital Gains Tax (CGT) available on qualifying disposals of shares made to the trustees of an Employee Ownership Trust (EOT).

50% of the gain on disposal to the trustees of an EOT will be treated as the disposer's chargeable gain for CGT purposes. The remaining 50% of the gain will not be chargeable at the time of disposal but will continue to be held over to come into charge on any future disposal of the shares by the trustees of the EOT.

This measure will be effective from 26 November 2025.

Tax base and data

The tax base is the total chargeable gains arising from disposals of company shares to EOTs.

- The key data source is the EOT application clearance data submitted to HMRC for the 2023 calendar year, which includes information on the amount paid by EOTs for company shares and covers around 97% of EOTs created in 2023. For EOTs without valuations or not submitting clearance, estimates are derived using averages from the available data.
- The base is projected forward using the growth rate relating to financial assets in the CGT forecast.
- We assume that the tax base is split into two groups according to policy and operational expert judgement and published EOT evaluation: 55% company owners planning exits for retirement purposes; 45% other exits.

The overall estimate of the tax base (i.e. total chargeable gains) in the first full year of the measure (2026–27) is approximately £6.8 billion.

Static costing

The static Exchequer impact is calculated by applying the pre- and post-measure tax regimes to the tax base described above. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+225m	+785m	+905m	+1000m	+1,100m

Post-behavioural costing

The costing includes assumptions about the behavioural responses, which have been set out below:

Behaviour	Description
Behaviour from company owners planning exits for retirement purposes (55% of the tax base).	A retention rate elasticity of 4.0 for CGT financial and non-residential property assets reflects HMRC analysis of realised CGT gains in the UK in the period from 1998 to 2018. The costing assumes a lower retention rate elasticity of 1.3 on this portion of the tax base. This is calculated using a bottom-up approach which assesses that there are a narrower range of behavioural routes available to be used by these taxpayers after the introduction of the policy (relative to the population below).
Behaviour from other taxpayers (45% of the tax base)	For this population, the costing assumes that the 4.0 elasticity will be reduced by 15% to 3.4. This adjustment reflects a bottom-up approach which assesses the behavioural routes that will still be available to taxpayers after the introduction of this policy.
Individuals may restructure returns between capital gains and income when effective CGT rates change, increasing IT receipts.	The increased incentive for gains-to-income shifting is modelled using HMRC's taxable income elasticities. This is then scaled to reflect the share of total capital gains that relates to the EOT population in question. This results in an adjustment of +£15m IT receipts per ppt increase (for 2030–31, varies by year)

After applying the behavioural responses above, this results in the following post-behavioural costing.

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+185m	+775m	+825m	+905m	+985m

Areas of uncertainty

The main uncertainties in this costing relate to the estimated number of EOTs formed each year and the behavioural responses of business owners to the introduction of the 50% restriction on the CGT relief.

High Value Council Tax Surcharge: Introduce a surcharge on owners of residential properties valued over £2m in England from 1 April 2028

Measure description

The High Value Council Tax Surcharge (HVCTS) introduces a new annual charge on owners of properties in England valued at £2.0 million and above, taking effect from April 2028. The charge will be based on a targeted revaluation exercise carried out by the Valuation Office, on the basis of property values in 2026. It will apply in addition to existing Council Tax. Among other areas the government will consult on the criteria for and mechanism through which to deliver support, reliefs, exemptions and appeals.

Tax base and data

The tax base comprises properties in England valued above £2 million in 2026. Estimates combine commercial valuation data, Council Tax statistics, SDLT transaction data, and Valuation Office data. Further adjustments, including for social housing, reduce the base by 2.5%. OBR property price forecasts and new-build assumptions are used to project property prices and volumes, resulting in an estimated 165,000 properties subject to the tax in 2028–29.

Static costing

Static costing multiplies projected properties by band charges, uprated by CPI from 2029–30.

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+605	+620m	+635m

Post-behavioural costing

The costing includes two main behavioural responses, which have been set out below:

Behaviour	Description
Price Capitalisation	Based on a range of studies ² , 100% capitalisation is assumed, phased in over 3 years. The net present value (NPV) of the annual charge is calculated, assuming it continues in perpetuity and using a discount rate of 5%. The price adjustment is phased in gradually: one-third in the

² Giertz, S.H., Ramezani, R. and Beron, K.J. (2021). Property tax capitalization, a case study of Dallas County. *Regional Science and Urban Economics*, 89, p.103680. doi:<https://doi.org/10.1016/j.regsciurbeco.2021.103680>.

Coste, J. (2024). *Capitalization of Property Tax Incentives: Evidence From Philadelphia*. FHFA Staff Working Papers. Available at: <https://ideas.repec.org/p/hfa/wpaper/24-01.html>.

Smith, O., Palmon, O. and Smith, B.A. (2025). New Evidence on Property Tax Capitalization. *Journal of Political Economy*, 106(5), pp.1099–1128. DOI:<http://dx.doi.org/10.1086/250041>

	first year, two-thirds in the second, and full pass-through from the third year onwards.
Bunching	Drawing on research into SDLT notches ³ , the costing assumes relatively lower demand for properties at values just above band thresholds. Bunching elasticities of 1.0 to 1.5 are used. These are adjusted downward compared to the SDLT empirical evidence to reflect the smaller impact on credit constraints of a recurring tax compared to an upfront transaction tax. The elasticities are used to estimate a value range above a threshold for which properties would see price effects additional to the capitalisation effect, using the net present value of the tax.

The costing also includes a small adjustment for changes to the growth in the stock of impacted properties.

The costing includes adjustments for compliance, appeals and an assumed support scheme:

- Non-payment: The assumption reflects the Council Tax non-payment rate uplifted to account for the owners, rather than occupiers, being liable for the tax.
- Appeals: Successful appeals are assumed based on Council Tax and Business Rates appeal success rates.
- Support scheme and inability to pay: The Wealth and Assets Survey is used to estimate the share of households who may be unable to pay the charge, including those who may qualify for a support scheme, which is to be consulted on.

The costing also accounts for impacts on other tax heads. Price capitalisation affects SDLT, CGT, IHT, and ATED receipts. Transaction impacts include temporary reductions pre-implementation and increases in churn post-implementation, impacting SDLT and CGT receipts.

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-60m	-120m	-155m	+400m	+430m	+435m

Areas of uncertainty

The main uncertainties in this costing surround the size of the tax base, behavioural and compliance effects and resultant impacts on other tax heads.

³ Best, M.C. and Kleven, H.J. (2017). Housing Market Responses to Transaction Taxes: Evidence From Notches and Stimulus in the U.K. *The Review of Economic Studies*, 85(1), pp.157–193. doi:<https://doi.org/10.1093/restud/rdx032>.

Inheritance Tax: Maintain the nil-rate band, residence nil-rate band, and allowance for 100% rate of agricultural property relief and business property relief for a further year, from April 2030 until April 2031

Measure description

This measure fixes the nil-rate band and residence nil-rate band thresholds at £325,000 and £175,000 for the 2030-31 tax year. It also fixes the Residence Nil-Rate Band taper at the current level of £2 million, and fixes the limit where 100% rates of relief will continue for agricultural and business property relief at £1 million.

This measure will be effective from 6 April 2030.

The tax base

The tax base consists of Inheritance Tax (IHT) liable estates and trusts estimated using HMRC administrative data and projected using OBR economic determinants.

Costing

The difference between the baseline IHT forecast and the forecast with these changes, using the tax base above, gives the estimated static yield of the threshold changes.

The costing accounts for a behavioural response whereby some estates respond to the change in threshold relative to the pre-measures baseline.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+130m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the sensitivity to the inflation forecast.

Cap trust charges at £5m for pre-30 October 2024 excluded property trusts for charges applying from 6 April 2025

Measure description

This measure introduces a £5 million cap on relevant property inheritance tax (IHT) charges for trusts settled by formerly non-domiciled individuals which held excluded property at 30 October 2024.

This measure will be effective with a retrospective date of 6 April 2025.

The tax base

The tax base is an estimate of individuals who have been UK tax resident for 10 or more years out of the last 20, and would be liable for IHT trust charges greater than £5 million, in each ten-year cycle, on offshore former excluded property trusts.

The tax base is projected across the forecast using OBR’s economic forecast of world equity prices.

Costing

The costing is estimated by comparing estimated IHT trust charges before and after applying a £5 million cap per ten-year cycle.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-5m	-10m	-15m	-20m	-30m

Areas of uncertainty

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

Closure of post-departure trade profits loophole from 6 April 2026

Measure description

This measure removes the ability of individuals who temporarily become a non-resident in the United Kingdom to pay no tax on dividend income taken from company profits realised by their close company (or a company which would be a close company if it were UK resident).

This measure will be effective from 6 April 2026.

The tax base

The tax base is an estimate of dividend income from UK close companies – or companies which would be close companies if they were UK resident – owned by individuals who are temporarily non-resident in the United Kingdom and therefore currently pay no tax on this income. The tax base is derived using HMRC compliance data and is grown over the forecast horizon.

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 individuals may forestall income, change remuneration formats, or alter their residency status in response to the policy.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+120m	+170m	+160m	+135m

Areas of uncertainty

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

Writing-down Allowances: Reduce the main rate writing-down allowance to 14% from April 2026 and introduce a new 40% first-year allowance from 1 January 2026

Measure description

This measure reduces the main rate writing-down allowance (WDA) from 18% to 14% and introduces a new first-year allowance (FYA) for main rate assets at 40%. The new FYA applies only to new expenditure on eligible assets, including plant or machinery for leasing but excluding second-hand assets and cars, and affects both Corporation Tax and Income Tax payers.

The new FYA will come into effect from 1 January 2026, and the new WDA rate will be effective from 1 April 2026 for Corporation Tax and 6 April 2026 for Income Tax.

The tax base

The tax base consists of all new and pooled expenditure on plant and machinery assets eligible for WDAs, and new expenditure eligible for the new FYA, which excludes second-hand assets and cars. This is estimated using company tax and self-assessment returns as well as other data sources such as survey data and transport statistics.

The tax base is grown over the forecast horizon using the OBR's economic determinants, including forecast for growth in business investment.

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 some taxpayers may adjust their claims or reporting in response to the policy, such as boundary pushing or non-compliance.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+35m	+1,035m	+1,505m	+1,490m	+1,470m	+1,450m

Areas of uncertainty

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

Air Passenger Duty: Extend the scope of the higher rate to cover all private jets over 5.7 tonnes from 1 April 2027

Measure description

This measure expands the higher rate of Air Passenger Duty (APD) to bring into scope private jets with a maximum take-off weight between 5.7 and 20 tonnes.

This measure will be effective from 1 April 2027.

The tax base

The tax base for this policy comprises passengers on flights with a Maximum Take-Off Weight (MTOW) between 5.7 and 20 tonnes, subject to the higher APD rate, departing from UK airports that qualify for APD.

The tax base is grown over the forecast horizon using the year-on-year average growth rate of passenger numbers assumed in the OBR's forecast and annual growth rates for the higher APD rate.

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 a small minority of passengers may switch to commercial flights to avoid higher costs.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+10m	+10m	+10m	+10m

Areas of uncertainty

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

Gambling Duty: Increase Remote Gaming Duty to 40% from 1 April 2026, introduce a new Remote Betting Rate at 25% (excluding Self-Service Betting Terminals, spread betting, pool betting & UK horseracing) from 1 April 2027, and abolish Bingo Duty from 1 April 2026

Measure description

This policy:

- Increases the rate of Remote Gaming Duty (RGD) from 21% to 40% from April 2026
- Introduces a new 25% rate for General Betting Duty (GBD) that applies to bets made remotely (excluding Self-Service Betting Terminals, spread betting, pool betting and UK horseracing) from April 2027; and
- Abolishes Bingo Duty from April 2026.

The tax base and data

The tax base for this measure is the Gross Gambling Yield (GGY) for each relevant gambling duty. GGY is the revenue retained by gambling operators after paying out winnings to customers. The costing reflects the following data sources:

- Gambling Commission Industry Statistics: Used to estimate GGY by sector and channel (remote vs non-remote)
- HMRC Betting and Gaming Receipts Statistics: Used for actual duty receipts and to estimate the split between different types of gambling; and
- The OBR's Betting and Gaming duties forecast: Used to project the tax base over the forecast period.

The overall estimate of the tax base (i.e. the amount of GGY for each affected tax head) in 2026-27 is around £10 billion: around £2.3 billion for remote GBD, around £7.1 billion for RGD and around £0.3 billion for Bingo Duty.

Static costing

The static Exchequer impact is calculated by applying the pre- and post-measure tax regimes to the tax base described above. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+1320m	+1640m	+1725m	+1810m	+1885m

Post-behavioural costing

The costing includes two key behavioural assumptions, which are set out below:

Behaviour	Description
Gambling operators may pass-on some of the duty rise via higher margins.	The costing assumes that 89% of the duty rise is passed on in higher margins. The pass-through rate is based on analysis of changes to taxation of online gambling internationally.
Gambling demand is likely to fall in response to higher margins.	The costings assumes elasticities of -1.7 for Remote Gaming and -1.15 for Remote Betting. Gambling elasticities were last estimated for HMRC in 2014. To bring more up to date, analysis was conducted on the 2019 RGD rate change and of rate changes in Denmark and Sweden. The elasticity for remote betting was derived through analysis of the Danish online betting market. For remote gaming, it was based on analysis estimating the demand impact of relevant UK and international rate changes.

The costing is also adjusted to reflect the following, smaller, assumptions:

- A low level of substitution between gambling activities in response to higher operator margins via cross-price elasticities.
- A general attrition assumption to account for industry adjusting business models to maximise revenues and lower their tax burden.
- A small reduction in Corporation Tax receipts, given affected companies' profits may reduce due to higher gambling duty rates.

After applying the behavioural responses above, this results in the following post-behavioural costing:

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+35m	+1,035m	+1,505m	+1,490m	+1,470m	+1,450m

Areas of uncertainty

The main uncertainty is the behavioural response to the change in tax rates.

Tour Operators' Margin Scheme: Exclude Private Hire Vehicle Services from the scope of the scheme from 2 January 2026

Measure description

The measure excludes suppliers of private hire and taxi journeys from the VAT Tour Operators Margin Scheme, unless these journeys are supplied in conjunction with certain other travel services. This change ensures that VAT is applied to the full fare charged by operators, rather than just their margin.

The measure will be effective from 2 January 2026.

The tax base

The tax base is an estimate of the portion of private hire vehicle fares with VAT not currently applied, which will now be subject to VAT following the implementation of the measure.

The tax base is projected over the forecast using the OBR's nominal household consumption forecast.

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 a proportion of drivers will register for VAT voluntarily, as well as changes in supply and demand. An allowance is also made for possible attrition due to non-compliance or other behavioural responses.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+190m	+725m	+665m	+655m	+650m	+675m

Areas of uncertainty

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

Low Value Imports: Reform the customs treatment of low value imports from March 2029

Measure description

This measure will remove the customs duty relief on goods imported into the UK valued at £135 or below.

A new set of customs arrangements will also be introduced for these goods. Under these arrangements, sellers and online marketplaces will be responsible for paying the customs duty and additional information will need to be provided. Further details of the policy will be consulted on.

This measure will be effective from 1 March 2029.

The tax base

The tax base is derived from the estimated true value of goods imported under the current Low Value Imports (LVI) customs arrangements that will be subject to tariffs.

The tax base has been projected across the forecast using the OBR's forecast for non-oil goods imports.

Costing

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

The costing accounts for some seller and consumer behavioural change in response to the new tariffs, including increased seller compliance, changes in consumer demand, consumer forestalling, and non-payment of duty.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+40m	+535m	+555m

Areas of uncertainty

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

Emissions Trading Scheme (ETS): Expansion of the UK ETS to International Maritime Routes from 2028

Measure description

This measure will increase the scope of the UK Emissions Trading Scheme (UK ETS) by including 50% of emissions from international voyages to and from the UK. The international maritime expansion also broadens the scope of the UK ETS to include the remaining 50% of emissions from domestic voyages between Great Britain and Northern Ireland.

This measure will be effective from 1 January 2028.

The tax base

The tax base includes emissions from maritime vessels over 5000 Gross Tonnage, excluding non-commercial government vessels, relating to international journeys. The tax base also includes emissions from these maritime vessels relating to domestic journeys between Great Britain and Northern Ireland. This tax base is derived using data from the Department for Transport (DfT) and the Department for Energy Security and Net Zero (DESNZ).

The tax base is grown over the forecast horizon using projections of emissions from maritime vessels, along with HMRCs Carbon Price Forecast.

Costing

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

This costing does not include any adjustment for a behavioural response. The emissions data used in the tax base already incorporates expected changes in demand. This accounts for the UK ETS Authority initially increasing the number of allowances to account for the extra emissions brought into scope of the scheme, in line with the new expected tax base.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+75m	+290m	+285m

Areas of uncertainty

The main uncertainty in this costing relates to the sensitivity of the costing to movements in the UK carbon price.

Defined Benefit (DB) Pension Scheme Surplus Extraction: Introduce flexibilities for employers and direct payments to members from April 2027

Measure description

This measure will allow trustees of more DB schemes to change scheme rules to share surplus funds with sponsoring employers and scheme members, helping support investment in businesses and the wider economy. It authorises direct payments to scheme members for tax purposes to support trustee-employer negotiations and amends the threshold at which schemes can release surplus.

The tax base

The tax base is an estimate of surplus funds available in private sector DB schemes.

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 schemes will alter their rules to permit surplus sharing.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+30m	+120m	+125m	+135m	+145m

Areas of uncertainty

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

Landfill Tax: Increase the lower rate by the cash increase of the standard rate from 1 April 2026 and in each year of the forecast period

Measure description

The tax applies to material sent to landfill sites in England and Northern Ireland, with a lower rate for less polluting material and a standard rate for all other material.

This measure increases the standard rate each year in line with the Retail Price Index (RPI). This is already included in the OBR's forecast so does not impact the tax base or have an Exchequer impact.

This measure will also increase the lower rate each year by the same cash amount as the standard rate in order to keep the gap between the two rates constant in cash terms.

This measure will be effective from 1 April 2026.

The tax base

The tax base consists of all lower rated material (excluding exemptions) that is sent to landfill in England and Northern Ireland. This is estimated using HMRC administrative data.

The tax base is grown over the forecast horizon using the OBR's Landfill Tax forecast.

Costing

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

The costing implicitly captures a reduction in non-compliance resulting from misdescription, and accounts for further behavioural responses including an expected reduced demand for landfill.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+35m	+60m	+85m	+110m	+130m

Areas of uncertainty

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

Soft Drink Industry Levy: Reduce the levy threshold from 5g to 4.5g/100ml and extend to milk-based drinks and milk substitutes from 1 January 2028

Measure description

This measure reduces the Soft Drinks Industry Levy (SDIL) standard rate threshold from 5g to 4.5g of total sugar per 100ml. In addition, the exemption for milk-based drinks and milk substitute drinks will be removed. For milk-based drinks, a 'lactose allowance' will be introduced to account for the naturally occurring sugars in milk.

This measure will be effective from 1 January 2028.

The tax base

The tax base consists of all sales of soft drinks containing added sugar brought into scope of SDIL by the threshold and exemption changes, estimated using data on the sales of sugar sweetened beverages.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in the population.

Costing

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

The costing includes two key behavioural assumptions:

- It is assumed that 65% of products are reformulated to avoid the levy, in line with evidence from SDIL's introduction.
- For products that do not reformulate it is assumed that the duty is passed on to consumers, resulting in reduced demand.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+10m	+40m	+40m	+40m

Areas of uncertainty

The main uncertainties in this costing relate to the behavioural response, particularly the extent of reformulation.

Non-reimbursed Homeworking Expenses: Remove the tax relief available from 6 April 2026

Measure description

This measure removes the ability for employees to claim a deduction from earnings from HMRC if they have incurred additional household costs when being required to work from home. Employers can still reimburse employees for these costs where eligible without deducting Income Tax and National Insurance Contributions.

This measure will be effective from 6 April 2026.

The tax base

The tax base is an estimate of employees who are obliged to work from home by their employer and who claim the homeworking allowance. This is derived using the HMRC administrative data.

The tax base is grown over the forecast horizon using OBRs determinants.

Costing

The costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. There are not significant behavioural effects.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+10m	+30m	+25m	+25m	+25m

Areas of uncertainty

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

Carbon Border Adjustment Mechanism (CBAM): Remove indirect emissions from scope of the CBAM from 1 January 2027

Measure description

This measure delays the inclusion of indirect emissions within the scope of the Carbon Border Adjustment Mechanism (CBAM). This delay reflects the extension of the Energy Intensive Industries Compensation Scheme, which will remain in place to compensate those electricity intensive industries deemed most at risk of carbon leakage for the indirect emissions costs of the UK Emissions Trading Scheme and Carbon Price Support.

This measure to remove indirect emissions from the tax base will be effective from the implementation of the CBAM on 1 January 2027.

The tax base

The tax base is an estimate of the indirect emissions embodied within CBAM goods imported into the United Kingdom. The costing is estimated using HMRC import data and emission intensity data from the European Commission's Joint Research Centre.

The tax base is grown over the forecast horizon using the OBR's economy forecast.

Costing

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

The costing assumes no behavioural impacts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-40m	-170m	-180m	-170m	-165m

Areas of uncertainty

The main uncertainties in this costing are the size of the tax base, informed by forecasted import levels, and future carbon prices, which affect the CBAM charge.

Advanced Corporation Tax (ACT) reform: Abolish shadow ACT restrictions to relax the limits on companies' use of surplus ACT balances from 1 April 2026

Measure description

The measure abolishes rules relating to Shadow Advanced Corporation Tax (ACT) restrictions in order to relax the limits on companies' use of their surplus ACT balances to offset their Corporation Tax liabilities. This measure applies to companies with remaining surplus ACT balances and does not introduce new thresholds or exemptions.

This measure will be effective from 1 April 2026.

The tax base

The tax base consists of the net taxable income of companies that can be offset by their remaining surplus Advance Corporation Tax (ACT) balances. This is estimated using HMRC administrative data and modelled at the entity level, based on the latest company returns.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in net taxable income.

Costing

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

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-10m	-10m	-15m	-15m	-10m

Areas of uncertainty

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

Electric Vehicle Excise Duty (eVED): Introduce a new mileage supplement for electric and plug-in hybrid cars from 1 April 2028

Measure description

This measure introduces electric Vehicle Excise Duty (eVED) a fuel duty equivalent levy for battery and plug-in hybrid electric cars - an add-on to Vehicle Excise Duty (VED) - from April 2028. Rates for eVED will be set at around half the amount paid by the average petrol/diesel driver via fuel duty.

The measure directly interacts with the VED Expensive Car Supplement (ECS) threshold increase for electric cars to £50,000 (from April 2026), and the extension of the Electric Car Grant (to 2029-30), which provides grants of up to £3,750 towards the purchase of eligible electric cars, supporting electric vehicle (EV) demand and the automotive sector.

Tax base and data

The tax base for eVED is an estimate of the mileage driven by battery and plug-in hybrid electric vehicles (BEV and PHEV) during each year from April 2028. The main sources for this estimate are:

- Forecasts of the stock of BEV and PHEV derived from the VED forecast model, which is used at each fiscal event to forecast the VED receipts and accounts for the changing mix of vehicles. The model has been adjusted to take account of vehicles that are liable for eVED but are exempt from VED.
- MOT data from 2023 and 2024 to derive average mileage per car.

The overall estimate of the eVED tax base for 2028-29 is 5.5m electric and plugin-hybrid cars driving on average 8,000 miles annually. The tax base is expected to reflect the trajectory of the ZEV mandate.

Static costing

The static Exchequer impact for eVED is calculated by applying the pre- and post-measure tax regimes to the tax base described above. This results in the following static costing:

Static Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impacts	+0m	+0m	+0m	+1,255m	+1,640m	+2,110m

Post-behavioural costing

The costing includes the following behavioural responses which amend the static costing:

Behaviour	Description
Changes in number of EVs bought due to the change in cost of owning EVs after the introduction of eVED, ECS changes and the grant.	The costing assumes a price elasticity of demand of -2. This assumption has been derived using a literature review. The elasticity is applied to a total cost of ownership estimate in net present values using a discount rate of 5% over 15 years, as this is the average life of a car.
Taxpayers reduce EV driving because of the marginal cost introduced by eVED	The costing assumes an elasticity of -0.16. This has been derived by using the elasticities in the Fuel Duty model (taking a weighted average of its short- and long-term elasticities)
Taxpayers correctly stating their annual mileages and paying the correct tax	The costing assumes a compliance rate of 98.5%. This is based on DVLA's estimate of the compliance rate for VED. The eVED system will operate largely as an add-on to the VED system, including options for direct debit, reminders etc.

There are additional behaviours which amend the static costing, including forestalling behaviour in the time period around the introduction date of the tax, manufacturer response to market dynamics, and interactions with other tax heads.

After applying the behavioural responses above, this results in the following post-behavioural costing:

Post-behavioural Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impacts	-5m	-10m	-15m	+1,100m	+1,435m	+1,865m

Areas of uncertainty

The main uncertainties in this costing surround the behavioural effects assumed above. In particular, this includes the forecast stock levels for EVs and non-EVs, the evolution of EV and PHEV prices over time, vehicle price rebalancing, and the impact of changes to the second-hand car market.

Support for British automotive industry: Increase the Expensive Car Supplement threshold for zero emission vehicles to £50,000, from 1 April 2026

Measure description

This measure increases the Vehicle Excise Duty Expensive Car Supplement (ECS) threshold to £50,000 for zero-emission vehicles (ZEVs) only.

This change will take effect from 1 April 2026 and will apply to ZEVs registered from 1 April 2025 onwards.

The tax base

The tax base consists of new electric car sales from 2025-26 onwards that are subject to Vehicle Excise Duty. Electric cars with a list price between the current threshold and new threshold will no longer be subject to ECS charges. This information is derived from the Vehicle Excise Duty forecast.

Costing

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

Behavioural responses are accounted for, with the policy expected to increase the number of electric car sales over the scorecard period.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-50m	-110m	-190m	-325m	-505m

Areas of uncertainty

The main uncertainties in this costing relate to the trajectory of electric car prices, and the size of behavioural response.

Support for British automotive industry: Delay bringing Employee Car Ownership schemes within the Benefit in Kind rules from 6 April 2026 to 6 April 2030, with a two year transition period

Measure description

At Autumn Budget 2024, the government announced it would bring employee car ownership schemes (ECOS) into scope of the Benefit in Kind rules from 6 April 2026.

This measure delays that change to 6 April 2030. Transitional arrangements will apply for employees still in arrangements prior to that date until the earlier of the end of April 2031 or the end of their arrangement.

The tax base

The tax base reflects the estimated taxable value of affected cars. The tax base is grown over the forecast horizon using HMRC's car benefit model, which includes assumptions around vehicle volumes, efficiencies, and prices.

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 taxpayers switch to alternative vehicles or move away from using company cars altogether. The behavioural response has been updated since Autumn Budget 2024, and takes into account further evidence on the impacts of the measure provided by stakeholders.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-150m	-150m	-150m	-155m	-140m

Areas of uncertainty

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

Support for British automotive industry: Extend 100% first-year allowances for zero-emission cars and electric vehicle charge points to 31 March 2027 for Corporation Tax and 5 April 2027 for Income Tax

Measure description

This policy extends the First Year Allowance for cars with zero CO₂ emissions as well as the First Year Allowance for the purchase and installation of electric vehicle charge-points by businesses for a further year to 31 March 2027 for Corporation Tax purposes and 5 April 2027 for Income tax purposes.

This measure will be effective from April 2026.

The tax base

The tax base for zero-emission cars is the total eligible expenditure by businesses on new zero emission cars which qualify for First Year Allowance. The tax base for electric vehicle charge points is the qualifying expenditure by businesses on the purchase and installation of electric vehicle charge-points eligible for the First Year Allowance. These are estimated using industry information and HRMC administrative data.

The tax base is grown in line with the trajectory of the Zero Emission Vehicle mandate and car prices are assumed to grow in line with the OBR's economic forecast for Consumer Price Index inflation.

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 to reflect how businesses may alter their purchasing decision to take advantage of the extended First Year Allowance for zero emission cars.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-5m	-145m	-100m	+15m	+20m	+25m

Areas of uncertainty

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

Sizewell C: Reclassify construction costs and recognise income generated through the Regulated Asset Base levy

Measure description

This measure recognises income generated through the Regulated Asset Base (RAB) levy, which is a levy on consumers starting from construction of the project. Sizewell C construction costs have also been reclassified from Capital Del Expenditure Limits (CDEL) to Capital Annually Managed Expenditure (CAME).

The cost base

The cost base for this measure is Sizewell C construction costs and revenues through the Regulated Asset Base levy.

Costing

The costing is estimated using forecasts of Sizewell C capital construction costs and expected income generated through the Regulated Asset Base levy. The costing reflects additional revenue raised, with a small offsetting change from the spending reclassification. This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+50m	+510m	+580m	+675m	+795m	+970m

Areas of uncertainty

The main uncertainties in this costing relate to the revenues generated through the Regulated Asset Base levy.

Benefit-in-Kind tax easement for plug-in hybrid electric vehicle (PHEV) company cars

Measure description

This measure introduces a tax easement which mitigates the Benefit-in-Kind (BiK) tax impacts of new emissions standards for employees who receive a plug-in hybrid electric vehicle (PHEV) company car from their employer, and employers who provide PHEV company cars, from 1 January 2025 to 5 April 2028.

This measure will be effective from 6 April 2026 until 5 April 2028 and applied retrospectively to 1 January 2025. Anyone accessing an eligible PHEV company car on or before 5 April 2028 will remain eligible for the easement until the earlier of variation or renewal of the arrangement or 5 April 2031.

The tax base

The tax base consists of employer provided and employee received PHEV company cars which are being impacted by the new emission standards in the UK. This tax base is projected forward using OBR's Consumer Price Index and transport demand forecast.

Costing

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

The costing includes a behavioural response to account for changing demand and switching between PHEVs and electric vehicles.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-10m	-35m	+10m	+0m	-5m

Areas of uncertainty

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

Plug-in hybrid electric vehicle (PHEV) emissions regulatory standard changes

Measure description

This measure reflects the exchequer impact from taxation of certain plug-in hybrid electric vehicles (PHEVs), due to the introduction of new emissions standards at various stages between January 2025 and January 2028.

The tax base

The tax base consists of all new PHEV sales, estimated using various sources, including DVLA stock data. The tax base reflects revenue from Vehicle Excise Duties (VED) and Benefit-in-Kind (BiK).

The tax base is grown over the forecast horizon using forecast for growth in new car sales by powertrain and the Consumer Price Index.

Costing

The costing is estimated by applying the new emissions standards to the tax regimes set out above.

The costing includes a behavioural response to account for changing demand and switching between PHEVs and electric vehicles.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+45m	+100m	+70m	+75m	+90m

Areas of uncertainty

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

Student Finance: Lifelong Learning Entitlement, confirmation of policy detail for LLE launch on 1 January 2027

Measure description

This measure scores the impact of two policies which will be introduced as part of the Lifelong Learning Entitlement (LLE): Priority Additional Entitlement, to allow borrowers who have already drawn down on all their fee support to study in an eligible subject; and the removal of the split contributions policy for calculating maintenance loan entitlements.

It also reflects the extension of Advanced Learner Loan funding until September 2030, to give providers time to register with the Office for Students. This is a policy change from when the LLE was first scored.

This measure will be effective from January 2027.

The cost/tax base

The pre-measure base is the costs associated with the previous LLE delivery plan.

Costing

The costing is estimated by calculating the difference between the pre- and post-measure forecasts using outputs from DfE's LLE costings model.

The costing accounts for behavioural responses to the policy changes.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+5m	+5m	+10m	+5m

Areas of uncertainty

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

Student Finance: Increase spending on student loans due to a new means-tested maintenance grant offer for students from academic year 2028/29

Measure description

This measure introduces a new means-tested maintenance grant offer for students studying courses aligned with the government's missions and the Industrial Strategy.

This measure will be effective from academic year 2028/29.

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 outputs from DfE's Higher Education student loan outlay and repayment model.

The costing assumes a behavioural response from the introduction of maintenance grants in the form of increased participation, which is estimated based on comparable studies and current student data.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	-5m	-5m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural response of the new grant offer, as well as the cohort's borrowing behaviour.

Supporting Savers: Make the Help to Save scheme permanent, maintain total ISA annual subscription limit at £20,000 with cash limit reduced to £12,000 for under-65s from April 2027, delay ISA digitalisation until April 2028 and maintain the ISA subscription limits until 2030/31

Measure description

This measure makes the Help to Save scheme permanent and expands eligibility to include all Universal Credit claimants in receipt of the child and/or carer's element.

The scheme was due to close to new accounts in April 2027, but it will now be permanently available to eligible individuals.

This measure will be effective from 6 April 2027 (with expanded eligibility effective from April 2028).

The tax base

The tax base consists of the number of eligible individuals on Universal Credit who are expected to take up Help to Save accounts. This is estimated using data from the Department for Work and Pensions on Universal Credit recipients, with a take-up rate applied to calculate the number of expected account holders.

The tax base assumes the take-up rate to remain in line with historical figures and average savings behaviour is influenced by Consumer Prices Index (CPI).

Costing

The costing has no static impact on current claimants.

The costing accounts for a behavioural response whereby only those individuals who are not currently using the scheme may choose to open an account.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-5m	-10m	-5m	-35m	-15m

Areas of uncertainty

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

Agricultural Property Relief and Business Property Relief: Allow any unused allowance for the 100% rate of relief to be transferable between spouses and civil partners from 6 April 2026

Measure description

This measure allows any unused portion of the £1 million limit where 100% rates of relief will continue for agricultural and business property relief for Inheritance Tax (IHT) to be transferred between spouses and civil partners, similar to the existing rules for the Nil-Rate Band and Residence Nil-Rate Band.

The £1 million limit applies to the combined value of qualifying agricultural and business assets that can receive 100% relief. The rate of relief will be 50% thereafter, and in all circumstances for shares designated as “not listed” on the markets of recognised stock exchanges, such as the Alternative Investment Market (AIM).

This measure will be effective from 6 April 2026.

The tax base

The tax base consists of all estates liable to IHT with qualifying agricultural and business assets worth at least £1 million, as recorded in HMRC’s administrative data.

The tax base is grown over the forecast horizon using the OBR’s forecast for growth in equity prices, average house prices, and cash deposit growth, as well as the projected number of UK deaths.

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 taxpayers may restructure their estates or change their asset holdings in response to the measure.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-30m	-70m	-70m	-70m	-70m

Areas of uncertainty

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

British Coal Staff Superannuation Scheme: Transfer investment reserve to scheme members

Measure description

This measure transfers the Investment Reserve in the British Coal Staff Superannuation Scheme back to the scheme members, resulting in bonus pensions.

The cost base

The cost base for this measure is the current value of the Investment Reserve Fund in the British Coal Staff Superannuation Scheme.

Costing

The costing is estimated using Government Actuary's Department estimates of cash flow relating to the additional pension that will be paid out. This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-1,975m	-25m	-25m	-20m	-20m	-15m

Areas of uncertainty

The main uncertainty in this costing relates to the size of future pension liabilities.

Defined Benefit Pensions: Provide inflation protection for pre-1997 pensions in the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) where members' former schemes provided it, from 1 January 2027

Measure description

This measure introduces CPI-linked uprating (capped at 2.5%) to prospective compensation payments, based on pensionable service before April 1997, for Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) members whose former schemes provided this. It will be effective from 1 January 2027.

The cost base

The cost base is the extra PPF compensation and FAS assistance created by applying capped CPI uprating to pre-1997 accruals for eligible members. It is estimated from PPF valuation data and the FAS cashflow forecast as at 31 March 2025.

Costing

The costing is estimated by applying the pre- and post-measure rules to the cost base described above; it adds the cash cost of higher FAS payments and the non-cash cost for PPF from the unwinding of the discount rate on higher liabilities, and nets off the related income tax receipts. The costing assumes no behavioural change because the policy only affects past service.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-1,255m	-60m	-60m	-65m	-70m

Areas of uncertainty

The main uncertainties in this costing relate to future CPI and discount-rate assumptions, the size and composition of the cost base.

Personal Independence Payment: Not proceeding with Spring Statement 2025 reforms to eligibility

Measure description

This measure scores not proceeding with the changes to Personal Independence Payment (PIP) eligibility which required people to score 4 points in any daily living activity to be eligible, as announced at Spring Statement 2025.

The cost base

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

Costing

The costing is calculated by the annual difference in the PIP award rate of those impacted by the additional requirement and multiplying this by the affected claimants each month, both existing and future. This is converted to financial years and uprated using OBR CPI forecasts to account for inflation.

Behavioural changes among new and existing claimants are also accounted for in the costing, including an increase in mandatory reconsiderations and appeals which reduced the scale of impact.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-235m	-1,755m	-3,350m	-4,495m	-5,345m

Areas of uncertainty

The main uncertainties in this costing are on behavioural assumptions and on assessment capacity to undertake award reviews when due.

Winter Fuel Payment: Target to pensioners with taxable income below or equal to £35,000 from Winter 2025

Measure description

This measure targets Winter Fuel Payments in England and Wales to pensioners with a taxable income below or equal to £35,000. The Winter Fuel Payment will be made to all eligible pensioners who do not opt-out and the full value of the payment will be recovered via HMRC for individuals with taxable incomes exceeding £35,000 and not in receipt of Pension Credit, Universal Credit, income-related Employment and Support Allowance (ESA), income-based Jobseeker's Allowance (JSA), Income Support, Child Tax Credit or Working Tax Credit. This measure will be effective from Winter 2025-26.

Inclusion of devolved government funding implications is without prejudice decisions made by those governments. Figures are presented on a UK-wide basis for transparency and consistency. Winter heating assistance is devolved in Scotland, and Winter Fuel Payments are a transferred matter in Northern Ireland. All figures reflect the UK government's policy impact on England and Wales, as well as resulting changes to the Scottish Block Grant Adjustment and Northern Ireland Executive funding.

The cost base

The cost base is estimated using benefit caseload, expenditure forecasts and official statistics from the DWP publication 'Income-related benefits: estimates of take-up'.

The tax base for the tax charge consists of all pensioners in England and Wales with total income above £35,000 who are in receipt of the Winter Fuel Payment. This is estimated using HMRC's Personal Tax Model, based on administrative data from the 2022-23 Survey of Personal Incomes. The tax base is grown over the forecast horizon using the OBR's forecast for growth in pensioner incomes.

Costing

The costing is estimated by applying the pre- and post-measure benefit regimes to the cost base described above and accounts for behavioural responses of increased Winter Fuel Payment opt outs for those eligible for the HMRC recovery.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-1,785m	-1,390m	-910m	-1,330m	-1,340m	-1,325m

Areas of uncertainty

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

Universal Credit: Changes to the standard allowance and health element to protect existing claimants and new health element claimants who meet the Severe Conditions Criteria from April 2026

Measure description

This measure scores the changes made during the passage of the Universal Credit (UC) Act to the reforms to the rate of the UC Health Element for existing claimants and to the UC Standard Allowance for recipients under 25. New and existing recipients who meet the Severe Conditions Criteria will be protected from the UC Health Element reforms.

This measure will be effective from 6 April 2026.

The cost base

The cost base for this measure uses OBR forecasts for the Universal Credit Health Element and the Standard Allowance caseloads.

Costing

The costing is estimated by reducing the rate of UC Health Element to £50 a week until 2029/30 for new claimants only while protecting existing claimants and those who meet the Severe Conditions Criteria, compared to the counterfactual of all UC Health Element claimants.

The costing to protect the UC award of people who are under 25 and in receipt of the UC Health Element is estimated by using caseload projections to ensure their total payment increases at a rate higher than CPI.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-245m	-475m	-630m	-790m	-945m

Areas of uncertainty

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

Loan Charge: Government response to the independent review

Measure description

The loan charge was announced at Budget 2016 and introduced into law in 2017. Its purpose was to tackle historical use of contrived tax avoidance schemes that sought to avoid income tax and National Insurance by disguising remuneration as a form of non-taxable payment (typically a loan).

In January 2025, the then Exchequer Secretary to the Treasury commissioned Ray McCann, a former president of the Chartered Institute of Taxation, to lead an independent review of the loan charge. The review's report was published at Budget 2025, alongside the government's response. The government has announced that it is accepting all but one of the review's recommendations. The review recommends that the government introduce a settlement opportunity to encourage those who have not settled their avoidance with HMRC to do so.

The settlement opportunity will allow people to settle their loan charge liabilities with HMRC on concessionary terms. Under the terms of the settlement opportunity, everyone who comes forward will see a £5,000 reduction in their outstanding liabilities. They will also be able to offset a proportion of the fees assumed to have been paid to the promoters of the schemes against their liabilities. HMRC will also forgo all late payment interest, will not collect any inheritance tax that has arisen from the use of trust structures, and will only charge penalties in egregious cases. The maximum deduction will be £70,000.

This measure will be effective from Royal Assent to Finance Act 2026.

The tax base

The tax base for this measure is the estimate HMRC has made of outstanding loan charge liabilities from individuals and employers that HMRC expected to collect as a result of compliance activity (including agreeing settlements) and debt collection activity, without a policy change.

Costing

The costing is estimated by applying the average settlement discount to the yield due from the individuals and employers that HMRC model will settle in the tax base described above.

The static costing applies the discount to settlement yield in the tax base.

The costing accounts for a behavioural response whereby the settlement opportunity, offering substantial discounts and reducing some customers' liabilities to zero, is expected to incentivise settlements and resolve customers' outstanding liabilities more quickly.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-25m	-95m	-30m	+35m	-155m	-95m

Areas of uncertainty

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

Compensation Payments: Deliver recommendations from Volume 1 of the Post Office Horizon IT Inquiry's final report

Measure description

This measure enables implementation of the recommendations in the Post Office Horizon IT Inquiry Report (Volume 1). Redress payments are provided by the Department for Business and Trade and Post Office Limited under four current schemes: Horizon Shortfall Scheme (HSS); Horizon Shortfall Scheme Appeals (HSSA); Group Litigation Order (GLO) Scheme; and Horizon Convictions Redress Scheme (HCRS), and a new scheme is being established for family members of Horizon Scandal victims. The Overturned Convictions scheme is now closed.

This measure was announced on 9 October 2025, and implementation is ongoing.

The cost base

The cost base for this measure includes estimates of cost impacts of changes to existing Post Office Horizon scandal redress schemes delivered by Post Office Limited and the Department for Business and Trade. It also includes initial estimates of the number of family members of Horizon Scandal victims who are expected to be eligible to claim compensation through a new redress scheme that is being established by the Department for Business and Trade.

Costing

The costing is based on expected impacts of changes to the approach taken in existing redress schemes and initial estimates of the expected number of family members who may be eligible and come forward to claim under the new scheme, expected levels of redress payments and the timing of redress payments.

This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-105m	-55m	-55m	+0m	+0m

Areas of uncertainty

The main uncertainties in this costing relate to the final design of the new family members scheme, number of claimants that come forward, how quickly claims progress and the scale of awards made.

Compensation Payments: Post Office Capture Redress Scheme

Measure description

This measure provides financial redress for those affected by the Post Office’s Capture accounting software. Payments are provided by the Department for Business and Trade.

This measure has been effective since 29 October 2025.

The cost base

The cost base for this measure is the estimated number of people eligible to claim compensation through the Capture Redress Scheme.

Costing

The costing estimates the expected numbers of claimants within the Capture Redress Scheme, expected levels of redress payments, and the timing of redress payments.

This costing assumes no behavioural impacts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-15m	-15m	-10m	-5m	+0m	+0m

Areas of uncertainty

The main uncertainties in this costing relate to the number of claimants that come forward, how quickly claims progress and the scale of awards made.

Tariff changes since Spring Statement 2025

Measure description

This measure amends the UK's integrated tariff schedule to account for several changes since Spring Statement 2025.

- The trading arrangements under the Economic Prosperity Deal with the United States which has been in effect since 30 June 2025.
- Extension until 31 December 2026 of a package of import tariff suspensions that were due to expire on 30 June 2026.
- Six rule changes to the steel safeguard measure on imports of specific steel products implemented by two Trade Remedies Notices. These changes came into effect on 23 January 2025 and 30 June 2025.

The tax base

The tax base is the expected Customs Duty revenue from the relevant commodity codes impacted, had the measure not been implemented. The tax base has been projected across the forecast using the OBR's forecasts for non-oil goods imports.

Costing

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

For the Economic Prosperity Deal with the US, a behavioural adjustment is made to account for the proportion of traders that utilise the preferential tariff rates and traders diverting trade to benefit from preferential tariffs.

For the extension to tariff suspensions, a behavioural adjustment is made to account for the incentive for traders to forestall by bringing forward imports to avoid paying duty once the measure ends.

For the rule changes to the steel safeguard measure, a behavioural adjustment is made to account for the proportion of traders that utilise the quotas, traders retiming or diverting trade so as not to pay additional duty, and changes in demand due to the rule changes where this isn't possible.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-55m	-150m	-95m	-100m	-100m	-105m

Areas of uncertainty

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

Fiscally Neutral Measures

Increase to the Money and Pensions Service (MaPS) Levy

Measure description

This measure will increase the Money and Pensions Service (MaPS) levy collected from Financial Conduct Authority (FCA)-regulated financial services firms. The additional funding will support MaPS's statutory functions, including debt advice and money guidance, and assist delivery of the Government's Financial Inclusion Strategy. The increased levy envelope will apply for three years, from 1 April 2026 to 31 March 2029, in line with the budget agreed at the most recent Spending Review.

The tax base

The MaPS levy is paid by FCA-regulated financial services firms, including banks, building societies, insurers, and investment firms. Each year, once the MaPS budget is agreed by DWP and HM Treasury ministers, the FCA apportions the total levy across regulated firms in accordance with its established fee-block methodology and invoices each firm for their share. The funds are collected alongside other FCA levies and transferred to DWP. The increase from 2026-27 to 2028-29 reflects the higher funding requirement agreed at the 2025 Spending Review.

Costing

The levy increase reflects the Spending Review 2025 agreement to expand MaPS funding. It will result in additional DEL allocations of around £4 million in 2026-27, £8 million in 2027-28, and £12.5 million in 2028-29, relative to the previous baseline. The total MaPS levy is expected to rise from approximately £185m in 2025-26 to £189m in 2026-27, £193m in 2027-28, and £197m in 2028-29.

Exchequer impact (£m)

The table below shows the increase in MaPS levy receipts across the Spending Review period. The measure is fiscally neutral overall, with additional MaPS levy receipts offset by equivalent DEL allocations to DWP.

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+5m	+10m	+15m	+15m	+15m

Note: This is offset by increased DEL spending so is fiscally neutral.

Areas of uncertainty

The FCA invoices firms for the amount required, and has well-established collections practices, so forecast uncertainty is negligible.

Increasing the Immigration Skills Charge (ISC)

Measure description

This measure increases the Immigration Skills Charge (ISC), representing a 32% increase in the charge to take account of inflation since its introduction in 2017.

This means for small and charitable sponsors, the charge will increase from £364 to £480, and for medium and large sponsors from £1,000 to £1,320.

This measure is expected to commence mid-December 2025.

The tax base

The tax base consists of the income derived from businesses paying the ISC when issuing a certificate of sponsorship for a foreign worker. It is estimated by multiplying ISC liable volumes by an estimated average length of stay, multiplied by the new ISC fee (weighted for the split of small/charitable and medium/large sponsors, as per internal data).

The tax base is projected over the forecast period based on internal projections of granted visa applications in the period 2025/26 to 2030/31 on routes subject to the ISC, internal length of stay data for applicable routes, and the proportional split of small and large sponsors.

Costing

The costing is estimated by multiplying the new volumes by the average length of stay, multiplied by the new ISC fee (weighted for the proportional split of small/charitable and medium/large sponsors). The difference is then taken from this and the estimated baseline income if the increase in ISC were not to happen.

The costing accounts for a small behavioural response whereby businesses are dissuaded from employing a foreign worker due to the increased cost in the ISC.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+45m	+180m	+165m	+145m	+150m	+155m

Note: This is offset by increased DEL spending so is fiscally neutral.

Areas of uncertainty

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

Economic Crime (Anti Money Laundering) Levy Rate Increase

Measure description

This measure alters the structure of and increases Economic Crime (Anti Money Laundering) Levy payments.

Previously, businesses were categorised as medium, large, and very large using their UK revenue. The former large band, covering businesses with annual revenue between £36m and £1bn, is being split into two bands, B & C (£36m-£500m and £500m-£1bn). The payments for bands A (revenues between £10.2m-£36m), B (£36m-£500m), C (£500m-£1bn), and D (above £1bn) will be £10,200, £36,000, £500,000, and £1m respectively.

This measure will be effective from 1 April 2026.

The tax base

The Economic Crime (Anti Money Laundering) Levy is paid by businesses regulated under the Money Laundering Regulations. Businesses make payments based on their total annual UK revenue. The tax base is derived from returns from the three collectors of the levy (Financial Conduct Authority, HMRC, and the Gambling Commission) and then estimated over the forecast horizon using annual average growth rates of the population of businesses that are charged the levy.

Costing

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

The costing accounts for a behavioural response where businesses make changes that mean they are not required to pay the levy.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+110m	+115m	+115m	+115m

Note: This is offset by increased DEL spending so is fiscally neutral.

Areas of uncertainty

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

International Student Levy

Measure description

This measure introduces a new levy on international students, of £925 per student per year of study, starting in August 2028. All providers will be given an allowance for the first 220 international students, for whom they will not pay the ISL charge.

The income raised by the Levy will be fully reinvested into higher education and skills, including the reintroduction of targeted maintenance grants for priority courses.

The tax base

The tax base is non-UK (international) students enrolled at higher education providers in England. This is then grown using international student forecasts, which are based on existing data from HESA and the Home Office.

Costing

The costing is estimated by applying the £925 rate to the tax base described above. The revenue from the levy, is offset with equivalent DEL, making this fiscally neutral in each year. The fiscal impact of the allowance and any further policy development will be accounted for in the next forecast.

Behavioural costing takes into account provider and student behaviour in response to the levy. Attrition is applied to the final costing before rounding.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+445m	+465m	+480m

Note: This is offset by increased DEL spending so is fiscally neutral.

Areas of uncertainty

The main area of uncertainty is international student forecasts and the behavioural assumption.

Council Tax: £5 precept flexibility for fire authorities from April 2026

Measure description

This measure confirms the council tax referendum limit for Fire and Rescue Authorities will be set at £5 for the period for 2026-27 to 2028-29.

This measure will be effective from 1 April 2026.

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 precept is assumed to be 95% and assumes that no additional receipts are transferred into reserves. The expenditure and receipts should net off each year and therefore this measure is fiscally neutral.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+0m	+0m
o/w additional revenue	+0m	+25m	+45m	+70m	+70m	+75m
o/w additional spending	+0m	-25m	-45m	-70m	-70m	-75m

Areas of uncertainty

The main uncertainty in this costing relates to the uptake of the referendum principles by Fire and Rescue Authorities.

Scottish Government Police and Fire Pensions

Measure description

This measure will switch the budgeting treatment classification of the Scottish Government’s police and fire pensions balancing payments from DEL to AME. This measure is a classification change and there are no changes to pension eligibility.

This measure will take effect from 2025-26.

The cost base

The cost base for this measure consists of pensioners eligible for payments under the Scottish Government’s police and fire public sector pensions.

Costing

This costing is estimated using Scottish Government and Government Actuary Department data on the total payments to pensioners minus total active contributions (the balancing payment) for those eligible for police and fire public sector pensions in Scotland.

No behavioural impacts are expected as the measure is a classification change and there are no changes to pension eligibility.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	-350m	-350m	-350m	-350m	-360m	-370m

Note: This is offset by reduce DEL spending so is fiscally neutral.

Areas of uncertainty

The main uncertainties in this costing relate to the size of active contributions and expected payment to pensioners.

Closing the Tax Gap Measures

Making better use of third-party data: Invest to acquire third-party data more frequently for interest and card sales from April 2028

Measure description

This measure improves the provision of two key datasets already reported to HMRC; financial account information consisting of bank and building society interest (BBSI) and interest from other sources, and card sales data shared by providers of card acquiring services such as merchant acquirers.

The reforms include more frequent and standardised reporting obligations to ensure tax identifiers are collected, reported and verified before submitting data to HMRC. These reforms will enable HMRC to pre-populate tax returns, automatically register taxpayers, and use data for more accurate PAYE coding and compliance nudges.

This measure will be effective from April 2028.

The tax base

The tax base consists of all BBSI and other interest income received by individuals with a theoretical income tax liability, as well as all income and supplies covered by Merchant Acquirer or digital platforms data. This is estimated using HMRC administrative data and internal modelling. The tax base is grown over the forecast horizon using the OBR's forecast for growth in interest from UK banks, building societies, and other deposit takers, and for relevant groups, the OBR's forecast for growth in Self Assessment income and VAT receipts.

Costing

This costing assumes that data matching rates will increase to 90% for BBSI and merchant acquirer data. We assume that nearly two-thirds of tax returns will be pre-populated by 2030/31; this assumption accounts for customers directly making their submissions to HMRC, and the usage of MTD software. The costing accounts for a behavioural response whereby individuals may shift savings into tax-free products or inflate their expenses to suppress net income, and some taxpayers may respond to new requirements by changing how or whether they declare income.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+30m	+350m	+465m

Areas of uncertainty

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

Digital prompts: Invest in new technology to provide taxpayers with real time digital prompts for VAT from April 2027 and Corporation Tax from April 2028

Measure description

The government will invest £59 million over the next five years to introduce transactional risking (TR), which delivers real-time, data-driven nudges within HMRC's digital services to help VAT and Corporation Tax (CT) taxpayers get their tax right before submitting returns. The measure applies to VAT and CT taxpayers using compatible third-party software and will be rolled out gradually as software developers integrate TR functionality. There are no specific exemptions or thresholds beyond software compatibility.

This measure will be effective from April 2027 for VAT and April 2028 for CT.

The tax base

The tax base starting point stems from analysis conducted for the previously announced transaction risking for Self-Assessment measure, identifying all business taxpayers in SA with turnover over £10,000. Separate behavioural adjustments for VAT and CT taxpayers are then applied, based on HMRC administrative data, to estimate the relevant populations in scope for this measure which use compatible software.

Further behavioural adjustments are included, accounting for nudge efficiency changes over time, such as taxpayers consequently correcting errors or, alternatively, switching to software that does not support nudges to avoid intervention.

Costing

For the tax base populations in scope, benefits are estimated based on evidence from previous trials of nudges in the Online Tax Return Self-Assessment system.

The costing is then estimated by applying the tax gap ratio between ITSA and VAT/CT to the baseline revenue from TR nudges. This is grown over the forecast horizon using the OBR's forecast for growth across the relevant tax receipts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+5m	+40m	+140m	+245m	+210m

Areas of uncertainty

The main uncertainties in this costing relate to the behavioural responses of taxpayers, and the ITSA trial applicability to VAT and CT estimations.

More timely payment for Self Assessment: Require ITSA taxpayers with Pay as You Earn (PAYE) income to pay more of their ITSA liabilities in-year via PAYE from April 2029

Measure description

This measure requires income tax Self Assessment (ITSA) customers with Pay as You Earn (PAYE) income to pay their ITSA tax liabilities in-year through deductions from their PAYE income. Employers and pension providers will receive a tax code to enable the ITSA liability to be collected from the individual's pay provided there are sufficient funds to accommodate the deduction.

This measure will be effective from 6 April 2029.

The tax base

The tax base consists of ITSA liabilities (excluding Capital Gains Tax) where customers with both ITSA and PAYE income sources meet the criteria for their liabilities to be coded out.

The tax base is grown over the forecast horizon using the pre-measure SA receipts forecast.

Costing

The costing is estimated across two revenue channels: (i) additional revenue through debt prevention, and (ii) faster collection of tax through earlier in-year payments.

A post-measure tax impact is estimated, noting pre-measure yield, and a behavioural response is applied to account for slightly higher non-compliance from taxpayers.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+85m	+605m	+235m

Areas of uncertainty

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

Tax debt collection: Invest in HMRC's debt management capacity to increase collection of overdue tax debts

Measure description

This measure provides funding to increase HMRC debt management capacity through expanding HMRC's existing use of third-party debt collection agencies (DCAs) to increase the collection of overdue tax debt. This measure provides HMRC with £64m additional funding over the next 5 years to place both new debts and debt stock over 12 months old with DCAs.

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 November 2025.

The tax base

The tax base consists of the total value of new tax debts created each year and lower value tax debt stock over 12 months old sent to third party DCAs for collection.

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.

Costing

The costing has been calculated by estimating the additional tax collected as a result of the increased investment which enables additional tax debts to be sent to DCAs. The modelling uses data on previous DCA debt collection rates, including results from the recent trial placing older stock debts with DCAs, and the known costs of placing tax debts with these third parties.

The costing accounts for a positive behavioural response whereby some taxpayers, upon learning their debts have been placed with a DCA, make payments directly to HMRC or enter into managed payment plans, resulting in recoveries beyond the initial placement period.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+25m	+35m	+55m	+90m	+170m	+485m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the collection rates of older debts.

Tax debt collection: Invest in HMRC's debt management staff to increase collection of overdue tax debts

Measure description

The government will invest £89m over the next five years to fund more HMRC debt management staff to increase HMRC's capacity to collect tax debts, building on previous announcements at Autumn Budget 2024 and Spring Statement 2025. 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 1 April 2027, when additional debt collection staff will be recruited.

The tax base

The tax base is derived from a forecast of the total tax debt balance over the scorecard period accounting for growth in total HMRC receipts using the OBR's tax receipts forecast.

Costing

The costing has been calculated by estimating the additional tax collected by additional staff. The value of tax debt collected accounts for diminishing returns as on average new and retained staff will process smaller debts than existing staff.

The costing accounts for uncertainty over future levels of debt available for collection by applying an increasing optimism bias assumption that rises to 75% in the final two years of the scorecard period (29/30 and 30/31).

There are no behavioural effects expected from this measure.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+5m	+20m	+85m	+155m	+115m	+205m

Areas of uncertainty

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

Construction Industry Scheme: Strengthen HMRC powers to tackle fraud from 6 April 2026

Measure description

This measure strengthens HMRC powers to tackle fraud within the Construction Industry Scheme (CIS). Where a business makes or receives a payment they knew or should have known was connected to fraud, HMRC will have powers to remove Gross Payment Status immediately, assess the business for the tax lost, and charge a penalty of up to 30% on the business or the business' officers. The time limit for reapplication, where GPS has been immediately removed, is increased from one year to five years.

This measure will be effective from 6 April 2026.

The cost/tax base

The tax base consists of the estimated annual losses from fraud within the CIS. This is calculated using HMRC's assessment of labour fraud, based on the 2022 Labour Fraud in Construction assessment (c£0.5bn per year).

The tax base is grown over the forecast horizon using the OBR's forecast for growth in nominal imports.

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 businesses and individuals are expected to change their actions, such as interacting with fraudulent contractor supply chains to avoid penalties and increased liability, leading to improved compliance and reduced fraudulent activity.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+25m	+205m	+165m	+140m	+120m	+110m

Areas of uncertainty

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

Rewards for informants of high value tax fraud: New Rewards for Informants scheme for high value tax fraud from 26 November 2025

Measure description

This measure targets serious non-compliance involving large corporates, wealthy individuals, and offshore and avoidance schemes.

The government is increasing the rewards paid to informants who provide HMRC with high value information. For high value tax recoveries over £1.5 million, HMRC will pay rewards up to 30% of the additional tax collected that would otherwise have gone unpaid.

This measure will be effective from 26 November 2025.

The tax base

The tax base consists of all additional tax collected from high-value informant cases (over £1.5 million) where information provided by an informant leads to successful compliance actions. This is estimated using HMRC compliance yield data and analysis of similar schemes.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in consumer price inflation.

Costing

The costing accounts for no static impact on taxpayer liabilities.

The costing accounts for a behavioural response whereby the introduction of higher rewards encourages more informants to come forward with information that leads to additional tax being collected.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+10m	+55m	+95m	+65m

Areas of uncertainty

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

Non-derecognition liabilities: Introduce anti-avoidance rule to tackle certain arrangements involving non-derecognition liabilities from 26 November 2025

Measure description

This measure introduces a new anti-avoidance provision, denying tax relief in respect of certain 'non-derecognition liabilities', where there are arrangements with a main purpose of obtaining a tax advantage

This measure will be effective from 26 November 2025.

The tax base

The tax base consists of taxable profits that are shifted out of the UK tax net through arrangements described above. The value of the tax base is estimated using HMRC administrative data.

The tax base is projected over the forecast horizon using the OBR's forecast of interest rates.

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 companies are expected to move away from such arrangements.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+20m	+55m	+75m	+145m	+110m	+60m

Areas of uncertainty

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

Tax adviser non-compliance: Strengthen powers to tackle tax advisers who facilitate non-compliance from 1 April 2026

Measure description

This measure enhances HMRC's powers to act against tax advisers who deliberately seek to facilitate non-compliance in their clients' tax affairs. It allows HMRC to access information more efficiently from advisers suspected of deliberate non-compliance, and apply penalties proportionate to the value of non-compliance. It applies to all tax advisers (including individuals, firms, and corporate entities) who are suspected of deliberately facilitating non-compliance.

This measure will be effective from 1 April 2026.

The tax base

The tax base consists of HMRC internally referred cases where there is suspected deliberate non-compliance by tax advisers. This is estimated using historical operational data to determine the number of cases by non-compliance category and the amount of tax at risk.

Costing

The costing is estimated by applying the enhanced regime to the tax base described above, estimating the additional recovered penalty and tax yield as a result of this measure.

The costing accounts for a behavioural response whereby some tax advisers (and their represented clients) are expected to change their behaviour to improve compliance in response to the strengthened regime. The estimates are grown over the forecast horizon using OBR economic determinants.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+15m	+50m	+55m	+55m	+55m

Areas of uncertainty

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

Late Filing Penalties: Double late filing penalties for Corporation Tax from 1 April 2026

Measure description

This measure increases the value of late filing penalties for Corporation Tax (CT) returns.

The initial penalty for filing a return late will increase from £100 to £200, the penalty for filing more than three months late will increase from £200 to £400, the penalty for three successive failures will increase from £500 to £1,000 and the penalty for three successive failures where the return is more than 3 months late will increase from £1,000 to £2,000. This applies to all CT customers required to file annual returns.

This measure will come into effect for returns due to be filed on or after 1 April 2026.

The tax base

The tax base of the measure is companies who do not file CT returns at the required time.

No determinants are involved with this measure.

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 the increase in penalty encourages prompt filing of returns, resulting in fewer penalties being issued.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+45m	+60m	+65m	+65m	+70m

Areas of uncertainty

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

Incorporation Relief: Require taxpayers to actively claim incorporation relief to improve compliance from 6 April 2026

Measure description

This measure requires individuals to actively claim Incorporation Relief via Self Assessment when transferring a business to a company, rather than the relief being applied automatically. This measure will apply to transfers made on or after 6 April 2026.

The tax base

The tax base consists of all individuals who claim Incorporation Relief when transferring their business to a company. This is estimated using HMRC administrative data and analysis of business incorporations.

The tax base is grown over the forecast horizon using the growth rate related to financial assets in the OBR's Capital Gains Tax forecast.

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 some individuals may change their incorporation decisions in response to the new requirement to actively claim the relief.

Yield does not start to be received until 2029-30 to reflect the time taken for returns to be received and enquiries to proceed.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+0m	+110m	+115m

Areas of uncertainty

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

Image Rights payments: Clarify image rights payments by an employer to an employee are taxable as employment income from 6 April 2027

Measure description

This measure makes all payments for image rights related to an employment taxable as employment income. It applies to all such payments, with no exemptions or thresholds specified, and includes deemed employments.

This measure will be effective from 6 April 2027.

The tax base

The tax base consists of image rights earnings deriving from an employment paid to individuals, based on administrative data.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in employment income.

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 some individuals adjust their remuneration arrangements in response to the change, such as reducing the use of image rights companies or altering the structure of their contracts.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+10m	+10m	+40m	+40m	+40m	+40m

Areas of uncertainty

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

Tax Avoidance: Tighten the company share exchange and reconstruction rules to more effectively target Capital Gains Tax and Corporation Tax avoidance from 26 November 2025

Measure description

This measure strengthens anti-avoidance rules for share exchanges and company reconstructions by allowing HMRC to block arrangements that are designed to avoid Capital Gains Tax (CGT) and Corporation Tax (CT). The measure amends the existing rules by ensuring that they apply to those persons who have entered into arrangements where the main purpose, or one of the main purposes, of the arrangement is to secure a tax advantage that they would not ordinarily have been entitled to.

This measure will be effective from 26 November 2025.

The tax base

The tax base consists of all share exchanges and company reconstructions that are motivated by tax avoidance. This has been estimated using data collected by HMRC on notified share exchanges.

The tax base is grown over the forecast horizon using the OBR’s forecast for growth in CGT financial assets.

Costing

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

The costing accounts for some taxpayers changing their behaviour in response to the measure, resulting in lower exchequer yield over time.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+20m	+20m	+20m	+20m	+20m

Areas of uncertainty

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

Penalty Reform: Increase to late payment penalty rate

Measure description

This measure increases late payment penalties for VAT and ITSA. Specifically, late payment penalty (LPP1) will rise from 3% to 4% at day 16, and from 3% to 4% at day 31, while the per annum rate for LPP2 remains at 10% per year. The rise will apply to VAT and ITSA from April 2027.

This measure will be effective from April 2027.

The tax base

The tax base consists of all VAT-registered businesses and ITSA customers affected by Penalty Reform, estimated using HMRC administrative data and modelling of expected penalties under the new regime.

The tax base is grown over the forecast horizon using the OBR's forecast for growth in ITSA receipts.

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 increasing the penalty rate is expected to encourage some taxpayers to pay their VAT liability on time and deter others from using HMRC debt as a financial planning option, though some may still prioritise other debts or lack the ability to pay.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+5m	+50m	+90m	+115m

Areas of uncertainty

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

Penalty Reform: Introducing Penalty Reform for NMSA

Measure description

This measure introduces Penalty Reform (PR) for Self-Assessment customers who are not mandated to join Making Tax Digital (MTD), known as the non-mandated SA population (NMSA). It does not apply to SA customers already mandated to join MTD.

This measure will be effective from 1 April 2027.

The tax base

The tax base consists of all Self-Assessment customers who are not mandated to join Making Tax Digital, estimated using HMRC administrative data on the ITSA population. The tax base is grown over the forecast horizon using the OBR's forecast for ITSA receipts.

Costing

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

No additional behavioural effects are anticipated for this group, as their filing and payment behaviour is expected to remain unchanged compared to previous modelling.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+0m	+0m	+5m	-45m	-30m

Areas of uncertainty

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

Transitional penalties arrangements under Making Tax Digital

Measure description

The government will not apply late submission penalties to quarterly updates for the 2026-27 tax year for income tax Self Assessment taxpayers required to join MTD from April 2026 (sole traders and landlords with qualifying income over £50,000).

Penalties for missing the annual update will still apply in this first year, and customers will still need to submit their quarterly updates before they can submit their annual tax return.

This measure will be effective from 6 April 2026.

The cost/tax base

The tax base is the revenue lost due to error and failure to take reasonable care by sole traders and landlords in the income tax Self Assessment population due to join MTD from April 2026.

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

The costing has no static impact on taxpayer liabilities.

The costing accounts for a behavioural response whereby the lack of penalties for missed quarterly updates is expected to reduce the rate at which taxpayers join MTD, and results in less efficient use of quarterly updates during the period.

The reduced rate at which taxpayers join MTD under this measure also impacts the effectiveness of the transactional risking (digital prompting) element of MTD. An estimate of this is included in the overall exchequer impact below.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	-5m	-45m	+5m	+0m	+0m

Areas of uncertainty

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

Transfer Pricing: Introduce a requirement for in-scope multinationals to file an International Controlled Transactions Schedule from 1 January 2027

Measure description

This measure gives the Commissioners for Revenue and Customs the power to introduce regulations requiring in-scope multinationals to file an International Controlled Transactions Schedule (ICTS) with HMRC on an annual basis.

This measure is expected to take effect for accounting periods beginning on or after 1 January 2027.

The tax base

The tax base is estimated using HMRC's Corporation Tax self-assessment data matched with published third-party data.

The tax base is adjusted in line with OBR projections for growth in company profits over the forecast horizon.

Costing

The costing for this measure is made up of two components.

The first is an estimate of the additional revenue generated by improved efficiency in transfer pricing compliance activity.

The second accounts for a behavioural response whereby some multinationals choose to review and correct their transfer pricing policies due to the new reporting requirement.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+25m	+105m	+150m	+245m	+350m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base, the behavioural response, and the magnitude of the efficiencies generated by the measure.

Vaping Duty Stamps: Introduce a Vaping Duty Stamps scheme alongside Vaping Products Duty from 1 October 2026

Measure description

This measure introduces the requirement for all products liable for Vaping Products Duty (VPD) to carry a duty stamp on their retail packaging. The stamp will provide a physical and digital tool to identify the product's tax status and indicate its legitimacy.

From 1 October 2026, all vaping products must be stamped before they are released for retail sale. From 1 April 2027, any product displayed or sold without a duty stamp is liable to hire seizure and penalties.

The tax base

The tax base is the estimated volume of illicit (non-duty paid) vaping e-liquid. This is calculated by multiplying the projected total volume of e-liquid consumption by the projected illicit market share.

Costing

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

The costing estimates a reduction in the illicit market from vaping duty stamps, resulting in an increase in the size of the duty-paid market. The main impact comes from digital tracing on legitimate supply chains supporting efforts of enforcement agencies and reducing accidental and deliberate non-compliance by retailers. A behavioural adjustment is made to account for a reduction in consumer demand for non-duty paid vaping liquid, and a displacement effect by the illicit market.

Exchequer impact (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Exchequer impact	+0m	+5m	+25m	+25m	+20m	+20m

Areas of uncertainty

The main uncertainties in this costing relate to the effect of transitional stamps in 2026-27 and the behavioural response of the illicit market.

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 Budget 2025 policy costings. This does not include the changes made at Budget 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 2025-26 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 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 2025-26.
	Individual Savings Accounts – annual subscription limit	Increase by CPI, rounded to the nearest £120	Autumn Statement 24 confirmed that the Individual Savings Account limits will remain at their 2024-25 levels up to and including 2029/30
	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	Upated by CPI at AB24 for 2025-26

	Blind Person's Allowance	Increase by CPI, rounded to nearest £10	Upated by CPI at AB24 for 2025-26
	Qualifying Care Relief	Fixed amount increases by CPI, roundest to nearest £10; weekly amount rounded up to the nearest £5	Upated by CPI at AB24 for 2025-26
National Insurance Contributions	Lower Earnings Limit	Increase by CPI rounded down to the nearest £1	Upated by CPI at AB24 for 2025-26
	Small Profits Threshold	Increase by CPI rounded up to the nearest £10	Upated by CPI at AB24 for 2025-26
	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 2025-26 and maintained at this level up to and including 2027-28.
	Upper Earnings Limit / Upper Profits Limit/	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	Upated by CPI at AB24 for 2025-26

	Special Class 2 rate for share fisherman	Equal to the Class 2 weekly rate + 65p	Uprated in line with default indexation at AB24 for 2025-26
	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.
	Agricultural property relief and business property relief - allowance for 100 per cent relief	Increase by CPI, rounded up to the nearest £1,000	The allowance will be maintained at £1 million 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	The standard allowance will be increased above inflation from 2026-27 to 2029-30, reaching CPI+4.8% by April 2029

	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	The LCWRA rate will be maintained for existing claimants at the 2026-27 rate until 2029-30. For new, non-protected claimants, a 50% lower rate will apply from April 2026 and be maintained until April 2029.
	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	Nil. Not being uprated as it's now been replaced by UC.
	Disability element: disabled child rate and severely disabled child rate	Increase by CPI, rounded up to the nearest £5	Nil. Not being uprated as it's now been replaced by UC.
Working Tax Credit	Basic element, 30-hour element, couple and lone parent element	Increase by CPI, rounded up to the nearest £5	Nil. Not being uprated as it's now been replaced by UC.
	Disabled worker element and severe disability element	Increase by CPI, rounded up to the nearest £5	Nil. Not being uprated as it's now been replaced by UC.
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	
	Stamp duty land tax thresholds on rent under new residential leases Net Present Value	Fixed at £125,000	

Annual Tax on Enveloped Dwellings	Annual chargeable amount	Increase by CPI for September, 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 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 CO ₂ 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 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+2%, 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 updated in line with CPI to 55.5p.
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