

## Direct effects of illustrative changes<sup>1</sup>

	£m				
	2017-18	2018-19	2019-20	Note	
<b>Income Tax rates</b>					
Change starting rate for savings income by 1p	Neg	5	5	2	
Change savings basic rate by 1p	Neg	15	15		
Change basic rate by 1p	3900	4450	4500	3	
Change Scottish Rate of Income Tax by 1p	-	-	-	4	
Change higher rate by 1p	750	1050	1000		
Change additional rate by 1p					
Increase (yield)	60	105	95		
Decrease (Cost)	75	135	125		
<b>Income Tax allowances and reliefs</b>					
Change personal allowance by £100	565	650	640		
Change aged income limit by £500	Neg	Neg	Neg		
Change all personal allowances by 1 per cent	675	775	755		
Change all personal allowances by 10 per cent	6550	7700	7750		
Change Savings allowance by £100 for BR and £50 for HR taxpayers	Neg	15	15		
Change dividend allowance by £1,000	Neg	220	180		
<b>Income Tax limits</b>					
Change starting rate limit for savings income by £100	Neg	Neg	Neg		
Change basic rate limit by 1 per cent	235	285	270		
Change basic rate limit by 10 per cent:					
Increase (cost)	2200	2950	2950		
Decrease (yield)	2600	3550	3550		
<b>Income Tax allowances, starting and basic rate limits</b>					
Change all main allowances, starting and basic rate limits by 1 per cent	905	1050	1050		
Change all main allowances, starting and basic rate limits by 10 per cent:					
Increase (cost)	8600	10500	10500		
Decrease (yield)	9750	11450	11550		
<b>Working Tax Credit</b>					
Increase basic element by £100 (cost)	310	310	300		
Decrease basic element by £100 (yield)	300	300	290		
Increase 30-hour element by £100 (cost)	210	210	200		
Decrease 30-hour element by £100 (yield)	200	200	200		
Increase additional elements for couples and lone parents by £100 (cost)	280	270	260		
Decrease additional elements for couples and lone parents by £100 (yield)	270	260	270		
<b>Child Tax Credit</b>					
Increase family element by £100 (cost)	380	370	360	5	
Decrease family element by £100 (yield)	390	380	350	5	
Increase child element by £100 (cost)	760	750	710		
Decrease child element by £100 (yield)	730	720	710		
<b>Common Features</b>					
Increase income threshold by £100 (cost)	100	100	100		
Decrease income threshold by £100 (yield)	100	100	110		
<b>Corporation tax</b>					
Increase Corporation tax by 1 percentage point	750	2030	2410	6	
<b>Capital gains tax</b>					
Increase entrepreneurs' relief rate by 1 percentage point	10	160	185		
Increase lower capital gains tax rate by 1 percentage point	neg	15	15		
Increase higher capital gains tax rate by 1 percentage point	15	75	55		
Increase annual exempt amount by £500 for individuals and £250 for trusts	0	20	25		
<b>Inheritance tax</b>					
Increase standard rate for estates left on death by 1 percentage point	45	105	120		
Increase nil rate band by £5,000 (cost)	30	65	75		
<b>National insurance contributions rates</b>					
Change Class 1 employee main rate by 1 percent point	3900	4050	4250		
Change Class 1 employee additional rate by 1 percent point	780	790	810		
Change Class 1 employer rate by 1 percentage point	4750	4900	5100	7	
Change Class 2 rate by £1 per week	160	0	0	19	
Change Class 4 main rate by 1 percentage point	320	330	340		
Change Class 4 additional rate by 1 percentage point	190	200	200		
<b>National insurance contributions limits</b>					
Change employee entry threshold by £2 per week	290	260	290		
Change employer threshold by £2 per week	300	330	330		
Change lower profits limit by £104 per year	25	25	25		
Change upper profits limit by £520 per year	10	10	10		
Change upper earnings limit by £10 per week	170	170	170		
<b>One per cent change on:</b>					
Beer and cider duties	<b>Indicative level of current duty on a typical item</b>				
Wine duties	Pint of beer: 44p	30	25	25	8 & 9
Spirits duties	75cl bottle of table wine: £2.08	40	40	45	8 & 10
Tobacco duties	70cl bottle of spirits: £7.51	25	25	25	8 & 11
Petrol	Packet of 20 cigarettes: £5.26	20	10	10	8 & 12
Diesel	Litre of petrol: 57.95p	90	85	85	8
Rebated oil	Litre of diesel: 57.95p	175	180	185	8
Landfill tax	Litre of gas oil: 11.14p	5	5	5	8
Climate change levy	Tonne of waste: £2.60/£82.60	5	5	5	8 & 17
Aggregates levy	100kWh of business electricity: 54.1p	10	10	10	8
	Tonne of aggregate: £2.00	5	5	5	8
<b>Vehicle excise duty</b>					
Increase rates by £1 for motorbikes and £5 for all other vehicles	e.g. Petrol/diesel cars band G: £180	175	165	155	8 & 13
<b>Air passenger duty</b>					
Increase reduced rate by £1	e.g. Band A economy flight: £13	105	110	115	8 & 14
<b>VAT</b>					
Change reduced rate by 1 percentage point		320	340	360	
Change standard rate by 1 percentage point		5750	5950	6200	

**Insurance premium tax**

Change standard rate by 1 percentage point	415	425	425
Change higher rate by 1 percentage point	15	15	15

**Stamp duty land tax**

Cut 2 per cent marginal rate by 1 percentage point (Cost)	695	745	795	15 & 18
Raise 2 per cent marginal rate by 1 percentage point (Yield)	675	725	770	15 & 18
Cut 5 per cent marginal rate by 1 percentage point (Cost)	700	790	880	15 & 18
Raise 5 per cent marginal rate by 1 percentage point (Yield)	660	750	840	15 & 18
Cut 10 per cent marginal rate by 1 percentage point (Cost)	70	80	90	15 & 18
Raise 10 per cent marginal rate by 1 percentage point (Yield)	70	75	90	15 & 18
Cut 12 per cent marginal rate by 1 percentage point (Cost)	75	90	100	15 & 18
Raise 12 per cent marginal rate by 1 percentage point (Yield)	65	80	90	15, 16 & 18
Increase £125,000 threshold by £10,000 (Cost)	150	155	165	15 & 18
Decrease £125,000 threshold by £10,000 (Yield)	155	160	170	15 & 18

**Table updated in November 2016**

**1** Estimates are measured from the relevant standard indexed base, i.e. they show the impacts of the various illustrative changes on top of what is already assumed in the indexed baseline (generally revalorisation plus any announced pre-committments, including rounding rules). The changes are applied from April 2017.

**2** Assumes minimum savings allowance of 20%.

**3** Excluding savings and dividends income.

**4** Income tax rates and thresholds for non-savings, non-dividend income will be devolved for to the Scottish Parliament from 2017-18. An agreement between the UK and Scottish Governments on the Scottish Government's fiscal framework sets out revised funding arrangements in light of this devolution of powers. As a result of this agreement all Income Tax illustrative changes above (apart from those exclusively for savings or dividends income) show the exchequer impact on the UK Government (i.e. the impact on Income Tax revenues from England, Wales, and Northern Ireland, plus the associated change in the Scottish Government's block grant).

**5** Excluding family element, baby addition.

**6** The figures are produced on the same basis as the Office for Budget Responsibility's Autumn Statement 2016 Corporation Tax forecast and so show the estimated effects on Corporation Tax receipts for the Exchequer, excluding any effects related to the change in Corporation Tax payment due dates for companies/groups with chargeable profits over £20m for accounting periods starting from April 2019.

**7** Estimates include Class 1A and Class 1B national insurance contributions paid by employers.

**8** These figures are illustrative as at November 2016.

**9** Beer and cider: revenue figures are based on duty increases on beer below 22% abv, still cider exceeding 1.2% but less than 8.5% abv and sparkling cider exceeding 1.2% up to 5.5% abv. A typical item of beer is assumed to be approximately 4.2% abv.

**10** Wine: revenue figures are based on duty increases for wine and made wine from 1.2% but not exceeding 22% abv. Also including sparkling cider from 5.5% to 8.5% abv. A typical item of wine is assumed to be still wine of 5.5% to 15% abv.

**11** Spirits: revenue figures are based on duty increases on products of 22% abv and over. A typical item of spirits is assumed to be 38.8% abv. Also included are spirits based RTDs.

**12** Duty on cigarettes has specific and ad valorem elements. The figures shown are for a one per cent change in specific duties for all tobacco products. For cigarettes, it represents the duty at the weighted average price. Implementing a change directly after a fiscal event leads to a larger change in receipts in the first year and smaller changes in subsequent years as a smaller consumption response is expected in the first year than in later years. This does not apply to changes announced in advance.

**13** At Budget 2015, the basis for the ready reckoner for VED was revised to increase motorcycle rates by £1 and all other rates by £5, which reflects the rounding of VED rates to the nearest £1/£5. For Autumn Statement 2015, the methodology was further revised to exclude vehicles in the zero rate category from the indicative change. From April 2017, a new VED system comes into effect for cars purchased on that date and later. Existing cars will continue to pay the rates of the old system. First year rates are linked to carbon emissions, but all cars pay a flat standard rate of £140. Cars costing in excess of £40,000 are liable to an additional supplement of £310 on the standard rate for 5 years. Due to these changes the estimates are not directly comparable to earlier versions of this publication.

**14** At Budget 2016, the basis for the ready reckoner for APD was revised to increase the reduced rate by £1, which reflects that actual APD rates are rounded to the nearest £1. Standard rates and premium rates are set at 2 and 6 times the reduced rate. Due to this change of methodology, the estimates in this publication are not directly comparable to previously published estimates up to and including Autumn Statement 2015, which were provided on the basis of a 1 per cent change in the rate. Revenues from Scottish APD are included in this ready reckoner. APD will be devolved to Scotland in 2018-19, at which point the ready reckoner will be amended to show the exchequer impact on the UK Government (i.e. the impact on APD revenues from England, Wales and Northern Ireland, plus the associated change in the Scottish Government's block grant).

**15** Estimates for just residential transactions, but does not account for additional properties rates being applied.

**16** We have used our standard behavioural assumptions. However, marginal rates in excess of 12% are outside of HM Revenue & Customs or the Office for Budget Responsibility's standard behavioural assumptions so these estimates should be treated with additional caution.

**17** Landfill Tax was devolved to Scotland from 1 April 2015. The ready reckoner does not include Scotland.

**18** At Autumn Statement 2016 in agreement with OBR the forecasting model was changed to include base year data for periods after the December 2014 stamp duty reform was introduced. For this reason these estimates are not directly comparable with previous releases.

**19** As announced at Budget 2016 Class 2 National Insurance contributions (NICs) were abolished effective from April 2018. The impact of illustrative changes are therefore 0 from 2018-19.