

Tax Fact File - February 2024

An update ahead of the 6
March Spring Budget



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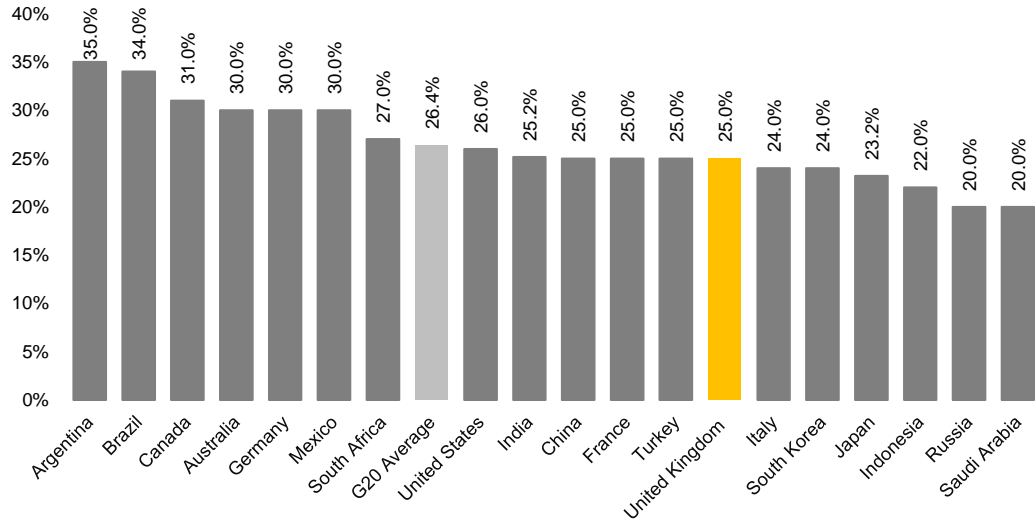
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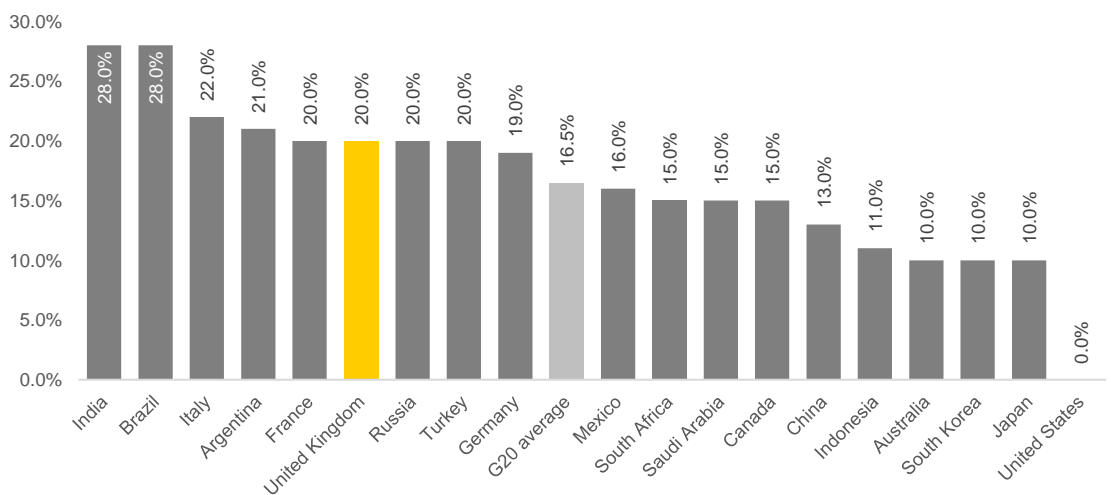
The UK's international position

Figure 1: Top corporate income tax rate (headline rate) (G20 countries, Q1 2024)



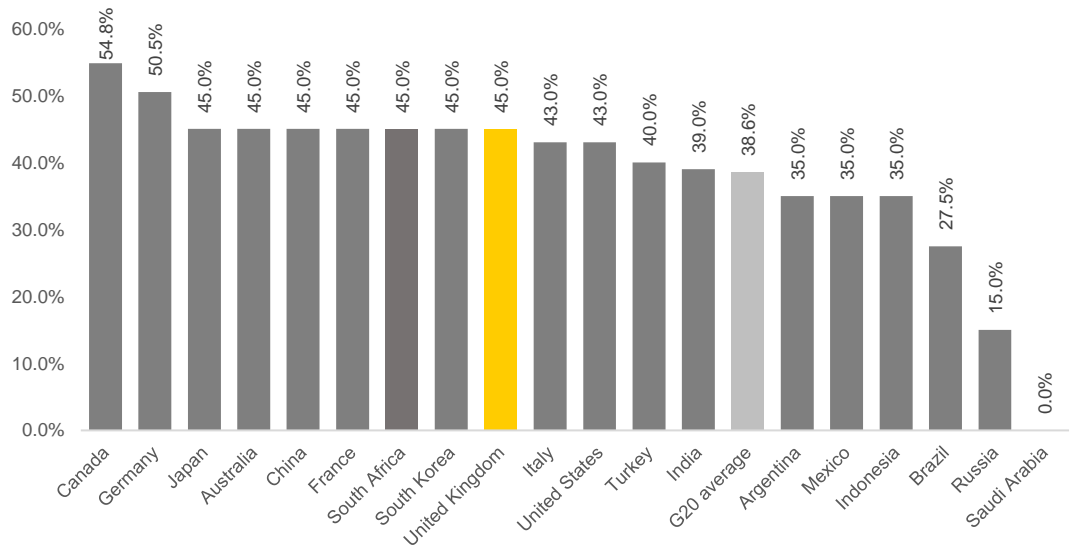
This chart shows the top national rate (in the first quarter of 2024). For the UK, it shows the corporate income tax rate since 1 April 2023. Where a jurisdiction additionally has local taxes, an average of the top local rates has been added on top. Sources: EY 2024 Tax Policy and Controversy Outlook and International Bureau of Fiscal Documentation.

Figure 2: Standard rate of Value Added Tax / Goods and Services Tax (G20 countries, Q1 2024)



This chart shows the standard national rate (in the first quarter of 2024). Where a jurisdiction has additional local taxes, an average of the standard local rates has been added on top. The United States has state and local sales taxes, but no national VAT/GST. Sources: EY 2024 Tax Policy and Controversy Outlook and International Bureau of Fiscal Documentation.

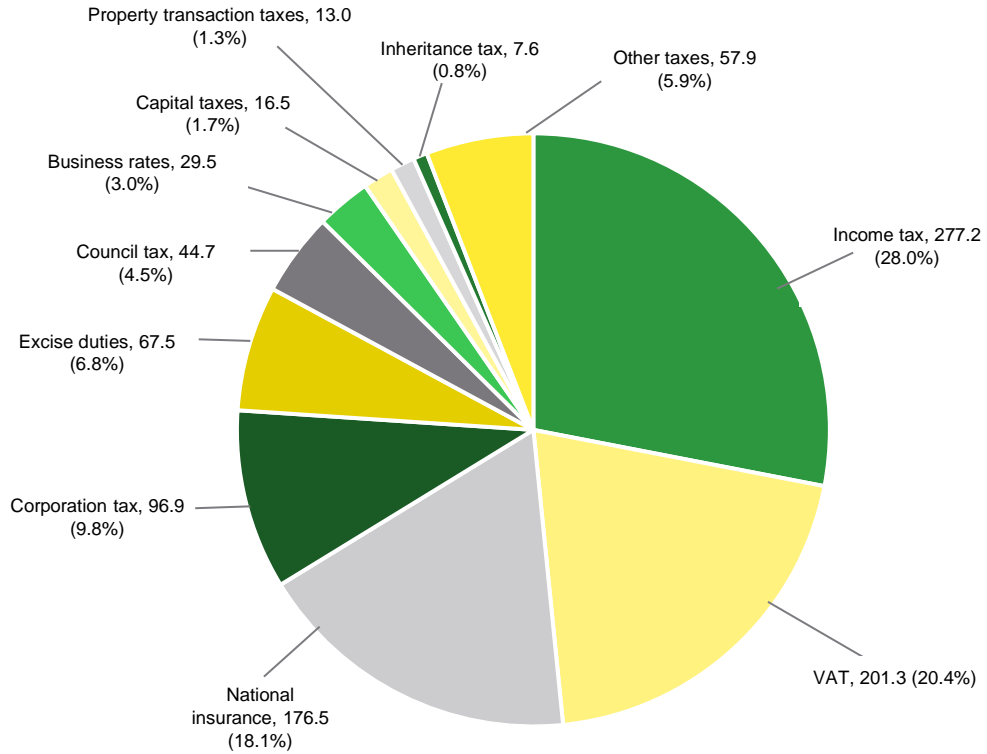
Figure 3: Top personal income tax rates (G20 countries, Q1 2024)



This chart shows the top national rate (in the first quarter of 2024). Where a jurisdiction has additional local taxes, an average of the standard local rates has been included. Sources: EY 2024 Tax Policy and Controversy Outlook and International Bureau of Fiscal Documentation.

Share of UK tax take (2023/24 forecast)

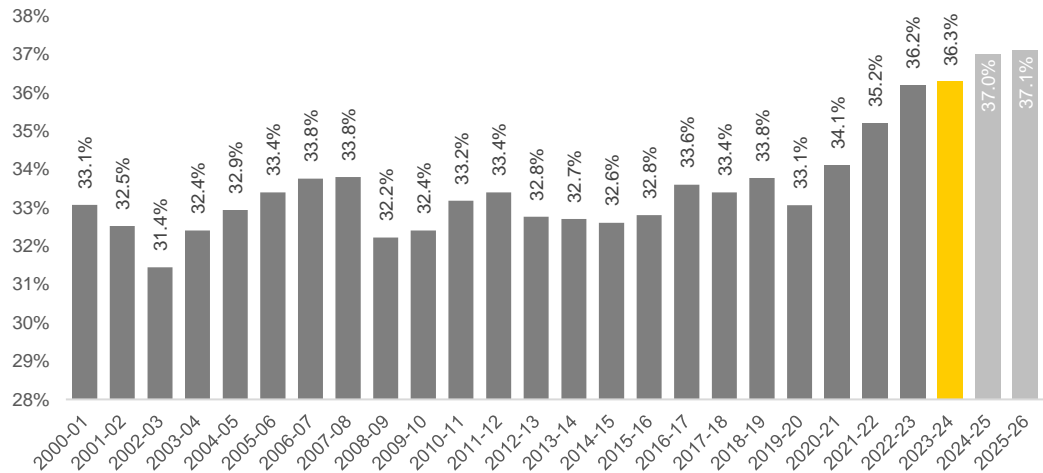
Figure 4: The UK tax take (2023/24 forecast, total £988.6 billion)



All amounts in billions (£b). Total UK tax take is £988.6 billion and refers to receipts classified as National Accounts taxes. Components may not sum to total due to rounding. Property transaction taxes include stamp duty land tax (SDLT), devolved property transaction taxes and the annual tax on enveloped dwellings (ATED). Other taxes include insurance premium tax, environmental levies, the emissions trading scheme, customs duty, stamp taxes on shares and other miscellaneous taxes. Source: Office for Budget Responsibility, Economic and Fiscal Outlook (November 2023).

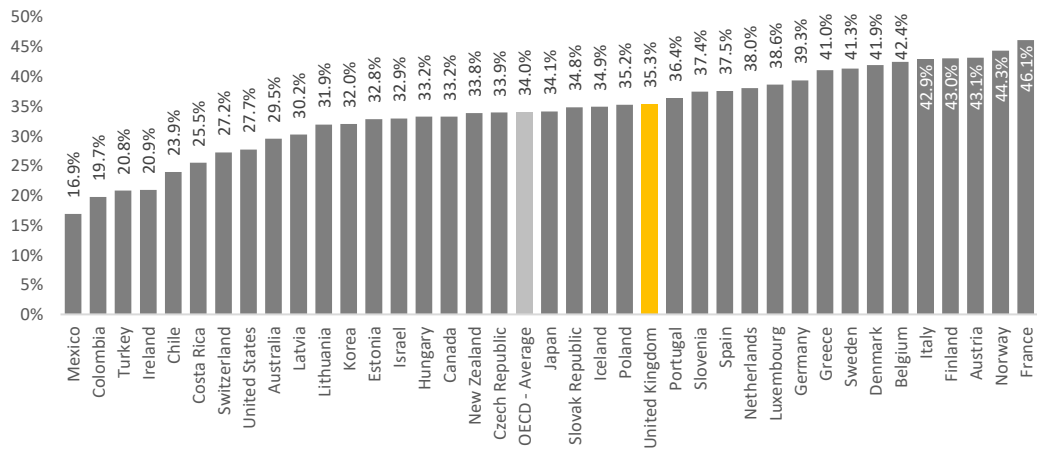
Tax revenues

Figure 5: UK National Accounts taxes as a percentage of GDP



National Accounts taxes as a share of GDP. Earlier years (dark grey) are based on actual figures, while the current year (yellow) and future years (light grey) are forecasts. Source: Office for Budget Responsibility, Public Finances Databank (January 2024).

Figure 6: Tax revenues in OECD countries as a percentage of GDP (2022)



The percentages for UK are slightly different in Figures 5 and 6 due to the different definitions used by the OECD and the UK Government. Data for 2022 are provisional and not yet available for Australia and Japan (for which data from 2021 has been used). Source: [OECD Revenue Statistics 2023](https://www.oecd.org/tax/oeecd-revenue-statistics-2023/).

Financial impact of potential changes

This section illustrates the financial impact of potential changes to the tax system in the Budget.

The examples and estimates are derived from the HM Revenue and Customs' illustrative tax changes bulletin, part of the most recent tax ready reckoner statistics published in January 2024. They are based on changes being implemented with effect from April 2024. The complete statistics, the assumptions underpinning them, and the relevant caveats are set out in full here: <https://www.gov.uk/government/statistics/direct-effects-of-illustrative-tax-changes>.

The effects of the illustrative changes can generally be scaled up or down to provide a reasonable guide to the potential effects. An increase of 2p in a tax rate will generate roughly twice as much as an increase of 1p.

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 public finances forecast baseline (generally revalorisation for inflation, plus any announced pre-commitments). Conclusions drawn from the data below should be considered only as a general guide.

Income Tax

Current income tax rates (2023/24)	Rate %	Tax Band
Starting rate for savings	0	£0-5,000
Basic rate	20	£12,571-50,270
Higher rate	40	£50,271-125,140
Additional rate	45	Over £125,140

Impact of changes to rates:

Income Tax ¹	2024/25	2025/26
Rates	£m	£m
Change starting rate for savings income by 1p ²	0	20
Change basic rate by 1p ³	6,000	7,350
Change higher rate by 1p ⁴	1,250	1,750
Change additional rate by 1p:		
▶ Increase (yield)	105	195
▶ Decrease (cost)	130	245

Example

Increasing the basic rate of tax by 2p would be expected to raise approximately £12b for 2024/25, and £14.7b for 2025/26.

Impact of changes to limits:

Income Tax	2024/25	2025/26
Limits	£m	£m
Change basic rate limit by 1%	405	570
Change basic rate limit by 10%:		
▶ Increase (cost)	3,750	5,350
▶ Decrease (yield)	4,450	6,250

Example

If the basic rate limit is increased by 10% to take more individuals out of the 40% band, it would be expected to cost approximately £3.75b for 2024/25. However, if the basic rate limit was decreased by 10% it would be expected to raise approximately £4.45b for 2024/25.

Note: The current HMRC official statistics do not include an estimate of the impact of changes to the higher rate limit, i.e. the point at which the additional rate starts to apply.

¹ Assumes minimum savings allowance of 20%.

² Excludes savings and dividends income.

³ Certain income tax rates and thresholds are devolved to the Scottish Parliament and the National Assembly for Wales. Income Tax illustrative changes above show the exchequer impact on the UK Government (i.e. the impact on Income Tax revenues from England and Northern Ireland, plus any associated change in the Scottish Government's and Welsh Government's block grants).

⁴ These Exchequer impacts include estimates of taxpayers' behavioural responses. There can be significant uncertainty around these modelling assumptions – particularly with relation to changes to the income tax and National Insurance Contribution rates of additional rate taxpayers.

Current income tax allowances	2023/24
Personal savings allowance*	1,000
Personal allowance**	12,570
Income limit for full personal allowance	100,000

*Personal savings allowance is reduced to £500 for higher rate taxpayers and to nil for additional rate taxpayers.

** The personal allowance is reduced by £1 for every £2 by which income exceeds £100,000.

Impact of changes to allowances:

Income Tax	2024/25	2025/26
Personal allowance	£m	£m
Change personal allowance by £100	665	860
Change all personal allowances by 1%	925	1,100
Change all personal allowances by 10%	9,100	10,600

Example

If the Chancellor increases the personal allowance by 10%, it would cost approximately £9.1b in 2024/25, and £10.6b in 2025/26.

Taxation of Gains

Capital gains rates and exemptions	2023/24
Main rates for individuals (lower/higher)	10%/20%
Rates for individuals for gains on residential property, and carried interest (lower/higher)*	18%/28%
Rate on gains subject to Business Asset Disposal Relief (BADR)	10%
BADR relief: lifetime limit on gains	£1,000,000
Annual exempt amount for individuals	£6,000 ⁵
Annual exempt amount for most trustees	£3,000 ⁶

*Rate for gains on residential property not eligible for Private Residence Relief

Impact of changes:

Capital gains tax	2024/25	2025/26
Rates and exemptions	£m	£m
Increase Business Asset Disposal Relief rate by 1 percentage point (yield)	5	125
Increase lower capital gains tax rate by 1 percentage point (yield)	0	25
Increase higher capital gains tax rate by 1 percentage point (yield)	5	175
Increase annual exempt amount by £500 for individuals and £250 for trusts (cost)	5	25

Example

If the Chancellor increased the higher capital gains tax rate by 1 percentage point, it is expected to raise, based on the existing predicted level of gains, approximately £5m for 2024/25 and £175m for 2025/26.

Note: Given the potentially significant behavioural impact of capital gains tax rate changes, extrapolating these numbers for significant changes in the rate of capital gains tax is not appropriate.

⁵ As part of the Autumn Budget in November 2022, it was announced that the annual exempt amount for individuals will reduce to £3,000 for 2024/25.

⁶ As part of the Autumn Budget in November 2022, it was announced that the annual exempt amount for most trustees will reduce to £1,500 for 2024/25.

Inheritance Tax

Current IHT rates and bands	2023/24
Rate (for estates)	40%
Reduced rate (for estates leaving 10% or more to charity)	36%
Rate (for chargeable lifetime transfers)	20%
Nil rate band limit	£325,000
Residence nil rate band limit	£175,000

Impact of changes:

Inheritance tax	2024/25	2025/26
Rates	£m	£m
Increase standard rate for estates left on death by 1 percentage point	75	160
Increase nil rate band by £5,000 (cost)	40	90

Example

Increasing the standard rate for estates left on death by 5 percentage points (from 40% to 45%) would raise around £375m for 2024/25, and around £800m for 2025/26.

National Insurance contributions

Current Class 1 contribution thresholds (weekly basis)		2023/24
Weekly Lower Earnings Limit (LEL)		£123
Weekly Primary Threshold (PT)		£242
Weekly Secondary Threshold (ST)		£175
Upper Earnings Limit (UEL)		£967
Current Class 1 contribution rates		2023/24
Employee primary contribution rate		
▶ Below LEL, and between LEL-PT		0%
▶ Between PT-UEL		10%/12% ⁷
▶ Above UEL		2%
Employer secondary contribution rate		
▶ Below ST		0%
▶ Above ST		13.8%

Impact of changes to rates:

Class 1 National Insurance contributions	2024/25	2025/26
Rates	£m	£m
Change Class 1 employee main rate by 1 percentage point	4,600	4,550
Change Class 1 employee additional rate by 1 percentage point	1,350	1,400
Change Class 1 employer rate by 1 percentage point ⁸	8,200	8,350

Example

Increasing the rate of Class 1 NIC paid by employers by two percentage points would be expected to raise approximately £16.4b for 2024/25.

⁷ The rate between the Primary Threshold and Upper Earnings Limit was 12% from 6 April 2023 to 5 January 2024, and 10% from 6 January 2024 to 5 April 2024.

⁸ A change to the rate of Class 1 employer national insurance contributions (NICs) would have substantial additional negative Exchequer effects from earnings and business profits depending on the assumed incidence of an employer NICs rate increase. These judgements are made by the Office of Budget Responsibility with the effects captured in their economic and fiscal forecasts. These effects are not captured here.

Impact of changes to thresholds and limits:

Class 1 National Insurance contributions	2024/25	2025/26
Limits	£m	£m
Change employee entry threshold by £2 per week	240	250
Change employer threshold by £2 per week	390	390
Change lower profits limit by £104 per year	20	15
Change upper profits limit by £520 per year	10	10
Change upper earnings limit by £10 per week	220	230

Example

If the Chancellor decides to increase the employee entry threshold by £10 per week, it would be expected to cost approximately £1.2b for 2024/25.

**Current Class 4 contribution rates and thresholds
(Self-employed)**

2023/24

Class 4: Self-Employed main rate	9%
Class 4: Self-Employed additional rate	2%

Impact of changes:

National Insurance contributions	2024/25	2025/26
Rates	£m	£m
Change Class 4 main rate by 1 percentage point	355	385
Change Class 4 additional rate by 1 percentage point	260	290

Corporation Tax⁹

Current corporation tax rates		2023/24
Main rate		25%
Small profits rate		19%

Impact of changes:

Corporation tax	2024/25	2025/26
Rate	£m	£m
Increase corporation tax rates by 1 percentage point	3,500	3,700

Example

If the Chancellor decides to further increase the corporation tax rates by 1 percentage point, it is expected to raise approximately £3.5b in revenue for 2024/25, and £3.7b for 2025/26.

⁹ The main rate of Corporation Tax was increased to 25% as of 1 April 2023. A small profits rate of 19% applies to profits up to £50,000, and the benefit of this tapers away until profits reach £250,000. The estimates take account of these changes. The fiscal impact of changes may not be linear for large percentage changes in the rate.

Alcohol and Tobacco Duties

Indicative level of current duty on a typical item	2023/24
Pint of beer	51p
75cl bottle of table wine	£2.67
70cl bottle of spirits	£8.56
Packet of 20 cigarettes	£8.47

Impact of changes:

One per cent change	2024/25	2025/26
Duties	£m	£m
Beer and cider duties ¹⁰	25	30
Wine duties ¹¹	40	45
Spirits duties	40	45
Tobacco duties	10	25

Examples

Raising the duty on beer and cider by 5% would be expected to raise the Chancellor approximately £125m for 2024/25. A 1% increase in tobacco duties would be expected to raise £10m for 2024/25.

¹⁰ The level of duty for a pint of beer reflects rates for an off-trade product. Draught beer has a lower rate as of 1 August 2023 with the duty on a pint of 4.3% ABV (1 d.p.) beer being 46p. The duty paid on beer and cider is relative to the alcoholic strength of drink, therefore exact duty rates will vary with ABV.

¹¹ Since August 2023, the duty paid on wine has been relative to the alcoholic strength of the drink therefore, from then, exact duty rates vary according to ABV.

Transport and Environmental Taxes

Indicative level of current duty on a typical item	2023/24
Litre of petrol	52.95p
Litre of diesel	52.95p
Litre of rebated oil	10.18p
Air passenger duty on a Band A economy flight	£13
Landfill tax per tonne of waste	£3.30 ¹²
Climate change levy per 1kWh of business electricity	£0.00775
Aggregates levy per tonne of aggregate	£2.03

Impact of changes:

One per cent change	2024/25	2025/26
	£m	£m
Petrol	95	95
Diesel	160	165
Rebated oil	Neg	Neg
Landfill tax	5	5
Climate change levy	15	15
Aggregates levy	Neg	5

Change in amount	2024/25	2025/26
	£m	£m
Vehicle excise duty (Increase rates by £1 for motorbikes and £5 for all other vehicles)	195	205
Air passenger duty (Increase reduced rate by £1)	140	150

Example

Reducing vehicle excise duty by £5 for all vehicles apart from motorbikes would be expected to cost £195m.

¹² Landfill Tax has been devolved to Scotland and Wales. The estimates shown relate to England and Northern Ireland only.

VAT (Value Added Tax)

VAT rates and threshold	2023/24
Standard rate	20%
Reduced rate	5%
Zero rate	0%
Exempt	N/A
Registration threshold	£85,000

Impact of changes:

VAT	2024/25	2025/26
Rates and threshold	£m	£m
Change reduced rate by 1 percentage point	500	490
Change standard rate by 1 percentage point	8,450	8,700
Increase VAT threshold by £10,000 (cost)* ¹³	300	350

Example

If the Chancellor decided to increase the standard rate of VAT to 22% for 2024/25, it would be expected to raise approximately £16.9b.

If the Chancellor decided to increase the current VAT threshold of £85,000 to £95,000, this would be expected to cost approximately £300 million in 2024/25 and £350 million in 2025/26.

Further information

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*¹³ The financial impact of changes in the VAT threshold is not covered by the HMRC bulletin. These numbers have been calculated by EY, based on policy costings published by HM Treasury at Autumn Statement 2022. These estimated a cost of £310 million and £370 million for 2024/25 and 2025/26 respectively for freezing the VAT threshold for a further two years.

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