

Estimated costs of the principal tax expenditure and structural reliefs

	£m	
Tax Expenditures	2010-11	2011-12
Income tax ¹		
Relief for:		
Registered pension schemes ^{2*}	20800	18900
Share Incentive Plan [*]	180	185
Save As You Earn ^{3*}	130	250
Enterprise Management Incentives [*]	100	100
Approved Company Share Option Plans [*]	55	50
Individual Savings Accounts ⁴	1900	2100
Venture Capital Trusts ^{5*}	140	150
Enterprise Investment Scheme ^{5*}	170	260
Professional subscriptions [*]	85	85
Employer Supported Childcare ^{6*}	310	380
Rent a room [*]	90	90
Seafarers' Earnings Deduction [*]	180	190
Exemption of:		
First £30,000 of payments on termination of employment [*]	900	900
Interest on National Savings Certificates including index-linked certificates [*]	250	250
Premium Bond prizes [*]	130	130
Income of charities ^{7*}	1500	1550
Foreign service allowance paid to Crown servants abroad [*]	85	75
Personal Tax Credits ⁸	5540	4800
Operational allowance for members of armed forces	55	60
Corporation tax		
R&D tax credits ^{9*}	860	880
National insurance contributions		
Relief for:		
Share Incentive Plan [*]	115	125
Save As You Earn [*]	85	170
Operational allowance for members of armed forces	40	50
Foreign service allowance paid to Crown servants abroad [*]	65	65
Employer Supported Childcare ^{6*}	220	290
Employer contributions to registered pension schemes ^{10*}	8300	8200
Capital gains tax		
Exemption of gains arising on disposal of only or main residence ^{11*}	13300	11500
Relief for entrepreneurs' qualifying business disposals ^{11, 12*}	1200	1200
Inheritance tax		
Relief for:		
Agricultural property [*]	275	285
Business property [*]	335	335
Exemption of transfers to charities on death [*]	435	445
Value added tax ¹³		
Zero-rating of:		
Food	13450	15700
Construction of new dwellings (includes refunds to DIY builders) [*]	5000	6250
Domestic passenger transport	2750	3200
International passenger transport (UK portion) [*]	150	200
Books, newspapers and magazines	1450	1700
Children's clothing	1350	1550
Water and sewerage services	1650	1900
Drugs and supplies on prescription	1950	2300
Supplies to charities ^{14*}	200	250
Certain ships and aircraft	500	600
Vehicles and other supplies to disabled people ¹⁴	500	550
Reduced rate for: ¹⁵		
Domestic fuel and power	4550	5450
Certain residential conversions and renovations	200	250
Landfill tax		
Exemption of waste for contaminated land	80	95
Climate change levy		
Reduced rate for participants in Climate Change agreements	175	135
Exemption of electricity generated from certain renewable resources ¹⁶	75	80
Exemption of supplies (other than self-supplies) to CHP stations	140	170
Exemption of electricity provided to third parties from certain combined Heat and Power schemes	65	85
Hydrocarbon oils duty		
Rate differential for biofuels	80	160
Structural Reliefs		
Income tax ¹		
Personal allowance	51800	60100

Corporation tax		
Life companies reduced rate of corporation tax on policy holders' fraction of profit *	400	400
Tonnage tax ¹⁷	50	45
Income tax and corporation tax		
Double taxation relief and foreign dividends exemption *	15000	15000
National insurance contributions		
Primary Threshold	13800	18700
Secondary Threshold	16600	21700
Lower Profits Limit	850	1100
Contracted-out rebate occupational schemes: *		
Rebates deducted at source by employers	7500	7240
Rebates paid by the National Insurance Contributions office direct to the scheme	200	190
Contracted-out rebate personal and stakeholder pension schemes	2000	1880
Value added tax ¹³		
Refunds to:		
Northern Ireland Government bodies of VAT incurred on non-business purchases under the Section 99 refund scheme	300	350
Local Authority-type bodies of VAT incurred on non-business purchases under the Section 33 refund scheme (includes museums and galleries under the Section 33A refund scheme)	8450	9050
Central Government, Health Authorities and NHS Trusts of VAT incurred on contracted-out services under the Section 41(3) refund scheme	5800	5800
Hydrocarbon oils duty		
Tied oils scheme (Industrial Relief Scheme) ¹⁸	1550	1550
Climate change levy		
Supply of taxable commodities not for burning or consuming in the UK	330	335
Reliefs with Tax Expenditure and Structural Components		
Income tax ¹		
Age-related Personal allowances ¹⁹	2800	2200
Married Couple's Allowance ²⁰	340	310
Exemption of:		
British Government securities where owner not ordinarily resident in UK *	2700	3100
Child benefit	1205	1217
Attendance allowance *	260	310
Disability living allowance *	720	700
War disablement benefits / Widows pension *	80	90
Corporation tax		
Small companies' reduced corporation tax rate	3180	3080
Exemption for gains on substantial shareholdings	260	260
Income tax and corporation tax ¹		
Capital allowances ^{21*}	17000	20000
Of which:		
Annual Investment Allowance ²²	2000	2000
Capital gains tax		
Exemption of:		
Annual exempt amount (half of the individual's exemption for trustees) *	2500	2300
Gains accrued but unrealised at death ^{23*}	560	600
Petroleum revenue tax ²⁴		
Oil allowance	320	240
Tariff receipts allowance	60	40
Inheritance tax		
Nil rate band for chargeable transfers not exceeding the threshold ^{28*}	11000	11000
Exemption of transfers on death to surviving spouses ^{25*}	2200	2200
Stamp duty land tax		
Exemption of transfers of residential land and property where the consideration does not exceed the £125,000 threshold and non-residential land and property where the consideration does not exceed the £150,000 threshold ^{26*}	280	290
Transfers to charities	120	110
Group relief	680	640
Transfers to registered social landlords	120	30
Alternative property finance	120	10
National insurance contributions		
Reduced contributions for self-employed not attributable to reduced benefit eligibility	1450	1650
Value added tax ¹³		
Exemption of: ²⁷		
Rent on domestic dwellings *	5600	6500
Supplies of commercial property *	400	450
Education *	2050	2400
Health Services *	1400	1600
Postal services	200	200
Burial and cremation	150	200
Finance and insurance *	4450	5650
Betting and gaming and lottery duties *	1250	1450
Small traders below the turnover limit for VAT registration *	1500	1700
Air Passenger Duty		
Exemption for Cabin Crew	120	135
Vehicle Excise Duty		
Exemption for disabled motorists	220	210
Exemption for Historic Cars	50	55

¹These figures are particularly tentative and subject to a wide margin of error.

¹The costs of the personal income tax allowances do not cover individuals who are not on HMRC records because their income is below the tax threshold.

²The cost of the tax relief is calculated as the tax that would be paid by registered pension schemes if they were not registered with HMRC and thus not able to benefit from the tax privileges associated with being a registered pension scheme. The figure is the sum of the front-end relief on contributions plus the relief on investment income of funds net of tax paid on current pension payments.

³Excludes the cost of the tax-free bonus or interest received under a Save As You Earn contract.

⁴Cash and stocks & shares ISA limits were increased to £5,100 and £10,200 respectively from 6 April 2010.

⁵These figures include the capital gains tax cost as well as the income tax cost.

⁶These figures include childcare vouchers and directly contracted childcare but not workplace nurseries.

⁷These figures comprise the total sum paid to charities and other qualifying bodies in respect of income tax deducted at source from eligible investment income and basic rate tax relief on donations under the Gift Aid scheme. Information is not available about income received by these bodies without deduction of tax, and no allowance is made for this. The figures also include an estimate of income tax relief, which is received by donors. In terms of the columns of Table 10.2, these figures correspond to Tax Repayments plus Payroll Giving plus Gifts of shares and property plus Higher rate relief. These figures will be subject to revision when it becomes possible to account for the effect of the introduction of the Additional Rate.

⁸These figures represent only the negative tax element of the tax credit payments. Negative tax is that part of the tax credit that is less than or equal to the tax liability of the family. The equivalent figures for the public expenditure element of tax credit payments are £23,335 million in 2010-11 and £25,255 million in 2011-12.

⁹These figures represent only the negative tax element of R&D tax credits. Negative tax is that part of the tax relief due to the enhanced expenditure (i.e. amounts in excess of 100 per cent of the expenditure) which offsets liability to corporation tax. Directly payable tax credits are treated as public expenditure and are not included in these figures. The equivalent figures for the public expenditure element of R&D tax credits are £190 million in 2010-11 and £200 million in 2011-12.

¹⁰This value of the National Insurance Contribution relief is based on the assumption that should registered pension schemes become not registered with HMRC, employer contributions to them would be subject to NI charges as if they were earnings.

¹¹The estimated cost of this exemption from capital gains tax does not represent the yield if this exemption were to be abolished, as consequential behavioural effects would substantially reduce yield.

¹²Entrepreneurs' relief is available to individuals and partners and certain trustees. Where qualifying conditions are met it applies to, broadly: sales of the whole or part of an unincorporated trading business, including trading partnerships; disposals of former trade assets after the unincorporated business has ceased; disposals by directors/employees of shareholdings of 5% or more in trading companies (and holding companies of trading groups); disposals of trade assets associated with qualifying disposals of partnership interests or shares; disposals by trustees where a beneficiary has a qualifying interest in the company/business in question.

¹³Some of these tax expenditures and reliefs are mandatory or permitted under the EC 6th VAT Directive and some are derogations from the Directive. All the cost estimates relating to VAT are based on the actual standard rate of VAT that applied in the relevant periods

¹⁴Costs exclude the zero-rating of items appearing elsewhere in the list.

¹⁵The figures for all reduced-rate items are estimates of the cost of the difference between the standard rate of VAT and the reduced rate of 5 per cent.

¹⁶Supplies of electricity derived from renewable sources excluding those from hydro-electric stations with more than 10 Megawatts generating capacity.

¹⁷A concessionary tax regime for shipping companies. The estimates are for reductions in tax liabilities accruing for the years shown.

¹⁸Exempt oils used for purposes other than heating and in engines.

¹⁹These figures represent the cost of the excess of the age-related personal allowance over the corresponding allowances of non-aged taxpayers. They include £45 million in 2010-11 and £45 million in 2011-12 for the cost of the higher age-related allowances for those aged 75 and over.

²⁰Available to people born before 6 April 1935. Tax relief is given at the rate of 10 per cent of the allowance.

²¹The estimates for capital allowances are calculated as reductions in tax liabilities accruing for the years shown and take account of estimated balancing charges.

²²The Annual Investment Allowance enables 100% deductions to be made for qualifying expenditure in the year in which it is made up to a maximum level which was £100,000 in 2010/11 and 2011/12.

²³These estimates assume that assets transferred between spouses or civil partners on death would be exempt from capital gains tax.

²⁴The figures are net of any consequential effect on corporation tax and represent the effect on calendar year accruals in 2010 and 2011. The cost of all types of expenditure relief (i.e. capital expenditure, including uplift, operating expenditure and exploration and appraisal expenditure) is £1,900 million in 2010-11 and £2,000 million in 2011-12. These figures reflect the fact that, in the case of petroleum revenue tax, no distinction is made between revenue and capital.

²⁵Includes civil partnerships. These costs are only in respect of transfers for which an account is submitted to HMRC.

²⁶Ignores the temporary increase in the £125,000 threshold to £175,000 for residential transactions (from September 2008 to December 2009) and the temporary increase in the £125,000 threshold to £250,000 for first time buyers of residential property from late March 2010 to end March 2012

²⁷Traders are unable to charge output tax on exempt goods and services, but are also unable to reclaim input tax. These estimates reflect the net effect of the VAT exemption, compared to applying the standard rate of VAT. There may also be some additional revenue gain as a result of the exemption; some of the costs of irrecoverable input tax may be reflected within the prices of intermediate goods and services. This could then feed through the supply chain to the final prices of other taxable goods and services, and to the amount of VAT collected on them. This additional effect is not included in the estimates explicitly.

²⁸Includes the cost of the transferable nil rate band.