

# 2007 Pre-Budget Report and Comprehensive Spending Review

## MEETING THE ASPIRATIONS OF THE BRITISH PEOPLE

The Government's objective is to build a strong economy and a fair society, where there is opportunity and security for all. The 2007 Pre-Budget Report and Comprehensive Spending Review, *Meeting the aspirations of the British people*, presents updated assessments and forecasts of the economy and public finances, describes the reforms that the Government is making to achieve its goals and sets out the Government's priorities and spending plans for the years 2008-09, 2009-10 and 2010-11, including:

- investing in the future, with total public spending rising from £589 billion in 2007-08 to £678 billion in 2010-11, an average increase of 2.1 per cent per year in real terms, including an addition of £2 billion to the plans set at Budget 2007 for capital investment in public services;
- continuing the sustained investment in the NHS, with resources increasing from around £90 billion in 2007-08 to £110 billion by 2010-11, an average real increase of 4 per cent a year, which alongside value for money savings of at least £8.2 billion will fund the conclusions of the Darzi Review to build a health service fit for the 21<sup>st</sup> century;
- further sustained increases in resources for education, science, transport, housing, child poverty, security and international poverty reduction as well as fully funding the 2012 Olympic Games and Paralympic Games;
- continuing to modernise the tax system by ensuring that all married couples and civil partners can benefit from double the inheritance tax allowance - £600,000 immediately, rising to £700,000 by 2010-11 - in addition to the entitlement to full spouse relief, and by announcing a major reform of capital gains tax, introducing a single rate of 18 per cent from April 2008, ensuring a more sustainable system that is straightforward for taxpayers and internationally competitive; and
- taking steps to protect the environment, including by reforms and increases to the tax regime for aviation and a new Environmental Transformation Fund worth £1.2 billion over the CSR07 period.

## **MAINTAINING MACROECONOMIC STABILITY**

The Government's macroeconomic framework and promotion of flexible and open labour, product and capital markets continue to deliver sustained economic growth with low inflation. The economy has grown for 60 consecutive quarters and inflation is close to target. This macroeconomic stability puts the UK in a strong position to respond to global economic challenges, and to take advantage of the opportunities of the coming decade.

In 2007, the UK economy has continued to perform strongly, with GDP growth in the first half of the year reaching 3 ¼ per cent on a year earlier, towards the upper end of the Budget 2007 forecast range. Reflecting the combination of momentum in the economy, but higher interest rates than markets expected at the time of Budget 2007 and the assumed impact of financial market disruption, the 2007 Pre-Budget Report economic forecast is for GDP growth of 3 per cent in 2007, slowing to 2 to 2 ½ per cent in 2008, before strengthening to trend at 2 ½ to 3 per cent in 2009 and 2010.

The 2007 Pre-Budget Report projections for the public finances show that the Government is meeting its strict fiscal rules:

- the current budget shows an average surplus as a percentage of GDP over the current economic cycle, ensuring the Government is meeting the golden rule. Beyond the current cycle, the current budget moves clearly into surplus; and
- public sector net debt is projected to remain low and stable over the forecast period, stabilising below 39 per cent of GDP and so meeting the sustainable investment rule.

## **TRANSFORMING PUBLIC SERVICES**

Over the last ten years the Government has laid the foundations for improved public services – with sustained investment, more frontline professionals, increased efficiency and rigorous performance management raising standards and outcomes. The challenge now is to continue this progress by creating world-class public services that respond to people's rising aspirations and equip the UK for global change.

The 2007 Comprehensive Spending Review therefore launches a new strategy for transforming public services over the decade ahead, focused on:

- driving forward the next stage of reform, including through a new performance management framework which defines the Government's top 30 priorities for the coming period, and empowers the public and frontline

professionals to shape the services needed to deliver excellent outcomes and experiences for all;

- investing in Britain's future, with total public spending over the CSR07 period rising from £589 billion in 2007-08 to £678 billion in 2010-11 – an average increase of 2.1 per cent a year in real terms – enabling further investment in the Government's priorities of education, health, transport, the Olympics, security and housing. Within these plans the continued strength of the UK's public finances have enabled an addition of £2 billion to the plans set at Budget 2007 for capital investment in public services;
- embedding value for money across government – with savings of at least 3 per cent a year over the CSR07 period, releasing £30 billion by 2010-11 to reinvest in further improvements in key public services, building on the success of the SR04 efficiency programme and implementing the results of a series of zero-based reviews of spending in each department.

## **SUSTAINABLE GROWTH AND PROSPERITY**

Over the last decade there have been significant increases in both employment and productivity, but the growing movement of people, investment and goods is increasing the pace of change in the global economy. Rapid technological change and the emergence of newly industrialised economies are also driving shifts in the competitive environment. The Government is committed to equipping the UK to respond to these changes and focusing reform on the drivers of productivity through:

- **increasing spending by the Department for Innovation, Universities and Skills on higher education and skills from £14.2 billion in 2007-08 to £16.4 billion by 2010-11** to implement the recommendations of the Leitch Review, developing a strong partnership with employers and individuals to deliver higher skills;
- **increasing public investment in the science base from £5.4 billion in 2007-08 to £6.3 billion by 2010-11** to implement the recommendations of the Sainsbury Review. **Total public support for business innovation through the Technology Strategy amounting to over £1 billion** will ensure the UK's continued success in generating new ideas and using them in wealth creation;
- **confirming a 2 ¼ per cent annual real increase in the Department for Transport's programme budget**, consistent with the Long Term Funding Guideline which is **extended to 2018-19**. This will continue renewal of the UK's transport infrastructure including the funding package for Crossrail;

- **simplifying the tax system to make it fairer and more efficient with the announcement of three reviews and a package of simplification measures;**
- **simplifying business support** to reduce confusion and the time businesses spend understanding what support is available and accessing it, and to improve the quality, effectiveness and efficiency of schemes;
- **supporting the private equity industry's moves to increase transparency and a number of measures to ensure that tax arrangements are sustainable and appropriate;** and
- **allowing local authorities to invest in economic development through levying a local business rate supplement and focusing the strategic role for the Regional Development Agencies on economic growth** as announced in the *Review of sub-national economic development and regeneration*.

Further details on these and other measures are set out below. Details of the Public Service Agreements supporting sustainable growth and prosperity are set out in Press Notice 3. Details of the 2007 Comprehensive Spending Review departmental settlements are set out in Press Notice 4, including:

- The Department for Innovation, Universities and Skills, including responses to the Cooksey, Sainsbury and Leitch Reviews.
- The Department for Transport, including Crossrail
- The Department for Business, Enterprise and Regulatory Reform
- The Regional Development Agencies

### **Tax simplification**

Building on recent initiatives, most notably at Budget 2007, the Government is today renewing its commitment by launching a significant programme of tax simplification to further enhance UK productivity and competitiveness.

#### Underpinning principles

- Simplification will be a priority designing and reviewing tax policy, alongside fairness and sound public finances;
- The Government will work in partnership with business to identify further opportunities to simplify the tax system; and

- The Government will share its findings on the viability of tax simplifications with business.

### Reviews

The Government today publishes its findings, for discussion with business, on the case for aligning income tax and national insurance contributions and also announces three reviews beginning this autumn where HM Treasury and HMRC will work in partnership with business looking at how to simplify: VAT rules and administration in the UK and EU; how anti-avoidance legislation can best meet the aims of simplicity and revenue protection and how to simplify the Corporation Tax rules for related companies.

### Key tax changes

Today, the Government also announces immediate progress with over 20 simplification measures for business, including improvements to Self-Assessment, payrolling and Stamp Duty Land Tax simplification. Together these simplifications will help business across the UK economy, most notably by:

- reducing their administrative burdens by up to £100 million;
- making improvements to Income Tax Self Assessment benefiting 1.6 million small businesses;
- benefiting up to 0.5 million employers and 3 million self-employed and;
- enhancing the City's competitiveness by simplifying and modernising the tax system for financial services.

### **Simplifying Business Support**

To tackle the proliferation of business support schemes and simplify the current large number of uncoordinated schemes provided by different tiers of government, the Business Support Simplification Programme is working with business and all tiers of government to reduce the number of business support schemes from over 3,000 to 100 or fewer by 2010. This will reduce complexity and the time business spends understanding what support is available and accessing it, and will improve the quality, effectiveness and efficiency of schemes.

To meet this goal, the Government has identified the support it is most appropriate to provide, reflecting the existence of market failures or social equity considerations. Following extensive analysis and public consultation, the Government is announcing the high level portfolio of products from which business support will be provided in the future. Details of these products are set out on the BERR website.

### **Business rates supplements**

Following the recommendations of the Lyons Inquiry and representations from stakeholders the Government is today publishing a White Paper setting out proposals to allow local authorities to invest in economic development through a business rates supplement. This is backed by clear protection for business:

- a requirement for statutory consultation on the basis of detailed proposals for specific spending on economic development;
- a maximum level of 2p per pound of rateable value;
- additional protection for smaller businesses through an exemption for properties worth less than £50,000; and
- a requirement to ballot local businesses where the supplement supports more than a third of the cost of the project.

The power will be provided to the highest tier authority only in each area, including the GLA in London.

### **Intangibles document**

Today sees the publication of the first in a new series of Treasury Economic Working Papers - *Intangible investment and Britain's productivity*. The paper investigates the consequences for a range of macroeconomic variables, including productivity, of treating spending on intangible assets as investment. The intangible assets considered are scientific research and development, software, design, non-scientific research and development and spending by firms on reputation, human and organisational capital. The results suggest that traditional measures of investment may not be capturing fully the dynamic changes in the UK economy taking place as knowledge intensive industries become increasingly important. Reported UK productivity performance is higher when spending on intangibles is treated as investment.

## **FAIRNESS AND OPPORTUNITY FOR ALL**

A decade ago, the Government set itself the twin aims of employment opportunity for all and a fair society in which everyone shares in rising national prosperity. These objectives are mutually reinforcing: work is the surest route out of poverty, while the tax and benefit system must work with public services to make sure that everyone is supported and given the chance both to achieve their potential and to reap the rewards of the modern world. The Government is also committed to a modern and fair tax system that ensures that everyone pays their fair share of tax. The 2007 Pre-Budget Report and Comprehensive Spending Review sets out how the Government will promote fairness and opportunity for all, including by:

- **ensuring that all married couples and civil partners can benefit from double the inheritance tax allowance – £600,000 immediately, rising to £700,000 by 2010-11, in addition to the entitlement to full spouse relief;**
- **a major reform of capital gains tax, introducing a single rate of 18 per cent from April 2008, ensuring a more sustainable system that is straightforward for taxpayers and internationally competitive;**
- **announcing that, in addition to the £150 increase announced in Budget 2007, the child element of the Child Tax Credit will increase by a further £25 per year above indexation from April 2008 and by a further £25 above indexation from April 2010 and that the child maintenance disregard in the main income related benefits will increase to £20 by the end of 2008, with a further increase to £40 from April 2010, together lifting an estimated 100,000 children out of poverty;**
- **education spending in England will rise on average by 2.8 per cent a year in real terms between 2007-08 and 2010-11, meaning that UK education spending as a proportion of GDP is projected to increase from 4.7 per cent in 1996-97 to 5.6 per cent in 2010-11;**
- **increasing the Jobseeker's Allowance and Income Support rates for 16-17 year olds from April 2008 to align with the 18-24 rates, to help to simplify the system, and ensure a higher minimum level of income for this group;**
- **the national roll-out from April 2008 of the In-Work Credit for lone parents at a rate of £40, retaining a rate of £60 in London, ensuring a more substantial financial gain from moving into work;**

- **announcing the continuation of the Financial Inclusion Fund at £130 million over the CSR07 period and an £11.5m package of support for schools to teach children financial skills; and**
- **further reforms to modernise the tax system and protect tax revenues, including work to tackle avoidance.**

Further details on these and other measures are set out below. Details of the Public Service Agreements supporting fairness and opportunity for all are set out in Press Notice 3. Details of the 2007 Comprehensive Spending Review departmental settlements are set out in Press Notice 4, including:

- The Department for Children, Schools and Families, including education funding

### **Inheritance Tax allowances**

Budget 2007 announced that the individual inheritance tax allowance will rise from £300,000 today to £350,000 in April 2010. In order to continue to make inheritance tax fairer, the Government today announces that, from today, the inheritance tax allowance will be transferable between spouses or between civil partners. This will enable all married couples and civil partners to automatically benefit from double the tax-free allowance in addition to their existing entitlement to full spouse relief. This measure will also be extended to all widows, widowers and bereaved civil partners. As a result of today's announcements the married couples' and civil partners' allowance now stands at £600,000 for this year and will rise to £700,000 in April 2010.

### **Capital Gains Tax reform**

The 2007 Pre-Budget Report announces a major reform of capital gains tax, which will put it on a more sustainable footing that is straightforward for taxpayers and internationally competitive. For disposals on or after 6 April 2008 there will be a single rate of capital gains tax of 18 per cent. As part of this new system the annual exempt amount (currently £9,200) will remain in place, but taper relief and indexation allowance will be withdrawn. For disposals before this date the current rules will continue to apply. HMRC have today published further details of the proposed changes and will immediately begin discussion with interested parties on the technical detail and implementation.

## **Child Poverty**

The Government remains firmly committed to its goal of eradicating child poverty in a generation. The Pre-Budget Report and Comprehensive Spending Review is today announcing financial support measures that will lift around 100,000 children out of poverty by:

- Raising the child element of the Child Tax Credit by £25 a year above earnings indexation in April 2008, in addition to the Budget 2007 commitment to increase the child element by £150 above earnings indexation, and raising it again by further £25 above earnings indexation in April 2010; and
- Substantially increasing the child maintenance disregards in income-related benefits. By the end of 2008, the child maintenance disregard in Income Support, income-based Employment Support Allowance and income-related Job Seekers Allowance will rise from £10 to £20 per week, where maintenance is being paid. In April 2010 the disregard will rise further to £40 per week. Also by the end of 2008, the maintenance disregard in Housing Benefit and Council Tax Benefit will rise from the current £15 per week to a full disregard.

## **Employment Opportunity for All**

The Government's long-term aim for the labour market is employment opportunity for all. Delivering this requires that everyone should be given appropriate support to find and retain a job. This Pre-Budget Report and Comprehensive Spending Review sets out further steps towards this, including increasing the Jobseeker's Allowance and Income Support rates for 16-17 year olds from April 2008 to align with the 18-24 year olds rates and new measures to strengthen support for jobseekers including piloting a new rights and responsibilities seminar. These measures will support the far-reaching reforms proposed in the Green Paper *In Work, Better Off: next steps to full employment*. The Government will set out its plans for wider reform after the consultation period ends in October 2007.

## **Financial Inclusion**

The Government is committed to promoting financial inclusion. Building on the good progress achieved so far, today's Pre-Budget Report and Comprehensive Spending Review announces the continuation of the Financial Inclusion Fund at £130 million for the next spending period. The new fund will include continuing support for financial inclusion initiatives aimed at helping vulnerable people with problem debt, such as BERR's money advice projects and the DWP Growth Fund.

## **Residence and Domicile**

The Government today announces the completion of the residence and domicile review with a package of reforms to make the system fairer while maintaining the UK's competitiveness.

UK residents who are non-domiciled, who currently pay £4bn in UK tax on UK earnings, will now also have to pay an annual charge of £30,000 to ensure that they contribute in respect of the foreign income and gains which they keep abroad and on which they do not pay UK tax. The charge will apply if they've been resident here for more than 7 years. Users of the remittance basis also lose their tax free personal allowances. The measure is targeted to protect competitiveness by ensuring that secondees to the City are not affected (the majority have left the UK by 7 years).

The Government will also amend the current rules to remove flaws and anomalies that allow remittance basis users to sidestep UK tax where it is due on foreign income and gains. It will also tighten up the day counting rules to bring the UK into line with international practice.

The Government will consult on the detail and on a wider range of options, including specifically whether those who have been resident here for more than 10 years should contribute more.

## **Pensioner credit**

The Government today announces that it will increase the Pension Credit standard minimum guarantee to £124 for single pensioners and £189 for couples in 2008-09, demonstrating the Government's continued commitment to tackling pensioner poverty.

## **State Second Pension**

Following the Pensions White Paper, the Pensions Act 2007 puts in place proposals to reform the State Second Pension so that it becomes a simple, flat rate weekly top-up to the basic State Pension by around 2030, providing a clearer foundation for private saving. To ensure this timetable is met while delivering the personal tax reforms announced at Budget 2007 the Government will introduce the Upper Accruals Point for State Second Pension in 2009. Legislation will be introduced in the NICs Bill to ensure there is no delay in State Second Pension simplification.

## **Review of Tax and National Insurance Contributions (NICs)**

Budget 2006 announced that the Government would review the case for further administrative alignment of the income tax and NICs systems. The findings of the review are published today. The review examined ways, within the current policy framework, of improving the administrative alignment of the two systems, particularly focusing on a proposal, often put forward by employers, to make NICs operate in a similar way to tax by moving it onto an annual basis and collecting it cumulatively. Although, on balance, the Government has concluded that the potential savings for employers are lower than might have been expected, and the costs and benefits that would result do not justify making this change, the review has identified a number of simplification proposals around income tax and national insurance that will reduce burdens on business.

## **STRONGER COMMUNITIES AND A BETTER QUALITY OF LIFE**

Public services play a crucial role in building flourishing communities and enabling individuals to lead healthy and fulfilling lives. To respond to the rising aspirations of the British people and the desire for stronger, safer, more sustainable communities, the Government is:

### **Delivering modern and responsive health and social care by:**

- increasing spending on the NHS by 4 per cent a year in real terms on average, taking its budget from £90 billion in 2007-08 to £110 billion by 2010-11, and delivering the vision set out by the Darzi Review for a health service which is fair, personalised, effective, safe and locally accountable; and
- funding the delivery of more personalised adult social care that will give people greater choice and control, and announcing plans to consult on reform of the adult care and support systems.

### **Increasing access to decent and affordable homes by:**

- delivering the target of 2 million new homes by 2016, by increasing spending on housing from £8.8 billion in 2007-08 to £10 billion by 2010-11, reforming the tax and planning systems, and laying the ground for new planning charges to support essential investment in infrastructure.

### **Building strong and cohesive communities by:**

- strengthening the role of local authorities to reshape local services around the individuals, families and communities that use them – underpinned by resource growth of 1 per cent a year in real terms over the CSR07 period, which the Government expects will enable the overall council tax increase to stay well below five per cent in each of the next three years; and
- maintaining funding in real terms for the arts, museums and galleries, and ensuring a lasting cultural and sporting legacy for the nation by contributing £3.6 billion to the first phase of the construction costs of the Olympics over the next three years.

### **Building safe and secure neighbourhoods by:**

- increasing resources for the Home Office by 1.1 per cent a year in real terms over the CSR07 period, with an addition of over £220 million by 2010-11 to enable it to lead the fight against terrorism, alongside wider steps to roll out neighbourhood policing and deliver a more effective criminal justice system; and
- protecting the UK's security by increasing spending on counter-terrorism, intelligence and resilience from £2 ½ billion in 2007-08 to £3 ½ billion in 2010-11, within a new single security and intelligence budget for counter-terrorism.

Further details on these and other measures are set out below. Details of the Public Service Agreements supporting stronger communities and a better quality of life are set out in Press Notice 3. Details of the 2007 Comprehensive Spending Review departmental settlements are set out in Press Notice 4, including:

- The Department of Health, including adult social care
- The Department for Communities and Local Government, including housing
- The Department for Culture, Media and Sport, including the Olympics and Paralympics
- The Home Office, the Ministry of Justice and Law Officers' Departments
- Counter-terrorism and security

## **Planning Charge**

The Government has consulted extensively about the best way to ensure that local communities receive more of the benefits from planning gain, to invest in necessary infrastructure and transport. Legislation in the forthcoming Planning Reform Bill will empower Local Planning Authorities in England to apply new planning charges to new development alongside negotiated contributions for site-specific matters. The charges will be used to finance the infrastructure proposed by the development plan for the area, including regional and sub-regional infrastructure. The Housing Minister will publish further details in a statement today. Legislation implementing Planning-gain Supplement, which was a new levy proposed by Kate Barker's review of Housing Supply in 2004 and the subject of extensive consultation, will therefore not be introduced in the next Parliamentary session.

## **A MORE SECURE, FAIR AND ENVIRONMENTALLY SUSTAINABLE WORLD**

The Government is committed to ensuring that the UK plays a leading role in responding to the global challenges of climate change, meeting the Millennium Development Goals including tackling poverty, and promoting peace and stability. The 2007 Pre-Budget Report and Comprehensive Spending Review set out the next stage in the Government's strategy to meet these challenges.

### **Tackling climate change, including:**

- **increasing the Department for Environment, Food and Rural Affairs' budget by an average of 1.4 per cent a year in real terms, from £3,508 million in 2007-08 to £3,960 million in 2010-11.** This includes increasing funding for flood and coastal erosion risk management from £600 million in 2007-08 to £800 million in 2010-11;
- **creating an Environmental Transformation Fund of £1.2 billion over the CSR07 period,** to support the demonstration and deployment of new energy and efficiency technologies in the UK and to advance poverty reduction through environmental protection in developing countries;
- **publishing the interim report of the King Review** on vehicle and fuel technologies which over the next 25 years could help 'decarbonise' road transport; and
- **replacing air passenger duty with a duty payable per plane rather than per passenger, from 1 November 2009.**

### **Tackling global poverty through:**

- **increases to the Department for International Development's (DfID) budget by 11 per cent per year in real terms over the CSR07 period, from £5.4 billion in 2007-08 to £7.9 billion in 2010-11; and**
- **an overall CSR07 settlement that puts the UK on track to spend 0.56 per cent of Gross National Income (GNI) on Official Development Assistance (ODA) by 2010-11, meeting the EU's collective commitment, and on course to reach 0.7 per cent of GNI by 2013;**

### **Securing international peace and stability, through:**

- **a new Stabilisation Aid Fund jointly managed by DfID, the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD) worth over £260 million during the CSR07 period, for conflict stabilisation activity in volatile or hostile areas;**
- **an increase for the MoD budget of 1.5 per cent a year in real terms over the CSR07 period, enhancing capability including funding for two new aircraft carriers, new protected vehicles for the Army, further Air Transport capability, while providing the resources necessary to sustain the UK's nuclear deterrent; and**
- **a CSR07 settlement for the FCO, which enhances security across the overseas diplomatic network, funds a new embassy in Kabul, and provides an additional £21 million by 2010-11 for a Farsi TV service and for a 24/7 Arabic TV service.**

Further details on these and other measures are set out below. Details of the Public Service Agreements supporting a more secure, fair and environmentally sustainable world are set out in Press Notice 3. Details of the 2007 Comprehensive Spending Review departmental settlements are set out in Press Notice 4, including:

- The Department for the Environment, Food and Rural Affairs
- The Department for International Development
- The Ministry of Defence
- The Foreign and Commonwealth Office

## **King Review**

Budget 2007 announced a review, led by Julia King, to examine the vehicle and fuel technologies which over the next 25 years could help to decarbonise transport, particularly cars. The Government welcomes the Review's interim report, published today. The Review's final report, including policy recommendations, will be published in time to inform Budget 2008.

## **Company car fuel benefit charge**

The PBR announces that from April 2008 the fixed figure on which the company car fuel benefit charge is based will be increased, from £14,400 to £16,900, to enhance the environmental incentive to drive fewer miles.

## **Aviation Tax**

The Government today announces that it intends to replace Air Passenger Duty (APD) with a new per plane duty which will take effect from 1<sup>st</sup> November 2009. The new per plane aviation duty will send an improved signal of environmental costs and ensure aviation makes a greater contribution to covering its environmental costs. The Government will work closely with industry and stakeholders to consult on the detail of this tax and will begin a consultation shortly. This consultation will consider ways to make aviation duty better correlated to distance travelled and ways to encourage more planes to fly at full capacity. In introducing this duty, the Government will also take into account the impact on freight and transit and transfer passengers, consistent with its wider economic and social objectives.

Following earlier consultation, with effect from 1 November 2008, the Government will also correct an anomaly to ensure passengers on business class only flights are liable for the standard rates of Air Passenger Duty.

Air Passenger Duty rates will be frozen at their current rates for 2008/2009.

## **Biofuels**

In June this year, the Government announced that from 2010 the Renewable Transport Fuels Obligation, which will be the principle mechanism for supporting biofuels from April 2008, will reward biofuels according to the carbon that they save. In addition, from 2011, the RTFO will also only reward biofuels that meet appropriate sustainability standards, enhancing the environmental focus of the RTFO. The Government has today laid in Parliament the draft RTFO Order to prepare for the introduction of the RTFO in April 2008.

The RTFO will provide all biofuel producers with a valuable incentive to produce the cleanest sustainable biofuels. The Government has been pursuing state aid clearance for an enhanced capital allowance (ECA) for the cleanest biofuel plant. However it has become clear that in order to make it compliant it would offer little value to the limited number of businesses who would be eligible whilst introducing considerable administrative complexity and uncertainty. As such the Government has decided to focus on ensuring that the RTFO encourages the production of the cleanest and most sustainable biofuels, and will therefore not pursue state aid clearance for the proposed ECA.

### **Publication of “Moving to a Global Low Carbon Economy: Implementing the Stern Review”**

The Government is today publishing “Moving to a Global Low Carbon Economy: Implementing the Stern Review” which sets out how the Government is taking forward the Stern Review and incorporating its findings within Government policies.

The document also provides a forward look at the Government’s planned international and domestic actions over the coming months in delivering lasting emissions reductions to reduce the likelihood of dangerous climate change.

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### **NOTES FOR EDITORS**

The 2008-09 rates and allowances for Income Tax, National Insurance Contributions, the Working and Child Tax Credits and Child Benefit/Guardian’s Allowance will be published after the September RPI becomes available.

#### **Air Passenger Duty Rates**

<b>Effective Date</b>	<b>EEA</b>		<b>Non-EEA</b>	
	Reduced	Standard	Reduced	Standard
2008-09	£10	£20	£40	£80

Following earlier consultation, with effect from 1 November 2008 the Government will also correct an anomaly whereby passengers on ‘business class only’ flights are liable for reduced rates of APD.